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MS Singapore Limited
Illustrative Annual Report 2018

Keeping pace with the changes in Financial Reporting

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Foreword

MS Singapore Limited and its Subsidiaries
Illustrative Annual Report 2018

Introduction

We are pleased to enclose MS Singapore Limited and its subsidiaries – Illustrative Annual Report 2018 illustrating the following based on a Singapore incorporated listed company:

- Directors' Statement;
- Report on Corporate Governance;
- Independent Auditor's Report; and
- Annual financial statements.

This publication also includes:

- Appendix I – Presentation of profit or loss and other comprehensive income – two statements
- Appendix II – Effect of adopting new or amended Singapore Financial Reporting Standards (International)
- Appendix III – Other disclosures to Notes to the Financial Statements
- Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty
- Appendix V – Illustrative disclosures of new and revised standards
- Appendix VI – Differences between Singapore Financial Reporting Standards ("SFRSs") and Singapore Financial Reporting Standards (International) ("SFRS(I)s")
- Appendix VII – Corporate governance changes effective for financial years beginning on or after 1 January 2019

This 2018 edition of MS Singapore Limited and its Subsidiaries – Illustrative Annual Report reflects professional pronouncements issued as at 30 September 2018. As a general rule, this Illustrative Annual Report does not early adopt standards or amendments before their effective date.

MS Singapore Limited and its subsidiaries – Illustrative Annual Report 2018 aims to provide a practical working model consolidated financial statements in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). On 29 May 2014, the Singapore Accounting Standards Council ("ASC") announced that Singapore-incorporated companies listed on Singapore Exchange ("SGX") will apply a new financial reporting framework identical to IFRS ("full IFRS convergence") with effect from 1 January 2018 onwards. It has been developed to assist engagement teams, directors, management and preparers of financial statements to better understand and implement the new financial reporting changes in an effective and efficient manner.

Assumptions in the MS Singapore Limited and its Subsidiaries – Illustrative Annual Report 2018

The MS Singapore Limited and its subsidiaries – Illustrative Annual Report 2018 includes the following main assumptions:

- The financial statements have been presented in accordance with Singapore Financial Reporting Standards (SFRSs) for a number of years, thus it is a first-time adopter of SFRS(I)s;
- MS Singapore Limited for the year ended 31 December 2018 is intended to illustrate the presentation and disclosure requirements of:
  (a) SFRS(I)s and SFRS(I) INTs;
  (b) Singapore Companies Act, Cap. 50; and
  (c) Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual;
- Inclusion of additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard;
- Inclusion of SFRS(I)s and SFRS(I) INTs effective for the annual period beginning on or after 1 January 2018; and
- Inclusion of SFRS(I)s and SFRS(I) INTs issued but not yet effective.

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This Illustrative Annual Report has changed since the 2017 edition due to standards and interpretations issued or amended since 30 September 2018. We have also introduced certain additional disclosures which are listed below. While the list of new standards is provided, not all of these new standards will have an impact on these illustrative financial statements. To the extent that this illustrative annual report has changed since 2017 as a result of changes in standards and interpretations, we have indicated the changes.

A brief description of the above new standards can be found in Note 2 of the Illustrative Annual Report in this 2018 edition.

Major changes from the 2017 edition of MS Singapore Limited and its Subsidiaries – Illustrative Annual Report are highlighted by a double line running down the left margin of the text within those sections.

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations. References are generally to the most recent version of the relevant Standard or Interpretation (unless specified otherwise) where the Standard or Interpretation has been adopted by MS Singapore Limited.

Important Notices

- SFRS(I) references are shown on the left-hand margin of each page of the financial statements, indicating the specific SFRS(I) paragraph that outlines the disclosure for that particular line item or block of narrative.
- These financial statements are illustrative only, and do not attempt to show all possible accounting and disclosure requirements.
- Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. It is essential to refer to the relevant source and, where necessary, to seek appropriate professional advice if you have any doubts pertaining to the requirements.
- Please note that although the illustrative financial statements endeavour to illustrate the typical disclosure expected to be found in the financial statements of a group of companies whose activities include manufacturing, trading and investment holding, they should not be regarded as including every possible disclosure. This should be tailored to reflect the individual circumstances of a group of companies.
- The narrative given here will, in practice, also need to be extended to provide more detail in order to meet the various disclosure requirements. For instance, it is assumed that the Group does not engage in a portfolio fair value hedge of interest rate risk (in accordance with SFRS(I) 9) and so the required disclosures are not given. Conversely, certain disclosures are included in these financial statements merely for illustrative purposes even though they may be regarded as items or transactions that are not material for the Group.
- For the purposes of presenting the statements of comprehensive income, the alternatives allowed under SFRS(I)s for those statements have been illustrated. Preparers should select the alternative most appropriate to their circumstances.
- Note that in these illustrative financial statements, we have frequently included line items for which a Nil amount is shown, so as to illustrate items that, although not applicable to MS Singapore Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'Nil' amounts.
- This annual report should not be relied upon as a substitute for detailed advice concerning individual situations. In case of doubt as to the SFRS(I)s requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice. You are advised to consult your Moore Stephens LLP Assurance Partner should you have any questions regarding this illustration or any specific accounting queries.

MS Singapore Limited and its Subsidiaries

Index to Illustrative Annual Report 2018

Contents

Page

Contents – Notes to the Financial Statements — Page

Contents – Notes to the Financial Statements Page

MS Singapore Limited and its Subsidiaries

Directors' Statement

For the financial year ended 31 December 2018

CA 201.16

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors[1]:

CA Twelfth Sch. No.1(a)

(a) the consolidated financial statements of the Group and the statement of financial position 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 for the year ended on that date; and

CA Twelfth Sch. No.1(b)

(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

CA Twelfth Sch. No.7

The directors[2] of the Company in office at the date of this statement are:

Mr. Bee Guan Cheng	*Non-Executive Chairman*
Mr. Ang Swee Beng	*Chief Executive Officer*
Mr. Michael Low	*Independent Director*
Dr. Wong Soon Chong	*Independent Director*
Mr. Tan Huat Chen	*Independent Director*
Mr. Lim Peng Heng	*Executive Director* (appointed on 3 March 2018)[2]

CA Twelfth Sch. No.8(a), 8(b)

Arrangements to Enable Directors to Acquire Shares or Debentures

Except as described under "Share Options" in this report on page 2, neither at the end of nor at any time during the financial year was, the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

CA Twelfth Sch. No.9

Directors' Interests in Shares and Debentures[3]

The following directors[5], who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Holdings registered in the name of directors		*Holdings in which a director is deemed to have an interest*	
	At 01.01.18/ date of appointment	At 31.12.18	At 01.01.18/ date of appointment	At 31.12.18
The Company				
No. of Ordinary shares				
Mr. Bee Guan Cheng	-	-	180,000,000	180,000,000
Mr. Ang Swee Beng	10,029,000	10,029,000	12,600,000	12,600,000
Mr. Lim Peng Heng (appointed on 3 March 2018)	10,000	10,000	-	-
Mr. Chan Mun Heng (resigned on 2 January 2018)[4]	1,000,000	1,000,000	-	-

SGX 1207.7

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019[6].

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

CA Twelfth Sch. No.2

Share Options[7,8,9]

SGX 852, SGX 853

MS Singapore Limited Employee Share Option Scheme

The MS Singapore Limited Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved and adopted by shareholders at the Annual General Meeting held on 26 October 2010.

SGX 852.1(a)

The Remuneration Committee (the "RC") administering the Scheme comprises directors, Dr. Wong Soon Chong (Chairman of the Committee), Mr. Michael Low and Mr. Ang Swee Beng.

CA Twelfth Sch. No.2

During the financial year, the Company has granted 220,000 share options under the Scheme to executive and senior employees. These options are exercisable anytime but no later than the expiry date, 29 September 2019. The details of outstanding options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2018 are as follows:

Number	Grant date	Expiry date	Exercise price
196,000	30 September 2018	29 September 2019	1.00

SGX 852(1)(b)(ii)

SGX 852(1)(c)(ii)

Since the commencement of the Scheme till the end of the financial year, no options have been granted to the controlling shareholders of the Company and their associates (as defined in the SGX Trading Listing Manual). No options have been granted to the directors and employees of the holding company and its subsidiaries other than as disclosed above.

SGX 852(1)(b)(iii), SGX 852(1)(c)(i) CA Twelfth Sch. No.2, SGX 852(1)(d)

No employee or employee of related corporations has received 5% or more of the total options available under this Scheme. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. No options have been granted at a discount.

Audit Committee[10,11]

CA 201B.9

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

(a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(b) Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

(c) Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

(d) Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) 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;

(f) Reviewed the cost effectiveness and the independence and objectivity of the external auditor; and the nature and extent of non-audit services provided by the external auditor;

(g) 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;

(h) Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(i) Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

Audit Committee[10,11] (cont'd)

SGX 1207.6(b) The AC having reviewed the external auditor's non-audit services, was of opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held five meetings since the last directors' statement with full attendance from all members, except for one where a member was absent. In performing its functions, the AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

SGX 1207.6(c) The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the AC are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of directors[12],

....	....
MOHAMAD ALI	ANG SWEE BENG
Chairman	Chief Executive Officer

Singapore
15 March 2019

Directors' Statement

For the financial year ended 31 December 2018

Guidance Notes

Paragraph (b) of the Directors' Statement

1) In situations of going concern uncertainties, this paragraph should be modified as to whether the Company will be able to pay its debts as and when they fall due.

CA 201.6
CA 201.6A

Directors

2) The names of the directors that are holding office <u>at the date of the Directors' Statement</u> are required to be disclosed. There is no requirement to give details of director(s) who resigned in the current financial year and up to the date of the Directors' Statement.

If a director is appointed during the financial year and remains in office at the date of the Directors' Statement, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director.

CA Twelfth Sch. No.9

Directors' interests in shares or debentures

3) A director's interests include his personal holdings, the beneficial interests of his immediate family and any deemed interest (not less than 20% of the equity held) as defined under Section 7 of the Companies Act. Interests in rights or share options are also required to be disclosed.

If none of the directors have any interests in shares or debentures in the Company or any related corporations, the following disclosure is suggested for paragraph 3 of the Directors' Statement:

"None of the directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company or any related corporations."

4) If a director resigns after the end of the financial year/period but before the date of the Directors' Statement, his interests at the end of the financial year/period are still required to be disclosed.

CA 164.3

5) If the Company is a wholly owned subsidiary of another company (the "holding company"), the Company may be deemed to have complied with section 164 of the Singapore Companies Act in relation to a director who is also a director of that other company if the particulars required by this section are shown in the register of the holding company, the following should be disclosed:

"The directors, Mr/Ms ________ and Mr/Ms________ are also directors of MS Singapore Limited, incorporated in the Republic of Singapore, which owns all the shares of the Company. Their interests in shares are recorded in the register of directors' shareholdings kept under section 164 of the Singapore Companies Act by the holding company and are therefore not disclosed in this report."

6) This is applicable only for listed companies required under the Singapore Exchange Securities Trading Limited's Listing Manual.

Share options

CA Twelfth Sch. No.2

7) The disclosures required by the New Twelfth Schedule of the Companies Act relate to share options granted by the Company.

CA 201.11A

8) Where such disclosures have been made in a previous report, reference may be made to that report.

SGX 852(2)

9) A negative statement must be included if any of the requirements in Rule 852(1) in respect of share option schemes is not applicable.

Guidance Notes

Directors' Statement (cont'd)

CA 201B.9

Audit Committee

10) The details and functions of the audit committee shall be included in the Directors' Statement of listed companies if the statutory accounts (which would not contain a section on corporate governance), rather than the annual report, are filed with the Registrar of the Accounting and Corporate Regulatory Authority. If the Annual Report is filed with the Registrar, this section is not required.

SGX 1207.10

11) The listing rule requires the board and the Audit Committee to opine on the adequacy of the internal controls addressing financial, operational and compliance risks in the annual reports of the listed companies. (See Appendix VII for Corporate Governance Changes effective for financial years beginning on or after 1 January 2019).

Dating and signing of Directors' Statement

12) This phrase is not necessary if the Company has only two directors.

MS Singapore Limited and its Subsidiaries

Report on Corporate Governance[1]

For the financial year ended 31 December 2018

The Company is committed to maintaining a high standard of corporate governance within the Group in adopting the recommendations of the Code of Corporate Governance 2012[1] (the "2012 Code").

This report[1] describes the Company's Corporate Governance policies and practices that were in place during the financial year end 31 December 2018, with specific reference to the principles of the 2012 Code.

The Board confirms the Company has adhered to all principles and guidelines set out in the 2012 Code as set out below:

BOARD MATTERS

Code of Corporate Governance Principle 1

Principle 1: The Board's Conduct of Affairs

The Board has overall responsibility for setting corporate strategy, reviewing managerial performance and maximising returns for shareholders at an acceptable level of risk.

Code of Corporate Governance Principle 1.2, 1.3

All directors objectively make decisions in the interest of the Company. The Board has delegated specific responsibilities to three committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. Information on each of the three is set out below.

Code of Corporate Governance Principle 1.6, 1.7

Upon the appointment of a director, he is provided with a formal letter setting out his duties and obligations. New directors also take part in an induction program, pursuant to which they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board Committees and the powers delegated to the committees, the Group's corporate governance practices and procedures, and the latest financial information about the Group.

Facility visits to our subsidiaries' operation sites are arranged to provide newly-appointed directors an understanding of the Group's business operations. Existing directors are also invited to participate in such facility visits and orientation programmes.

As regards the continuing professional development of the executive and non-executive directors, Board members, independent of any formal training arranged and funded by the Company, are encouraged to attend seminars and conferences on issues relevant to their appointment as directors of a public company, particularly matters concerned with corporate governance, audit and remuneration issues.

Code of Corporate Governance Principle 1.4

The Board meets regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Article 103(2) of the Company's Constitution[3] permits participation by telephone or video conferencing.

The number of meetings held and the attendance report of the Board and Board Committees are as follows:

Meeting of	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2018	3	3	1	1
Mr. Bee Guan Cheng	3	3	-	-
Mr. Ang Swee Beng	3	-	1	1
Mr. Chan Mun Heng	3	-	-	-
Mr. Tan Huat Chen	2	-	-	-
Mr. Michael Low	3	3	1	1
Dr. Wong Soon Chong	2	2	1	1
Mr. Lim Peng Heng (Appointed on 3 March 2018)	-	-	-	-

Code of Corporate Governance Principle 1.5

Board approvals are required for all material matters. A matter is considered material if the value of the transaction exceeds 5% of the Group's net tangible assets.

Report on Corporate Governance[1]

For the financial year ended 31 December 2018

BOARD COMPOSITION AND GUIDANCE

Code of Corporate Governance Principle 2, 2.1, 2.2

Principle 2: Independent Element on the Board[5]

Independent directors make up the majority of the Board which comprises six directors, two of whom are non-executive directors as shown below:

Executive Director:
Mr. Ang Swee Beng
Mr. Chan Mun Heng

Non-executive Director:

Mr. Bee Guan Cheng	Chairman, Independent
Mr. Michael Low	Independent
Dr. Wong Soon Chong	Independent
Mr. Tan Huat Chen	Independent

Code of Corporate Governance Principle 2.3

All directors are required to disclose any relationships or appointments which would impair their independence to the Board in a timely manner. The Board, based on the evaluations and results of a review conducted by the Nominating Committee ("NC"), views all the non-executive directors of the Company as independent in character and judgement and that there are no relationships which are likely to affect or could appear to affect the director's judgement.

Code of Corporate Governance Principle 2.4

None of the directors have served the Company for a period exceeding nine years. As and when directors serve beyond nine years, the NC performs a particularly rigorous review to assess the independence of the relevant directors.

Code of Corporate Governance Principle 2.5

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

Code of Corporate Governance Principle 2.6

The Board comprises businessmen with vast business or management experience, industry knowledge, strategic planning experience and includes professionals with financial, accounting and legal backgrounds. The NC is satisfied that the current Board comprises persons who, as a group, possess the core competencies, such as accounting, finance, business and management skills, as well as experience and industry knowledge required for the Board to be effective.

Code of Corporate Governance Principle 2.7

The Independent Directors are non-executive Directors of the Company. They provide constructive feedback in strategic development, assist the Board in reviewing the effectiveness of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Code of Corporate Governance Principle 2.8

The Independent Directors meet amongst themselves without the presence of the Management when necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code of Corporate Governance Principle 3

Principle 3: Clear Division of Responsibilities between the leadership of the Board and the Executives

Code of Corporate Governance Principle 3.1

The Chairman and CEO of the Company are separate individuals. The Chairman is a non-executive and independent director responsible for leadership of the Board and facilitating its effectiveness. The CEO is an executive director responsible for the Company's business and implementation of the Board's decisions.

The Chairman and the CEO are not related. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (cont'd)

Code of Corporate Governance Principle 3

Principle 3: Clear Division of Responsibilities between the leadership of the Board and the Executives (cont'd)

Code of Corporate Governance Principle 3.2

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman reviews Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Further, he ensures that all agenda items included in the Board papers are provided sufficient airtime and adequately debated at Board meetings. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and management, and between independent and non-independent directors, with a view to encouraging constructive relationships and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The responsibilities of the Chairman are included in the guidelines endorsed by the Board.

Code of Corporate Governance Principle 3.3, 3,.4

The Board appoint Mr. Michael Low to act as the Lead Independent Director ("LID"). Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, Chief Executive Officer ("CEO") or Finance Director has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors including the LID, meet at least annually without the presence of the other executive and non-independent Directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

BOARD MEMBERSHIP/BOARD PERFORMANCE

Code of Corporate Governance Principles 4, 5

Principle 4: Formal and Transparent Process for the Appointment and Reappointment of Directors
Principle 5: Formal Assessment of the Effectiveness of the Board and the Contributions by Each Director

Code of Corporate Governance Principles 4.1

The NC comprises a majority of non-executive independent directors as follows:

Mr. Michael Low	Chairman, Independent
Dr. Wong Soon Chong	Independent
Mr. Ang Swee Beng	Executive

Code of Corporate Governance Principles 4.2

The Nominating Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:

- making recommendations to the Board on all board appointments;
- evaluation of performance of the Board, its committees, members and directors;
- reviewing the adequacy of the Board's training and professional development programmes; and
- reviewing the Board's succession plans for directors, in particular the Chairman and CEO.

Article 92 of the Company's Constitution[2] provides that an election of Directors shall take place each year and that all Directors except a Managing Director shall retire once at least in each three years but shall be eligible for re-election. Accordingly, the NC reviews and makes recommendations to the Board with regards to the re-election of eligible Directors at Annual General Meetings ("AGM").

Code of Corporate Governance Principles 4.3

Article 74 of the Company's Articles of Association provides that the Directors shall have power from time to time and at any time to appoint additional directors, provided always that the total number of Directors shall not exceed the prescribed maximum. A Director so appointed shall retire from office at the close of the next AGM, but shall be eligible for re-election. Accordingly, the NC reviews and makes recommendations to the Board on the re-election of eligible Directors at AGMs. The NC also determines annually whether or not a director is independent, based on guidelines in the Code.

Code of Corporate Governance Principles 4.4

The NC is satisfied that sufficient time and attention was given by the directors to the affairs of the Group, taking into consideration the director's number of listed company board representations and other principal commitments. The Group has guidelines in place to address the competing time commitments faced by directors serving on multiple boards. The Board has determined that the maximum number of listed company board representations which any director may hold is five.

Code of Corporate Governance Principles 4.5

The NC does not have a practice of appointing alternate directors except for limited periods in exceptional cases such as when a director has a medical emergency. There were no alternate directors in this financial year.

BOARD MEMBERSHIP/BOARD PERFORMANCE (cont'd)

Code of Corporate Governance Principles 4, 5

Principle 4: Formal and Transparent Process for the Appointment and Reappointment of Directors (cont'd)
Principle 5: Formal Assessment of the Effectiveness of the Board and the Contributions by Each Director (cont'd)

Code of Corporate Governance Principles 4.6

In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached. The NC also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for reappointment, the NC evaluates several criteria including, qualifications, contributions and independence of the directors.

Code of Corporate Governance Principles 4.7

A description of the background of each director is presented in the "Board of Directors" section of this annual report. The information on each director's shareholdings, relationships (if any), directorship and other principal commitments is presented in "Directors' Statement" section of this annual report.

Code of Corporate Governance Principles 5.1, 5.2

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resources was appointed by the NC to help to design and implement the process. This is the sixth year in which this board evaluation process has been performed. The consulting firm is not related to the Group or any of its directors. The Board assessment considered the following key performance criteria:

- Board size and composition;
- Board independence;
- Board processes;
- Board information and accountability;
- Board performance in discharging principle functions;
- Board committee performance;
- Interactive skills;
- Knowledge;
- Directors duties;
- Availability at meetings; and
- Overall contribution.

Code of Corporate Governance Principles 5.3

The NC performs individual director evaluations assessing each director if he or she contributes effectively and demonstrates commitment and provides feedback to the Chairman of the Board. The Chairman, in consultation with the NC, proposes new directors to be appointed to the Board or seeks the resignation of directors.

ACCESS TO INFORMATION
Principle 6: Board Members to have Complete, Adequate and Timely Information

Code of Corporate Governance Principles 6.1, 6.2

All directors receive a set of Board papers prior to the Board meeting. The Board papers are generally issued to directors at least five working days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- Minutes of the previous Board meeting;
- Minutes of meetings of all committees of the Board held since the previous Board meeting;
- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board;
- Major operational and financial issues;
- Statistics on key performance indicators; and
- Statistics on customer satisfaction.

ACCESS TO INFORMATION (cont'd)
Principle 6: Board Members to have Complete, Adequate and Timely Information (cont'd)

Code of Corporate Governance Principles 10.3

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from management monthly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. The latest set of monthly management accounts circulated is tabled for discussion at each Board meeting by the directors.

Code of Corporate Governance Principles 6.3

All directors have separate and independent access to the Company Secretary. The Board has approved a set of guidelines defining the role and responsibilities of the Company Secretary. The Company Secretary attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Committees and between senior management and non-executive directors. The Company Secretary also organises orientation and training for new Directors, as well as provides updates and advises directors on all governance matters.

Code of Corporate Governance Principles 6.4

The Articles of Association of the Company provide that the appointment and removal of the Company Secretary is subject to the approval of the Board.

Code of Corporate Governance Principles 6.5

The Board has approved a procedure for directors, either individually or as a group, to take independent professional advice, where necessary in the furtherance of their duties. The cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Code of Corporate Governance Principles 7, 8, 9

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

Code of Corporate Governance Principles 7.1

The Remuneration Committee ("RC") comprises a majority of non-executive independent directors as follows:

Dr. Wong Soon Chong	Chairman
Mr. Michael Low	
Mr. Ang Swee Beng	

Code of Corporate Governance Principles 7.1, 7.2

The principal responsibilities of the RC are:

(a) Recommending to the Board for endorsement, a framework for computation of directors' fees of the Board (both executive and non-executive directors) and senior management of Senior Vice President grade or its equivalent and above. For executive directors and other senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind);
(b) Recommending the specific remuneration packages for each director and other senior management of Senior Vice President grade or its equivalent and above; and
(c) Administering the MS Singapore Limited Employee Share Option Scheme.

Code of Corporate Governance Principles 7.3

In determining the Group's remuneration policy above, the RC from time to time seeks advice from external remuneration consultants, who are unrelated to the directors or any organisation they are associated with, as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the RC is submitted for approval by the Board.

Code of Corporate Governance Principles 7.4

The RC reviews the reasonableness of the contracts of service of executive directors and key management personnel. Where necessary the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

The RC in consultation with the Chairman of the Board reviews and recommends to the Board the remuneration packages of all executive directors and senior executives of the Group and directors' fees for non-executive directors, which are subject to shareholders' approval at the AGM. For the year under review, the RC has recommended directors' fees of S$250,000 which the Board would table at the forthcoming AGM for shareholders' approval.

Code of Corporate Governance Principles 7, 8, 9

REMUNERATION MATTERS (cont'd)
Principle 7: Procedures for Developing Remuneration Policies (cont'd)
Principle 8: Level and Mix of Remuneration (cont'd)
Principle 9: Disclosure on Remuneration (cont'd)

The Board has presented the remuneration summary as follows:

Code of Corporate Governance Principle 9.1, 9.2, 9.3

a) The nature of the remuneration of the Company's directors, in terms of S$ of total remuneration of each director for the year ended 31 December 2018, is as follows:

Name of director	Basic salaries* S$'000	Bonuses S$'000	Benefits in kind S$'000	Directors' fees S$'000	Total 2018 S$'000	Total 2017 S$'000
Chief Executive Officer						
Mr. Ang Swee Beng	225	180	45	-	450	445
Executive directors						
Mr. Chan Mun Heng	154	30	16	-	200	200
Independent directors						
Mr. Tan Huat Chen	-	-	-	200	200	200
Mr. Bee Guan Cheng	-	-	-	140	140	140
Dr. Wong Soon Chong	-	-	-	110	110	110

**Include allowances and contributions to Central Provident Fund (where applicable)*

b) The nature of the remuneration of the Group's top five key executives, in terms of S$ of total remuneration of each executive for the year ended 31 December 2018, is as follows:

Name of key executives	Basic salaries* S$'000	Bonuses S$'000	Share-based payment S$'000	Benefits in kind S$'000	Total 2018 S$'000	Total 2017 S$'000
S$500,000 to S$750,000						
[please indicate name, if any]						
S$250,000 to S$500,000						
Mr. Peter Ang	279	65	9	22	375	420
Below S$250,000						
Ms. Molly Chin	72	10	9	-	91	100
Mr. Lim Kian Koo	72	10	9	-	91	100
Ms. Shirley Mo	68	9	9	-	86	80
Mr. Tan Tian Tian	68	9	9	-	86	80

** Include allowances and contributions to Central Provident Fund (where applicable)*

Code of Corporate Governance Principle 9.4

c) Remuneration of employees who are immediate family members of the Directors or the CEO and whose remuneration exceeded S$50,000.

Name	Relationship to Director or CEO	Director or CEO	S$'000 (2018)	S$'000 (2017)
Ms. Mei Ali	Wife	Mr. Bee Guan Cheng	55	54
Mr. Rick Ang	Son	Mr. Ang Swee Beng	58	57

The Group's financial performance during financial year 2018, as reported in the business review, has sustained a positive result in terms of volume growth, price/mix, gross margin expansion and cash flow and has resulted in performance ahead of target for the short-term incentive plan measures.

The remuneration committee is, therefore, satisfied that the financial year 2018 annual bonus outcomes for the executive directors and key management personnel described in the remuneration summary appropriately reflected these results and the value delivered for shareholders.

REMUNERATION MATTERS (cont'd)

Code of Corporate Governance Principles 7, 8, 9

Principle 7: Procedures for Developing Remuneration Policies (cont'd)
Principle 8: Level and Mix of Remuneration (cont'd)
Principle 9: Disclosure on Remuneration (cont'd)

More details of the Employee Share Option Scheme can be found in the "Directors' Statement" section of this Annual Report.

Code of Corporate Governance Principle 8.1, 9.6

In designing the compensation structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term compensation and between cash versus equity incentive compensation.

The compensation structure is designed such that the percentage of the variable component of key management personnel's remuneration increases as they move up the organisation. The variable component also depends on the actual achievement of corporate targets and individual performance objectives.

The remuneration structure for executive directors and key management personnel consists of the following components:

- Fixed remuneration
- Variable bonus
- Other benefits

The fixed remuneration comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting remuneration packages, the Group 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 and key management personnel.

Code of Corporate Governance Principle 9.6

Variable bonus is an annual remuneration component which varies according to the Group's and the individual's performance objectives. To link rewards to performance, the more senior the executive in the Group, the higher is the percentage of the variable bonus against total compensation.

Additionally, in making its decision regarding appropriate performance objectives, the RC also considered the following factors relative to profit before tax and profit after tax:

- Each executive director and key management personnel believe he or she can meaningfully contribute to the achievement of these performance objectives.
- Maintaining the consistency of the objectives over a number of years allows for more accurate measurement and comparison of, and reward for, the desired performance from year to year.
- Profit before tax is used in our incentive plans for other employees, and thus, the interests of the entire organisation are aligned to achieve the same goals.
- They are not overly complex metrics and easily understood, providing for clear "light-of-sight".

The Group provides benefits consistent with local market practice, such as medical benefits, club membership, employee discounts and car allowance. Eligibility for these benefits will depend on individual salary grade and length of service.

The remuneration summary provides further details about reviews undertaken during the year ended 31 December 2018 and the reward outcomes for performance in that financial year.

Code of Corporate Governance Principle 8.4

Contracts with executive directors and key management personnel contain reclamation of incentive component clauses to safeguard the Group's interests in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

MS Singapore Limited Share Option Scheme 2006 ("Scheme")

The above Scheme is one of the key long-term incentive schemes in place. The RC is responsible for the administration of this Scheme.

Code of Corporate Governance Principle 8.2, 9.5

The executive directors and key management personnel with more than five years of service to the Group are eligible for the grant of options under the Scheme. More details on share options of the Group is set out in the Directors' Statement and Note 40 to the financial statements.

Code of Corporate Governance Principle 10

Code of Corporate Governance Principle 10.1

Code of Corporate Governance Principle 10.2

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board recognises its responsibility to present a balanced and understandable assessment of the company's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required).

The half-year and full-year results with performance review and commentaries on prospects by the management were reviewed by the Board and released to the shareholders through SGXNET during the year.

Board members receive monthly financial and business reports from management. Such reports keep the Board members informed of the Company's and the Group's financial and operational performance and prospects.

Code of Corporate Governance Principle 11

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound System of Risk Management and Internal Controls

Code of Corporate Governance Principle 11.1

The Board, with the assistance from the Risk Committee, is responsible for the governance of risk and ensures that management maintains a system of risk management and internal controls for all companies within the Group to safeguard assets, ensure that internal financial controls, operational and compliance controls, financial risk management objectives and policies are adequately met and that proper accounting records are maintained.

Code of Corporate Governance Principle 11.2, 11.4

The AC regularly reviews the Company's operational controls in conjunction with its annual review of external auditor's audit plan and their evaluation on the Company's internal control system. The AC also reviews the internal auditor's report and management's responses and ensures that necessary corrective actions are taken on a timely basis. In this regard, the AC is assisted by the Risk Committee which was formed as part of the Company's efforts to strengthen its risk management processes and framework.

Code of Corporate Governance Principle 11.3

The Board has obtained written assurance from the CEO and CFO:

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

(b) regarding the effectiveness of the Group's risk management and internal control systems.

SGX Listing Rule 1207 (10)

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate as at 31 December 2018.

Code of Corporate Governance Principle 12

AUDIT COMMITTEE ("AC")

Principle 12: Establishment of AC with Written Terms of Reference

The AC which was established in 1999, had adopted terms of reference in the Guidebook for Audit Committees in Singapore (second edition).

Code of Corporate Governance Principle 12.1

The AC comprises the following three directors, all non-executive and professionally qualified, the majority of whom, including the Chairman, is independent.

Mr. Michael Low	Chairman
Dr. Wong Soon Chong	
Mr. Bee Guan Cheng	

Code of Corporate Governance Principle 12.2

The Chairman of the AC, Mr. Michael Low, is by profession a Chartered Accountant. The AC Chairman has accounting, auditing and risk management expertise and experience. The other members of the AC have many years of experience in business management, finance and legal services. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

Code of Corporate Governance Principle 12.8

During FY2018, the AC attended external trainings on changes in accounting standards, risk management, corporate governance and regulatory related topics.

Code of Corporate Governance Principle 12

AUDIT COMMITTEE ("AC") (cont'd)
Principle 12: Establishment of AC with Written Terms of Reference (cont'd)

Code of Corporate Governance Principle 12.5

The AC meets regularly as and when deemed appropriate to carry out its functions which are set out in the Directors' Statements. The AC has also met with internal and external auditors, without the presence of the Company's management during the year.

The AC is responsible for monitoring the integrity of the Group's financial statements and any formal announcement relating to the Group's performance.

Code of Corporate Governance Principle 12.3

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

Code of Corporate Governance Principle 12.8

The following is the summary of the AC's activities:

(1) The AC monitors changes to regulations and accounting standards closely.
(2) The AC updates on regulatory requirements either during Board sessions or by circulation of papers.
(3) The AC meets with the external auditors, without the presence of the Company's management, at least once annually.

Code of Corporate Governance Principle 12.4

The AC performed their functions and responsibilities in accordance with the terms of reference, which include the following:

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational compliance and information technology controls and risk management systems;
- reviewing the effectiveness of the Group's internal audit functions;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

In the review of the financial statements for the year ended 31 December 2018, the AC has discussed with both the Management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore SFRS(I)s in all material aspects.

During the audit committee meeting to approve the results announcement and the financial statements of the Group for the year ended 31 December 2018, the AC discussed with the external auditors on the identified key audit matters[4] and how those key audit matters have been addressed by the external auditors. Having considered the approach taken by the external auditors and their findings, the AC is satisfied with the basis and estimates adopted by the Group.

Code of Corporate Governance Principle 12

AUDIT COMMITTEE ("AC") (cont'd)
Principle 12: Establishment of AC with Written Terms of Reference (cont'd)

Code of Corporate Governance Principle 12.7

To strengthen corporate governance and ethical business practices across the Group, the Group had put in place a whistle-blowing policy and procedures duly endorsed by the AC, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as suspected fraud, corruption, dishonest practices etc.

All reports, including anonymous reports, that are lacking in details and verbal reports, will all be investigated into. All complaints will be treated as confidential and will be brought to the attention of the Chairman of the AC.

Assessment, investigation and evaluation of complaints are conducted by or at the direction of the AC, if it deems appropriate, independent advisors engaged at the Group's expense. Following investigation and evaluation of a complaint, the AC will then decide on recommended disciplinary or remedial action, if any. Appropriate actions that are determined by the AC shall then be brought to the Board or to the appropriate members of Senior Executive for authorisation or implementation respectively.

Code of Corporate Governance Principle 12.9

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

SGX 1207.6

The Company confirms compliance with Rule 712 and Rule 715 of the Listing Manual in engaging Moore Stephens LLP ("MSLLP"), as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. MSLLP are the external auditors of the Company and of its Singapore subsidiaries and significant associated companies.

Code of Corporate Governance Principle 12.6

The Audit Committee has reviewed the amount of non-audit services rendered to the Group by the external auditors. During the year, the fees paid to the external auditors of the Company for non-audit services amounted to S$100,000 or 29% of the total annual audit fee.

Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the Audit Committee has recommended their re-nomination to the Board.

INTERNAL AUDIT ("IA")

Code of Corporate Governance Principle 13

Principle 13: Establishment of Independent IA Function

Code of Corporate Governance Principle 13.1, 13.4

The Group's IA function, which has been outsourced to a firm of Chartered Accountants, reports primarily to the Chairman of the AC. As a corporate member of Singapore chapter of the Institute of Internal Auditors (IIA), the internal auditor adopts the Standards for the Professional Practice of Internal Auditing issued by IIA. The appointment, assessment, and compensation of the internal auditor are approved by the AC.

Code of Corporate Governance Principle 13.2, 13.3

The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience, who are at the level of manager and above.

Code of Corporate Governance Principle 13.5

During the year, the AC assessed the adequacy and effectiveness of the IA, by examining the scope of the IA work and its independence of the areas reviewed and the internal auditor's report. The AC is satisfied that the IA function is adequately resourced to perform its functions.

Code of Corporate Governance Principles 14, 15, 16

SHAREHOLDER RIGHTS AND RESPONSIBILITIES
Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meeting

Code of Corporate Governance Principles 14.1

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with shareholders. It is the Board's policy that shareholders be informed of all major developments that impact the Group.

Code of Corporate Governance Principles 15.1, 15.2

Information is communicated to shareholders on a timely basis through:

(a) annual reports that are sent to all shareholders;
(b) financial statements containing a summary of the financial information and affairs of the Group for the half year and full year via SGXNET;
(c) notices of an explanatory notes for AGMs and extraordinary general meetings;
(d) announcements on major issues and developments of the Group via SGXNET and Company's website; and
(e) media releases on major developments of the Group.

Code of Corporate Governance Principles 15.3

Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team *(www.mssi.com.sg/investors)*.

Code of Corporate Governance Principles 15.4

Over the past financial year, the Group has proactively engaged with shareholders and investors through one-on-one and group meetings, conferences and road shows. Such engagements aim to provide shareholders and investors with relevant information promptly and to solicit feedback on a range of strategic and topical issues.

Code of Corporate Governance Principles 15.5

The Board aims to declare and pay annual dividend, taking into consideration the Company's financial performance, the level of available cash, the return on equity and retained earnings, and our projected capital requirements. This is provided that the amount of dividend declared does not exceed the company's retained earnings.

Code of Corporate Governance Principles 14.2, 16.5

The Group strongly encourages active shareholder participation during the Annual General Meeting ("AGM"). Resolutions are passed through a process of voting by electronic polling and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results in favour and against for each resolution put forth are presented during the AGM.

Code of Corporate Governance Principles 14.2, 14.3

Shareholders can vote in person or in absentia by proxy. The Company's Constitution allow a shareholder to appoint up to two proxies to attend and vote in his place at the AGM. The Company's Constitution also allows investors who hold shares through a nominee company or custodian bank or through CPF agent banks, to appoint more than two proxies to attend and vote at shareholders' meetings. Shareholders have the opportunity to participate effectively at general meetings by expressing their views and asking the Board and management questions on the Company's operations.

Separate resolutions are proposed for substantially separate issues at general meetings. Thus all resolutions are single item resolutions as per the agenda items in the Notice of AGM.

Code of Corporate Governance Principles 14, 15, 16

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (cont'd)
Principle 14: Shareholder Rights (cont'd)
Principle 15: Communication with Shareholder (cont'd)
Principle 16: Conduct of Shareholder Meeting (cont'd)

Members of the Board and Board Committees as well as management are present and available at general meetings to address questions raised by shareholders. The external auditors are present at general meetings to address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

SECURITIES TRANSACTIONS

The Group has adopted a set of codes of conduct to provide guidance to its officers regarding dealings in the Company's shares. In line with the guidelines of the Code, directors and officers of the Group are not permitted to deal in MS Singapore Limited's shares during the periods commencing one month before the announcement of the Group's half-year or annual results and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTION AND MATERIAL CONTRACTS

The Group confirms that there was no interested person transaction and material contracts during the financial year under review.

On behalf of the Board of directors[3],

………………………………………	………………………………………
MOHAMAD ALI	ANG SWEE BENG
Chairman	Chief Executive Officer

Singapore
15 March 2019

Guidance Notes

Report on Corporate Governance

1) This is only required for listed companies. The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles of the 2012 code. Listed companies are required to describe their corporate governance practices with specific reference to the principles of the code and to explain any deviations from any guideline in the 2012 code in their annual reports.

   On 6 August 2018, a revised Code of Corporate Governance (Code) was issued after Monetary Authority of Singapore accepted the recommendations of the Corporate Governance Council. The Code, together with associated changes to the listing rules (LR) will be effective for financial years beginning on or after 1 January 2019, except for specified requirements that take effect in 2022. Please refer to Appendix VII for corporate governance changes effective for the financial years beginning on or after 1 January 2019.

2) The Company's Articles of Association is merged into one document called "Constitution" which is effective from 3 January 2016.

Dating and signing of Report on Corporate Governance

3) Please refer to Guidance Note 13 of the Directors' Statement.

Code of Corporate Governance Principles 14, 15, 16

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (cont'd)
Principle 14: Shareholder Rights (cont'd)
Principle 15: Communication with Shareholder (cont'd)
Principle 16: Conduct of Shareholder Meeting (cont'd)

Guidance Notes

Audit Committee commentary on Key Audit Matters in Annual Report

4) As highlighted in a press release issued by Accounting and Corporate Regulatory Authority (ACRA), Audit Committees (AC) are strongly encouraged to consider providing commentaries in the company's annual report for 2016 to explain significant financial reporting matters and to complement auditors' commentary on Key Audit Matters. This commentary will enable investors to hear directly from the audit committees and deepen their trust that audit committees have appropriately discharged their oversight responsibilities.

   ACRA has indicated that the AC commentary will not be mandatory.

Board Composition

Code of Corporate Governance Principles 2.2

5) Under Corporate Governance Guideline, the independent directors should make up at least half of the Board where:
   (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;
   (b) the Chairman and the CEO are immediate family[*] members;
   (c) the Chairman is part of the management team; or
   (d) the Chairman is not an independent director.

   [*] *The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the "Listing Manual"), i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.*

*Revised CCG Provisions 2.2., 2.**3**, 2.4*

   From 1 January 2019, the Board should comprise a majority of non-executive directors, or where the Chairman is not independent, a majority of independent directors. Please refer to Appendix VII for corporate governance changes effective for the financial years beginning on or after 1 January 2019.

Independent Auditor's Report

To the Members of MS Singapore Limited

SSA 700(R).44

Report on the audit of the Financial Statements

SSA 700(R).23

Opinion

SSA 700(R).24

We have audited the financial statements of MS Singapore Limited (the Company) and its subsidiaries (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 for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

SSA 700(R).25
CA 207.2(a)

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s)[6,7] so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

SSA 700(R).28

Basis for Opinion

SSA 700(R).28(a) to (d)

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

SSA 700(R).30

Key Audit Matters[1,2,6]

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

[Description of each key audit matter in accordance with SSA 701.]

SSA 720(R).21-22

Other Information

Management is responsible for the other information. The other information[5] comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

SSA 700(R).33

Responsibilities of Management and Directors for the Financial Statements

SSA 700(R).34(a)

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

SSA 700(R).34(b)

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.

SSA 700(R).35

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

Independent Auditor's Report

To the Members of MS Singapore Limited

SSA 700(R).37

Auditor's Responsibilities for the Audit of the Financial Statements

SSA 700(R).38

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

SSA 700(R).39

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty[3] exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

SSA 700(R).40

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

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

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

SSA 700(R).43
CA 207.2(b)

Report on Other Legal and Regulatory Requirements

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

SSA 700(R).46

The engagement partner on the audit resulting in this independent auditor's report is [name].[4]

Moore Stephens LLP
SSA 700(R).47
Public Accountants and
Chartered Accountants

Singapore
SSA 700(R).49
15 March 2019

Guidance Notes

SSA 701.13

1) When describing Key Audit Matters (KAMs) in the auditor's report, the KAMs should be entity-specific and explain the significance of the matters as follows:
   a) Why the matter was of most significance;
   b) How the matter was addressed in the audit; and
   c) Reference to any relevant financial statement disclosures.

SSA 700(R).30

KAM section is applicable to listed entities. However, auditors may voluntarily, or at the request of management or Those Charged With Governance, communicate KAM in the auditor's report for entities other than listed entities.

SSA 260(R).16

2) As required by Revised SSA 260 *Communication With Those Charged with Governance*, the KAMs to be included in the auditor's report should be communicated with Those Charged with Governance.

SSA 570R(22)

3) When a material uncertainty related to going concern exists, it is by nature a KAM. Therefore, such going concern should be reported separately in "Material Uncertainty Related to Going Concern" section before the section of Key Audit Matters.
An illustrative wording is provided below:

"***Material Uncertainty Related to Going Concern***

We draw attention to Note x in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note x, these events or conditions, along with other matters as set forth in Note x, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report……"

SSA 700(R).A61

4) The disclosure of the name of the engagement partner is applicable to listed entities.

5) In this illustration, <u>all</u> of the other information have been obtained prior to the date of the auditor's report and no material misstatement of the other information was identified. When the auditor has not obtained all of the other information prior to the date of the auditor's report but expects to obtain other information after the date of auditor's report, or when the auditor has identified a material misstatement of the other information, please refer to Appendix 2 in SSA 720 *The Auditor's Responsibilities Relating to Other Information* for the illustrations.

6) The change in the financial reporting framework from Financial Reporting Standards in Singapore (FRSs) to SFRS(I)s requires the application of the specific transition requirements in SFRS(I) 1 *First time Adoption of SFRS(I)s* which requires presentation of comparative information and an opening statement of financial position that comply with SFRS(I)s.

For a set of financial statements with 31 December 2018 year end prepared in accordance with SFRS(I)s for the first time, SFRS(I) 1 requires presentation of comparative information for 2017 and an opening statement of financial position as at 1 January 2017 that comply with SFRS(I)s.

Guidance Notes

6) The impact to the comparative information arising from the change in the financial reporting framework (i.e. the extent of the restatement of comparatives) may vary across different entities. Depending on the circumstances and the auditor's professional judgement, the auditor may determine that one of the following options is appropriate:

Options	Considerations
(a) Include a key audit matter (**KAM**) in the auditor's report	• When the change in the financial reporting framework results in significant changes to the comparative information. E.g. various financial statement line items are materiality affected. • Entity-specific which requires auditor's judgement on which matters required significant auditor attention in the audit of the financial statements of that entity.
(b) Include an emphasis of matter paragraph (**EOM**) in the auditor's report	• The matter is of such importance that it is fundamental to users' understanding of the financial statements. E.g. draw users' attention to the disclosure of how the transition from previous GAAP to SFRS(I)s affected its reported financial position, financial performance and cash flows in accordance with paragraph 23 of SFRS(I) 1. • An example of the EOM wordings may be as follow: *"**Emphasis of Matter*** *We draw attention to Note X of the financial statements, which describes [refer to entity's disclosure on the change in financial reporting framework and changes to the comparative information. Our opinion is not modified in respect of this matter."*
(c) Include an other matter paragraph (**OM**) in the auditor's report and a description of the auditor's responsibilities on the opening balances. or	• It is necessary to communicate the audit aspects arising from the change in the financial reporting framework to users of the financial statements. E.g. the financial statements of the prior period were audited by a predecessor auditor and the current auditor has restated the comparative information arising from the change in the financial reporting framework. • It is necessary to make reference to the disclosure of how the transition from previous GAAP to SFRS(I)s affected its reported financial position, financial performance and cash flows in accordance with paragraph 23 of SFRS(I) 1.
(d) No additional disclosure in the auditor's report	• The change in the financial reporting framework is not a KAM, an EOM or an OM, therefore no additional disclosure in the auditor's report is required.

7) While there is no statutory requirement for the auditor to opine on the compliance of the financial statements with two financial reporting frameworks (e.g. SFRS(I)s and IFRSs), it is possible that an entity's financial statements state that they are prepared in accordance with two financial reporting frameworks (e.g. SFRS(I)s and IFRSs).

Paragraph A30 of SSA 700 (Revised) provides that each financial reporting framework is considered separately when forming the auditor's opinion on the financial statements, and the auditor's opinion refers to both frameworks as follows:

(a) If the financial statements comply with each of the frameworks individually, two opinions are expressed:
- the financial statements are prepared in accordance with one of the applicable financial reporting frameworks; and
- an opinion that the financial statements are prepared in accordance with the other applicable financial reporting framework.

These opinions may be expressed separately or in a single sentence.

(b) If the financial statements comply with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial statements are prepared in accordance with the one framework but a modified opinion given with regard to the other framework in accordance with SSA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*.

Guidance Notes

7) Assuming an entity's financial statements states that their financial statements comply with each of the frameworks individually <u>and the audit opinions are unmodified</u>, the illustrative wordings may be presented as below:

<u>Presentation of audit opinions in a single sentence</u>

*"**Opinion***
We have audited the financial statements of ABC Company (the Company) and its subsidiaries (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 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act), Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 20X1 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date."

OR

<u>Presentation of the audit opinion separately</u>

*"**Opinion***
We have audited the financial statements of ABC Company (the Company) and its subsidiaries (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 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 20X1 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Separate Opinion in Relation to International Financial Reporting Standards
As explained in Note [X] to the financial statements, [the Group and the Company], in addition to applying SFRS(I)s, have also applied International Financial Reporting Standards (IFRSs).

In our opinion, the consolidated financial statements of the Group [and the statement of financial position of the Company] give a true and fair view of the consolidated financial position of the Group [and the financial position of the Company] as at 31 December 20X1, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with IFRSs."

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income[1,2]

For the financial year ended 31 December 2018

Reference		Notes	2018	2017[10]
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000
	Continuing operations			
SFRS(I) 15.2, SFRS(I) 15.113(a), SFRS(I) 1-1.82(a)	Revenue	5	140,918	151,840
SFRS(I) 1-1.99	Cost of sales		(87,897)	(91,840)
SFRS(I) 1-1.85	Gross profit		53,021	60,000
SFRS(I) 1-1.85	Other income[12]	7	4,255	3,356
SFRS(I) 1-1.99	Distribution expenses		(5,087)	(4,600)
SFRS(I) 1-1.99	Administration expenses		(16,751)	(19,217)
SFRS(I) 1-1.82(ba)	Net impairment gain/(losses) on trade receivables and contract assets[12]	24	40	(406)
SFRS(I) 1-1.82(b)	Finance costs	8	(4,418)	(6,023)
SFRS(I) 1-1.99	Other operating expenses		(2,801)	(2,612)
SFRS(I) 1-1.82(c)	Share of profits of associates[4]	19	1,186	1,589
SFRS(I) 1-1.82(c)	Share of profits of joint venture[4]	20	282	81
SFRS(I) 1-1.85	Profit before tax		29,727	32,168
SFRS(I) 1-1.82(d)	Income tax expense	9	(11,564)	(11,809)
SFRS(I) 1-1.85	Profit for the year from continuing operations[3]	12	18,163	20,359
	Discontinued operations[3]			
SFRS(I) 1-1.82(ea)	Profit for the year from discontinued operations	10	8,200	9,995
SFRS(I) 1-1.81A(a)	**TOTAL PROFIT FOR THE YEAR**		26,363	30,354
SFRS(I) 1-1.81A(b)	**Other comprehensive income, net of income tax**			
SFRS(I) 1-1.82A	**Items that will not be reclassified subsequently to profit or loss:**			
	Gains on revaluation of property, plant and equipment	28(b)	-	1,150
SFRS(I) 1-1.7(d)	Net gain on the fair value changes of equity instruments[13] at fair value through other comprehensive income	28(c)	66	-
	Remeasurement of defined benefit obligation	38	576	23
			642	1,173
SFRS(I) 1-1.82A	**Items that will be reclassified subsequently to profit or loss[14]:**			
SFRS 1.7(d), SFRS 39.55(b)	Net gain on fair value changes of available-for-sale financial assets	28(c)	-	57
SFRS(I) 1-1.7(e)	Cash flow hedges[6,7]	28(e)		
	- Fair value gain on effective hedges		305	221
	- Reclassification		(266)	(201)
	Exchange differences on translating foreign operations	28(f)		
	- Gains on translation of foreign operations		45	85
	- Reclassification[6,7]		(8)	-
			76	162
SFRS(I) 1-1.81A(b)	Other comprehensive income for the year, net of tax[5]		718	1,335
SFRS(I) 1-1.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		27,081	31,689
	Profit for the year attributable to:			
SFRS(I) 1-1.81B(a)(ii)	Owners of the Company		22,363	27,591
SFRS(I) 1-1.81B(a)(i)	Non-controlling interests		4,000	2,763
			26,363	30,354

The accompanying notes form an integral part of these financial statements

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income[1,2]

For the financial year ended 31 December 2018

		Notes	2018	2017[10]
SFRS(I) 1-1.103				
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000
	Total comprehensive income for the year attributable to:			
SFRS(I) 1-1.81B(b)(ii)	Owners of the Company		23,081	28,926
SFRS(I) 1-1.81B(b)(i)	Non-controlling interests		4,000	2,763
			27,081	31,689
	Earnings per share[8,9]	13		
	From continuing and discontinued operations			
SFRS(I) 1-33.66	Basic (cents per share)		128.5	116.3
SFRS(I) 1-33.66	Diluted (cents per share)		117.7	116.0
	From continuing operations			
SFRS(I) 1-33.66	Basic (cents per share)		81.4	74.2
SFRS(I) 1-33.66	Diluted (cents per share)		74.7	74.0

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Comprehensive Income[1,2]

For the financial year ended 31 December 2018

Guidance Notes

Statement of comprehensive income, cash flow statement and statement of changes in shareholders' equity of the holding company

CA 201.5
SGX 1207.5

1) If consolidated financial statements are presented, the statement of comprehensive income, cash flow statement and statement of changes in shareholders' equity of the holding company need not be presented. However, the statement of financial position of the Company has to be presented. If consolidated financial statements are not presented (i.e. exempted under SFRS(I) 10.4(a), the statement of comprehensive income, cash flow statement and statement of changes in shareholders' equity of the holding company, forming a set of financial statements of the holding company, should be presented.

Alternative formats

SFRS(I) 1-1.99

2) An entity shall present an analysis of expenses using a classification based on either the function or the nature of the expenses, whichever provides information that is reliable and more relevant. In addition, an entity has the choice of presenting the statement of comprehensive income using a one-statement or a two-statement approach.

In this illustration, all items of income and expenses are presented (based on function) in a single statement of comprehensive income. Alternatively, the presentation of other comprehensive income can be separated into another statement (see **Appendix I** - Presentation of profit or loss and other comprehensive income).

Continuing/Discontinued operations

SFRS(I) 5.32

3) If there is no discontinued operation, the heading "Continuing operations" is not required. "Profit from continuing operations" and "Total profit for the year" should also be changed to "Net profit for the year".

Share of results of associates and joint ventures

SFRS(I) 1-1.82(c)

4) The share of results of associates refers to the Group's share of associates' results after tax and non-controlling interests accounted for in accordance with SFRS(I) 1-28 *Investment in Associates*. The share of results of joint ventures accounted for using equity accounting is presented similarly.

Other comprehensive income, net of tax

5) The financial statements present these items individually net of tax. Alternatively, an entity can present these items individually **gross** of tax and their total tax effects as a separate line item, as follows:

SFRS(I) 1-1.91

Extract of statement of comprehensive income illustrating other comprehensive income presented at gross before related tax effects:

	2018
Other comprehensive income:	*S$'000*
Items that will not be reclassified subsequently to profit or loss:	
Revaluation of freehold land and buildings	*XX*
Remeasurement of defined benefit obligation	*XX*
Equity investments at fair value through other comprehensive income	
- Fair value gains/loss	*XX*
*Share of other comprehensive income of associates and joint venture*❶	*XX*
Income tax relating to component of other comprehensive income that will not be reclassified subsequently	*(XX)*
	XX
Items that will be reclassified subsequently to profit or loss:	
Debt instruments at fair value through other comprehensive income	
- Fair value gains/loss	*XX*
- Reclassification	*(XX)*
Gains/(losses) of exchange differences on translation of foreign operations	*XX*
Fair value gains arising from Cash flow hedges	*XX*
*Share of other comprehensive income of associates and joint venture*❶	*XX*
Income tax relating to component of other comprehensive income that will be reclassified subsequently	*XX*
	XX
Other comprehensive income for the year, net of tax	*XX*

❶ *Share of Other Comprehensive Income of associates and joint ventures accounted for using the equity method, should be aggregated into a separate line item*, split between those items that will or will not be subsequently reclassified to profit or loss [SFRS(I) 1-1.82A(b)]

Consolidated Statement of Comprehensive Income[1,2]

For the financial year ended 31 December 2018

Guidance Notes

Other comprehensive income (cont'd)

5) An entity is required to disclose the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments, either in the statement of profit or loss and other comprehensive income or in the notes.

Reclassification adjustments

SFRS(I) 1-1.92, 93, 95, 96

SFRS(I) 9.B5.7.1

6) Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. They arise, for example, on disposal of a foreign operation or when some hedged forecast cash flows affect profit or loss in relation to cash flow hedges). They do not arise, for example, on the disposal of property, plant and equipment measured at fair value under the revaluation model or on remeasurement of defined benefit plans, equity investments measured at fair value through other comprehensive income, and these components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

SFRS(I) 1-1.94

7) An entity may present classification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. An entity presenting reclassification adjustments in the notes presents the items of other comprehensive income after any related reclassification adjustments.

Earnings per share

SFRS(I) 1-33.66
SFRS(I) 1-33.67A

8) The Company should present both basic and diluted earnings per share on the statement of comprehensive income for each class of ordinary shares that has a different right to share in the net profit for the year.

SFRS(I) 1-33.69

An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

SFRS(I) 1-33.66

9) Where the Company reports a discontinued operation, SFRS(I) 1-33.66 requires the disclosure of basic and diluted earnings per share in the statement of comprehensive income, computed based on:

(a) profit or loss from continuing operations attributable to the parent entity; and
(b) profit or loss attributable to the parent entity.

The EPS attributable to discontinued operations can be presented either in the statement of comprehensive income or in the notes to the financial statements.

Reclassifications and restatements (not applicable to first time adopters of SFRS(I))

SFRS(I) 1-1.41

10) Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification. The following should be disclosed in the Notes to the financial statements as follows:

"Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. As a result, certain line items have been amended on the face of the statements of financial position, income statement, statement of changes in equity, cash flow statements and the related Notes to the financial statements. Comparative figures have been adjusted to conform with current year's presentation as follows:

Statement of Other Comprehensive Income
As at 31 December 2018

	2017 (As previously reported)	*Adjustments*	*2017 (restated)*
	S$'000	*S$'000*	*S$'000*
Revenue	*XXX*	*(XXX)*	*XXX*
Other income	*XXX*	*XXX*	*XXX*

. . . . "

Extraordinary items

SFRS(I) 1-1.87

11) The Company shall not present any items of income or expense as extraordinary items.

Guidance Notes

Disclosure of specified separate line items in the financial statements

SFRS(I) 1-1.82(a)
SFRS(I) 1-1.82(aa)
SFRS(I) 1-1.82(ba)

12) SFRS(I) 1-1 *Presentation of Financial Statements* following the release of SFRS(I) 9 now require the separate presentation of the following line items in the statement of profit or loss:

SFRS(I) 1-1.82(ca)
SFRS(I) 1-1.82(cb)

(a) interest revenue calculated using the effective interest rate method, separately from other revenue
(b) gains and losses from the derecognition of financial assets measured at amortised cost^
(c) impairment losses determined in accordance with SFRS(I) 9, including reversals of impairment losses or impairment gains
(d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss^
(e) gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss^

^ The item is not illustrated as the item is either not material or not applicable to the Group.

SFRS(I) 1-1.85
SFRS(I) 1-1.31
SFRS(I) 1-1.97
SFRS(I) 1-1.99

An entity that presents the analysis of expenses by function or by nature should consider how the above presentation interacts with new requirements in SFRS(I) 1-1. Judgement in determining an appropriate presentation is needed to ensure that the chosen presentation is not misleading and is relevant to the users' understanding of its financial statements. In this illustration, the Group has applied judgement to disaggregate the impairment loss related to trade receivables from administrative expenses and presented separately in the statement of profit or loss. The Group believes that this presentation is relevant to an understanding of its financial performance.

SFRS(I) 15(App.A)

The Group has presented interest income as part of 'Other Income' because it does not consider it as part of its revenue-generating activities. If interest income, calculated using the effective interest method, constituted revenue, then paragraph 82(a) of SFRS(I) 1-1 would require the entity to separately present that income as interest revenue.

SFRS(I) 9.B5.7.1

13) For equity investments classified as financial assets, at FVOCI, the subsequent fair value changes are recognised in other comprehensive income and <u>will not be reclassified to profit or loss upon disposal</u>. Instead, the entity may transfer the cumulative fair value gain or loss within equity upon disposal.

SFRS(I) 9.B5.7.1A

14) In this illustration, the Group does not have debt investments classified as financial assets, at FVOCI.

For debt instruments which are classified as financial assets, at FVOCI, subsequent fair value changes are recognised in other comprehensive income, except for interest income, impairment and foreign exchange gains and losses which are recognised in the profit or loss. Fair value changes on such debt instruments which were previously recognised in other comprehensive income will be subsequently reclassified to profit or loss when the instrument is derecognised. For disclosure purpose, such reclassification of fair value changes on debt instruments to profit or loss must be disclosed separately. Please refer to Guidance Note 5 of this Consolidated Statement of Comprehensive Income.

SFRS(I) 7.20(a)(viii)
SFRS(I) 1-1.92

MS Singapore Limited and its Subsidiaries

Statements of Financial Position

For the financial year ended 31 December 2018

		Notes	Group			Company		
SFRS(I) 1-1.113			2018	2017[1]	1 January 2017[1]	2018	2017[1]	1 January 2017[1]
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Assets							
SFRS(I) 1-1.60	***Non-current assets***							
SFRS(I) 1-1.54(a)	Property, plant and equipment	14	109,783	135,721	156,078	-	-	-
SFRS(I) 1-1.54(b)	Investment properties	15	1,936	1,642	170	-	-	-
SFRS(I) 1-1.55	Goodwill	16	20,285	24,060	23,920	-	-	-
SFRS(I) 1-1.54(c)	Other intangible assets	17	10,249	11,325	12,336	-	-	-
SFRS(I) 1-1.55	Investment in subsidiaries	18	-	-	-	125,000	100,000	100,000
SFRS(I) 1-1.54(e)	Investment in associates	19	5,200	3,840	2,245	-	-	-
SFRS(I) 1-1.54(e)	Investment in joint venture	20	2,202	1,920	1,839	-	-	-
SFRS(I) 1-1.55	Finance lease receivables	25	820	707	729	-	-	-
SFRS(I) 1-1.54(d)	Other financial assets[2]	21	6,003	7,857	7,776	-	-	-
SFRS(I) 1-1.54(d)	Derivatives	22	312	263	230	-	-	-
			156,790	187,335	205,323	125,000	100,000	100,000
	Current assets							
SFRS(I) 1-1.54(g)	Inventories	23	30,694	28,982	36,674	-	-	-
SFRS(I) 1-1.54(h)	Trade and other receivables	24	23,465	19,714	17,579	13,902	12,003	11,200
SFRS(I) 1-1.55	Finance lease receivables	25	208	198	175	-	-	-
SFRS(I) 1-1.55	Contract assets[3]	5	234	225	255	-	-	-
SFRS(I) 1-1.55	Other current assets	5	60	60	-	-	-	-
SFRS(I) 1-1.54(m)	Other financial assets[2]	21	8,996	4,700	4,628	-	-	-
SFRS(I) 1-1.54(n)	Current tax assets	9	125	60	60	-	-	-
SFRS(I) 1-1.54(d)	Derivatives[2]	22	208	137	120	-	-	-
SFRS(I) 1-1.54(i)	Cash and bank balances	26	8,571	19,778	761	8,527	8,912	551
	Assets classified as held for sale	11	22,336	-	-	-	-	-
			94,897	73,854	60,252	22,429	20,915	11,751
	Total assets		**251,687**	**261,189**	**265,575**	**147,429**	**120,915**	**111,751**

The accompanying notes form an integral part of these financial statements.

MS Singapore Limited and its Subsidiaries

Statements of Financial Position

For the financial year ended 31 December 2018

Reference		Notes	Group 2018	Group 2017[1]	Group 1 January 2017[1]	Company 2018	Company 2017[1]	Company 1 January 2017[1]
SFRS(I) 1-1.113 *SFRS(I) 1-1.51(d)(e)*			S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Equity and liabilities							
	Capital and reserves							
SFRS(I) 1-1.55	Issued capital	27	32,198	48,672	48,672	32,198	48,672	48,672
SFRS(I) 1-1.55	Reserves	28	3,938	3,236	1,586	-	-	-
SFRS(I) 1-1.55	Retained earnings		112,249	95,099	73,964	111,198	68,709	59,629
SFRS(I) 1-1.54(r)	Equity attributable to owners of the Company		148,385	147,007	124,222	143,396	117,381	108,301
SFRS(I) 1-1.54(q)	Non-controlling interests	30	23,453	20,005	17,242	-	-	-
	Total equity		171,838	167,012	141,464	143,396	117,381	108,301
SFRS(I) 1-1.60	***Non-current liabilities***							
SFRS(I) 1-1.55	Borrowings	31	20,267	31,524	34,109	-	-	-
SFRS(I) 1-1.55	Retirement benefit plans	38	1,703	1,482	1,026	-	-	-
SFRS(I) 1-1.54(o)	Deferred tax liabilities	9	4,690	3,703	2,593	-	-	-
SFRS(I) 1-1.54(l)	Provisions	35	511	427	814	-	-	-
			27,171	37,136	38,542	-	-	-
SFRS(I) 1-1.60	***Current liabilities***							
SFRS(I) 1-1.54(k)	Trade and other payables	36	23,409	24,980	57,130	4,033	3,534	3,450
SFRS(I) 1-1.55	Borrowings	31	20,541	25,554	19,380	-	-	-
SFRS(I) 15.116(a)	Contract liabilities[3]	5	31	10	15	-	-	-
SFRS(I) 1-1.54(m)	Other financial liabilities[2]	33	111	18	18	-	-	-
	Derivatives[2]	34	80	-	-	-	-	-
SFRS(I) 1-1.54(n)	Current tax liabilities	9	5,270	5,868	7,861	-	-	-
SFRS(I) 1-1.54(l)	Provisions	35	747	611	1,165	-	-	-
SFRS(I) 1-1.54(p)	Liabilities directly associated with assets classified as held for sale	11	2,489	-	-	-	-	-
			52,678	57,041	85,569	4,033	3,534	3,450
	Total liabilities		79,849	94,177	124,111	4,033	3,534	3,450
	Total equity and liabilities		**251,687**	**261,189**	**265,575**	**147,429**	**120,915**	**111,751**

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

For the financial year ended 31 December 2018

Guidance Notes

First time adopter of SFRS(I) – Comparative information

SFRS(I) 1.21
SFRS(I) 1-1.38

1) (a) An entity's first SFRS(I) financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented. In the context of the statement of financial position as at date of transition, an entity should disclose the "related notes" that are relevant for users to understand how the transition from FRS to SFRS(I) affected the entity's financial position at the date of transition. In deciding which notes and other comparative information may be omitted, regard should be given to materiality and the particular facts and circumstances of the entity.

Reclassifications and restatements (not applicable to first time adopters of SFRS(I))

SFRS(I) 1-1.40B

(b) When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

An entity presents statements of financial position as at:

(a) the end of the current period;

(b) the end of the previous period; and

(c) the beginning of the earliest comparative period.

SFRS(I) 1-1.40C

When an entity is required to present an additional statement of financial position in accordance with paragraph 40A of SFRS(I) 1-1, it must disclose the information required in paragraph 41 of SFRS(I) 1-1(see below). However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

SFRS(I) 1-1.41

Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification.

Separate line items for financial assets and liabilities

SFRS(I) 1-1.54,
SFRS(I) 7.8

2) The Standards do not require separate line items for financial instruments measured at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. In this illustration, the Group combine them into one-line item on the statement of financial position with details in a note. However, depending on the significance of these items, each can be separately shown as a line item respectively as illustrated in these illustrative financial statements. An entity can disclose, <u>either in the statement of financial position or in the notes</u>, of the carrying amounts of financial assets and liabilities by the following categories:

(a) Financial assets measured at fair value through profit or loss (FVPL), showing separately those mandatorily classified and those designated upon initial recognition.
(b) Financial liabilities measured at FVPL, showing separately those that meet the definition of held for trading and those designated upon initial recognition.
(c) Financial assets measured at amortised cost.
(d) Financial liabilities measured at amortised cost.
(e) Financial assets measured at fair value through other comprehensive income (FVOCI), showing separately debt and equity instruments.

In this illustration, the carrying amounts of the financial assets and liabilities are presented in the notes.

Presentation of contract assets and liabilities

SFRS(I) 15.109

3) In this illustration, the Group uses "contract asset" and "contract liability" to present its contract in the statement of financial position, when either party to a contract has performed. However, contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the statement of financial position, as long as the entity provides sufficient information for users of financial statements to distinguish them from other items.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

			Attributable to equity holders of the Company											
SFRS(I) 1-1.113		Notes	Share capital	General reserve	Revaluation reserve	Fair value adjustment	Equity-settled employee benefits reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible bond	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Balance at 1 January 2018		48,672	807	1,201	527	338	278	85	-	95,099	147,007	20,005	167,012
SFRS(I) 1-8.28(f)(i)	Adjustment on initial application of SFRS(I) 9	2(b)	-	-	-	79	-	-	-	-	(54)	25	-	25
	Adjusted balance as 1 January 2018		48,672	807	1,201	606	338	278	85	-	95,045	147,032	20,005	167,037
SFRS(I) 1-1.106(d)(i)	Profit or loss for the year		-	-	-	-	-	-	-	-	22,363	22,363	4,000	26,363
SFRS(I) 1-1.106(d)(ii)	Other comprehensive income for the year, net of tax		-	-	-	66	-	39	37	-	576	718	-	718
SFRS(I) 1-1.106(a)	Total comprehensive income for the year[1]		-	-	-	66	-	39	37	-	22,939	23,081	4,000	27,081
SFRS(I) 1-1.106(d)(iii)	Payment of dividends	29	-	-	-	-	-	-	-	-	(5,560)	(5,560)	-	(5,560)
SFRS(I) 1-1.106(d)(iii)	Acquisition of non-controlling interests	18	-	-	-	-	-	-	-	-	(212)	(212)	(731)	(943)
SFRS(I) 1-1.106(d)(iii)	Partial disposal of interests in subsidiaries to non-controlling interests, without loss of control	18	-	-	-	-	-	-	-	-	34	34	179	213
SFRS(I) 1-1.106(d)(iii)	Recognition of share-based payments	28	-	-	-	-	206	-	-	-	-	206	-	206
SFRS(I) 1-1.106(d)(iii)	Issue of ordinary shares under employee share option plan	27	314	-	-	-	(314)	-	-	-	-	-	-	-
SFRS(I) 1-1.106(d)(iii)	Issue of ordinary shares	27	108	-	-	-	-	-	-	-	-	108	-	108
SFRS(I) 1-32.28	Issue of convertible bond - equity component	28(g)	-	-	-	-	-	-	-	834	-	834	-	834
SFRS(I) 1-32.39	Share issue costs	27	(6)	-	-	-	-	-	-	-	-	(6)	-	(6)
SFRS(I) 1-1.109	Buy-back of ordinary shares	27	(16,697)	-	-	-	-	-	-	-	-	(16,697)	-	(16,697)
SFRS(I) 1-32.39	Share buy-back costs	27	(277)	-	-	-	-	-	-	-	-	(277)	-	(277)
	Transfer to retained earnings	28(b)	-	-	(3)	-	-	-	-	-	3	-	-	-
SFRS(I) 1-1.106(d)(iii)	Income tax relating to transactions with owners	28(g)	84	-	-	-	-	-	-	(242)	-	(158)	-	(158)
	Balance at 31 December 2018		32,198	807	1,198	672	230	317	122	592	112,249	148,385	23,453	171,838

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

			Attributable to equity holders of the Company											
SFRS(I) 1-1.113		Notes	Share capital	General reserve	Revaluation reserve	Fair value adjustment	Equity-settled employee benefits reserve	Cash flow hedging reserve	Foreign currency translation reserve	Option premium on convertible bond	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Balance at 1 January 2017		48,672	807	51	470	-	258	-	-	73,964	124,222	17,242	141,464
SFRS(I) 1-1.106(d)(i)	Profit or loss for the year		-	-	-	-	-	-	-	-	27,591	27,591	2,763	30,354
SFRS(I) 1-1.106(d)(ii)	Other comprehensive income for the year, net of tax		-	-	1,150	57	-	20	85	-	23	1,335	-	1,335
SFRS(I) 1-1.106(a)	Total comprehensive income for the year[1]		-	-	1,150	57	-	20	85	-	27,614	28,926	2,763	31,689
SFRS(I) 1-1.106(d)(iii)	Payment of dividends	29	-	-	-	-	-	-	-	-	(6,479)	(6,479)	-	(6,479)
SFRS(I) 1-1.106(d)(iii)	Recognition of share-based payments	28(d)	-	-	-	-	338	-	-	-	-	338	-	338
	Balance at 31 December 2017		48,672	807	1,201	527	338	278	85	-	95,099	147,007	20,005	167,012

The accompanying notes form an integral part of these financial statements.

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

Guidance Notes

Presentation of each component of equity in the Consolidated Statement of Changes in Equity ("SoCE")

SFRS(I) 1-1.106A
SFRS(I) 1-1106(d)(ii)

1) SFRS(I) 1-1.106A requires a presentation of an analysis of other comprehensive income by item either in the statement of changes in equity or in the notes. In this illustration, the statement of changes in equity does not specify in detail each item of other comprehensive income because this is presented in Note 28 Reserves.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

Ref		Notes	2018	2017
SFRS(I) 1-1.113				
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000
SFRS(I) 1-7.10	**Cash flows[1] from operating activities**			
SFRS(I) 1-7.18(b)	Profit for the year		26,363	30,354
SFRS(I) 1-7.20(b)(c)				
	Adjustments[2] for:			
	Income tax expense recognised in profit or loss		14,724	14,807
SFRS(I) 1-7.20(b)	Share of profits of associates		(1,186)	(1,589)
	Share of profits of joint ventures		(282)	(81)
	Finance costs recognised in profit or loss[3]		4,418	6,023
	Investment income recognised in profit or loss		(2,286)	(1,473)
	Gain on disposal of property, plant and equipment		(6)	(67)
	Gain on revaluation of investment property		(297)	(8)
	Gain on disposal of subsidiary		(1,940)	-
	Net loss/(gain) arising on financial assets classified as held for trading		707	(72)
	Hedge ineffectiveness on cash flow hedges		(89)	(68)
SFRS(I) 1-7.20(b)	Depreciation of property, plant and equipment		12,587	15,794
SFRS(I) 1-7.20(b)	Amortisation of other intangible assets		1,291	1,261
	Impairment loss on goodwill		235	-
	Impairment loss on Property, Plant and Equipment		1,204	-
SFRS(I) 1-7.28	Net unrealised foreign exchange (gain)/loss[7]		(3,680)	241
	Expense recognised in respect of equity-settled share-based payments		206	338
	Amortisation of financial guarantee contracts		6	18
			51,975	65,478
SFRS(I) 1-7.20(a)	Movements in working capital			
	Increase in trade and other receivables		(2,287)	(1,880)
	(Increase)/decrease in inventories		(1,721)	204
	Decrease in trade and other payables		(1,471)	(29,979)
	Increase/(decrease) in provisions		220	(941)
	Cash generated from operations		46,716	32,882
SFRS(I) 1-7.31	Interest paid[3]		(4,510)	(6,079)
SFRS(I) 1-7.35	Income taxes paid		(10,619)	(13,340)
	Net cash generated by operating activities		31,587	13,463

The accompanying notes form an integral part of these consolidated financial statements.

MS Singapore Limited and its Subsidiaries

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

		Notes	2018	2017
SFRS(I) 1-1.113 *SFRS(I) 1-1.51(d)(e)*			S$'000	S$'000
SFRS(I) 1-7.10, 21	**Cash flows from investing activities**			
SFRS(I) 1-7.16(c)	Payments to acquire financial assets		(2,652)	(451)
SFRS(I) 1-7.31	Interest and investment income received[3]		2,286	2,197
SFRS(I) 1-7.31	Dividends received from associates[3]		30	25
SFRS(I) 1-7.31	Other dividends received[3]		156	154
SFRS(I) 1-7.16(e)	Amounts advanced to related parties		(1,128)	(4,311)
SFRS(I) 1-7.16(f)	Repayments by related parties		1,964	1,470
SFRS(I) 1-7.16(a)	Payments for property, plant and equipment[4]		(22,932)	(11,875)
SFRS(I) 1-7.16(b)	Proceeds from disposal of property, plant and equipment		11,462	21,245
SFRS(I) 1-7. 16(a)	Payments for investment property		(10)	(12)
SFRS(I) 1-7.16(b)	Proceeds from disposal of investment property		-	58
SFRS(I) 1-7.16(a)	Payments for other intangible assets		(215)	(250)
SFRS(I) 1-7.39	Net cash inflow on disposal of subsidiary		7,566	-
SFRS(I) 1-7.39	Net cash outflow on acquisition of subsidiaries		(517)	-
	Net cash (used in)/generated by investing activities		(3,990)	8,250
SFRS(I) 1-7.10, 21	**Cash flows from financing activities**			
SFRS(I) 1-7.17(a)	Proceeds from issue of equity shares		108	-
SFRS(I) 1-7.17(a)	Proceeds from issue of convertible bond		4,839	-
	Payment for share issue costs		(6)	-
SFRS(I) 1-7.17(b)	Payment for buy-back of shares		(16,697)	-
	Payment for share buy-back costs		(277)	-
SFRS(I) 1-7.17(c)	Proceeds from bank borrowings		8,651	26,798
SFRS(I) 1-7.17(d)	Repayment of bank borrowings		(10,018)	(23,197)
	Repayment of loan from related parties		(18,944)	-
	Repayment of finance lease liabilities		(75)	(12)
SFRS(I) 1-7.31	Dividends paid to owners of the Company[3]		(5,560)	(6,479)
SFRS(I) 1-7.42A	Proceeds from partial disposal in a subsidiary, without loss of control[9]		213	-
SFRS(I) 1-7.42A	Acquisition of non-controlling interest		(943)	-
	Net cash used in financing activities		(38,709)	(2,890)
	Net (decrease)/increase in cash and cash equivalents		(11,112)	18,823
	Cash and cash equivalents[5, 6] at the beginning of the year		19,400	761
SFRS(I) 1-7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies[8]		(80)	(184)
	Cash and cash equivalents[5,6] at the end of the year	**26**	**8,208**	**19,400**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

Guidance Notes

Direct method

SFRS(I) 1-7.18(a)

1) An entity can present its cash flow statement using the direct or indirect method; the latter is illustrated in this publication. When the direct method is used, the cash flows from operating activities shall be presented as follows:

"

SFRS(I) 1-7.AppA
SFRS(I) 1-7.19

	2018 S$'000	2017 S$'000
Cash flows from operating activities		
Cash receipts from customers	*xxx*	*xxx*
Cash paid to suppliers and employees	*(xxx)*	*(xxx)*
Cash generated from operations	*xxx*	*xxx*
Interest paid	*(xxx)*	*(xxx)*
Income taxes paid	*(xxx)*	*(xxx)*
Net cash provided by operating activities	*xxx*	*xxx*

"

The rest of the "direct method" consolidated cash flow statement is similar to that of the indirect method.

Discontinued operations

2) Non-cash items excluded from profit for purposes of the cash flow statement/statement of cash flows should include those non-cash items attributed to discontinued operations.

Dividends and interest

SFRS(I) 1-7.31
SFRS(I) 1-7.32

3) Cash flows from interest received and paid and dividends received shall each be disclosed separately, and classified consistently period to period. The interest amounts to be adjusted against profit after tax are the amounts charged or credited to profit or loss.

SFRS(I) 1-7.33
SFRS(I) 1-7.34

Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest/dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments. Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Additions to property, plant and equipment

SFRS(I) 1-7.44

4) Additions to property, plant and equipment in the cash flow statement/statement of cash flows should be net of hedging gains/losses transferred from hedging reserve and additions acquired through finance lease.

Restricted cash and cash equivalents

5) An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the enterprise that are not available for use by the group. Examples include cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply where the balances are not available for general use by the parent or other subsidiaries.

Guidance Notes

Definition of cash and cash equivalents

SFRS(I) 1-7.7

6) An investment normally qualifies as a cash equivalent only when it is a short-term, highly liquid investment that is readily convertible to known amounts of cash, and which is subject to an insignificant risk of changes in value.

Currency translation differences

SFRS(I) 1-7.28

7) The adjustment of total profit for unrealised currency translation losses/(gains) usually includes currency translation differences on monetary items that form part of investing or financing activities such as long-term loans. This is because these currency translation differences are included as a part of profit or loss for the financial year and need to be eliminated in arriving at the net cash flows from operating activities, as they do not relate to operating activities.

SFRS(I) 1-7.28

8) Currency translation differences that arise on the translation of foreign currency cash and cash equivalents should be reported in the statement of cash flows in order to reconcile opening and closing balances of cash and cash equivalents, separately from operating, financing and investing cash flows.

Acquisition/Disposal of non-controlling interest

SFRS(I) 1-7.54
SFRS(I) 1-7.42A

9) SFRS(I) 1-7 requires cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control to be classified as cash flows from financing activities.

SFRS(I) 1-7.42B

Changes in ownership interests in a subsidiary that do not result in a loss of control, such as stepped purchases or sales by a parent of a subsidiary's equity instruments that do not result in gain/loss of control of the subsidiary, are accounted for as equity transactions. Accordingly, the resulting cash flows are classified in the same ways as other transactions with owners i.e. financing cash flow.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. General Information[1,2,3]

SFRS(I) 1-1.138(a)

MS Singapore Limited (the "Company") is listed on the Singapore Exchange and is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 10 Anson Road, #29-15 International Plaza, Singapore 079903.

SFRS(I) 1-1.138(b)

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, associates, and joint ventures are described in Note 18 Investment in subsidiaries, Note 19 Investment in associates and Note 20 Investment in Joint Venture.

SFRS(I) 1-24.13
SFRS(I) 1-1.138(c)

The immediate parent and ultimate controlling party of the Group are MS Limited (incorporated in USA) and MS Global Limited (incorporated in United Kingdom) respectively.

Guidance Notes

SFRS(I) 1-1.138

1) The following items shall be disclosed in the financial statements unless they are disclosed elsewhere in information published with the financial statements (i.e. in the other sections of the Annual Report):

SFRS(I) 1-1.138(a)

(a) the domicile and legal form of the reporting entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);

SFRS(I) 1-1.138(b)

(b) a description of the nature of the entity's operations and its principal activities;

SFRS(I) 1-1.138(c)
SFRS(I) 1-24.13

(c) the name of the parent company and the ultimate parent company of the group; and if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed; and

SFRS(I) 1-1.138(d)

(d) if it is a limited life entity, information regarding the length of its life.

SFRS(I) 1-1.51(a)

2) If the Company changes its name during the financial year, the change shall be disclosed. A suggested disclosure is as follows:

"With effect from [effective date of change], the name of the Company was changed from [ABC Pte Ltd] to [BCA Pte Ltd]."

Disclosure of this change during the year should be made in both the directors' statement and notes to the financial statements. Further, all references to the Company's name in the directors' statement, auditors' report and financial statements should be based on the new name, followed by the words "Formerly known as [old name]."

SFRS(I) 1-1.113 - 114

3) An entity should present the notes in a systematic manner and are cross-referenced each item in the statements of financial position and in the statements of comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.

An entity has flexibility for the order of the notes, which do not necessarily need to be presented in the order as listed in SFRS(I) 1-1 paragraph 114.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

The Group has adopted SFRS(I) on 1 January 2018 and has prepared its first set of financial statements under SFRS(I) for the financial year ended 31 December 2018. As a result, the audited financial statements for the year ended 31 December 2017 was the last set of financial statements prepared under the previous Financial Reporting Standards in Singapore ("SFRS").

In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

<u>Optional exemptions applied on adoption of SFRS(I)</u>

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

SFRS(I) 1.C1

a) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

SFRS(I) 1.C1

b) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

SFRS(I) 1.D13

c) Cumulative translation differences for all foreign operations are reset to zero as at the date of transition to SFRS(I) on 1 January 2017.

SFRS(I) 1.D9A

d) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

SFRS(I) 1.D23

e) The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

SFRS(I) 1.E1 - E2

f) The Group elected the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the information presented for 2017 is presented, as previously reported, under SFRS 39 Financial Instruments: Recognition and Measurement. Arising from this election, the Group is exempted from complying with SFRS(I) 7 Financial Instruments: Disclosures to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

SFRS(I) 1.D34

g) The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients as allowed under SFRS(I) 1 as follows:
   i. The Group has not restated those completed contracts that began and ended in the same annual reporting in 2017 and contracts completed at 1 January 2017;

   SFRS(I) 15.C5(b)

   ii. for completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

   SFRS(I) 15.C5(c)

   iii. for contracts which were modified before the 1 January 2017, the Group did not retrospectively restate the contract for those contract modifications; and

   SFRS(I) 15.C5(d)

   iv. for the year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards

SFRS(I) 1.24(a)

Reconciliation of the Group's equity

Consolidated statement of financial positions	**Note**	**31 December 2017**				**1 January 2018**	
		SFRS S$'000	**SFRS(I) 1 S$'000**	**SFRS(I) 15 S$'000**	**SFRS(I)s S$'000**	**SFRS(I) 9 S$'000**	**SFRS(I)s S$'000**
Non-current assets							
Property, plant and equipment		135,721	-	-	135,721	-	135,721
Investment properties		1,642	-	-	1,642	-	1,642
Goodwill		24,060	-	-	24,060	-	24,060
Other intangible assets		11,325	-	-	11,325	-	11,325
Investment in subsidiaries		-	-	-	-	-	-
Investment in associates		3,840	-	-	3,840	-	3,840
Investment in joint venture		1,920	-	-	1,920	-	1,920
Finance lease receivables		707	-	-	707	-	707
Other financial assets	C(i)(c)	7,857	-	-	7,857	95	7,952
Derivatives		263	-	-	263		263
		187,335	-	-	187,335	95	187,430
Current assets							
Inventories		28,982	-	-	28,982	-	28,982
Trade and other receivables	B(i), C(i)(d)	19,939	-	(225)	19,714	(54)	19,660
Finance lease receivables		198	-	-	198	-	198
Contract assets	B(i)	-	-	225	225	-	225
Other current assets	B(ii)	-	-	60	60	-	60
Other financial assets		4,700	-	-	4,700	-	4,700
Current tax assets		60	-	-	60	-	60
Derivatives		137	-	-	137	-	137
Cash and bank balances		19,778	-	-	19,778	-	19,778
Assets classified as held for sale		-	-	-	-	-	-
		73,794	-	60	73,854	(54)	73,800
Total Assets		**261,129**	-	**60**	**261,189**	**41**	**261,230**
Capital and reserves							
Issued capital		48,672	-	-	48,672	-	48,672
Reserves	A(a), C(i)(c)	3,376	(140)	-	3,236	79	3,315
Retained earnings	A(a), B(ii)	94,909	140	50	95,099	(54)	95,045
Equity attributable to owners of the Company		146,957	-	50	147,007	25	147,032
Non-controlling interests		20,005	-	-	20,005	-	20,005
Total equity		166,962	-	50	167,012	25	167,037
Non-current liabilities							
Borrowings		31,524	-	-	31,524	-	31,524
Retirement benefit plans		1,482	-	-	1,482	-	1,482
Deferred tax liabilities	B(ii), C(i)(c)	3,693	-	10	3,703	16	3,719
Provisions		427	-	-	427	-	427
		37,126	-	10	37,136	16	37,152
Current liabilities							
Trade and other payables	B(i)	24,990	-	(10)	24,980	-	24,980
Borrowings		25,554	-	-	25,554	-	25,554
Contract liabilities	B(i)	-	-	10	10	-	10
Other financial liabilities		18	-	-	18	-	18
Derivatives		-	-	-	-	-	-
Current tax liabilities		5,868	-	-	5,868	-	5,868
Provisions		611	-	-	611	-	611
Liabilities directly associated with assets classified as held for sale		-	-	-	-	-	-
		57,041	-	-	57,041	-	57,041
Total liabilities		**94,167**	**-**	**10**	**94,177**	**16**	**94,193**
Total equity and liabilities		**261,129**	**-**	**60**	**261,189**	**41**	**261,230**

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.24(a)

Reconciliation of the Group's equity

Consolidated statement of financial positions	Note	1 January 2017			
		SFRS S$'000	SFRS(I) 1 S$'000	SFRS(I) 15 S$'000	SFRS(I)s S$'000
Non-current assets					
Property, plant and equipment		156,078	-	-	156,078
Investment properties		170	-	-	170
Goodwill		23,920	-	-	23,920
Other intangible assets		12,336	-	-	12,336
Investment in subsidiaries		-	-	-	-
Investment in associates		2,245	-	-	2,245
Investment in joint venture		1,839	-	-	1,839
Finance lease receivables		729	-	-	729
Other financial assets		7,776	-	-	7,776
Derivatives		230	-	-	230
		205,323	-	-	205,323
Current assets					
Inventories		36,674	-	-	36,674
Trade and other receivables	B(i)	17,834	-	(255)	17,579
Finance lease receivables		175	-	-	175
Contract assets	B(i)	-	-	255	255
Other financial assets		4,628	-	-	4,628
Current tax assets		60	-	-	60
Derivatives		120	-	-	120
Cash and bank balances		761	-	-	761
Assets classified as held for sale		-	-	-	-
		60,252	-	-	60,252
Total Assets		**265,575**	-	-	**265,575**
Capital and reserves					
Issued capital		48,672	-	-	48,672
Reserves	A(a)	1,726	(140)	-	1,586
Retained earnings	A(a)	73,824	140	-	73,964
Equity attributable to owners of the Company		124,222	-	-	124,222
Non-controlling interests		17,242	-	-	17,242
Total equity		141,464	-	-	141,464
Non-current liabilities					
Borrowings		34,109	-	-	34,109
Retirement benefit plans		1,026	-	-	1,026
Deferred tax liabilities		2,593	-	-	2,593
Provisions		814	-	-	814
		38,542	-	-	38,542
Current liabilities					
Trade and other payables	B(i)	57,145	-	(15)	57,130
Borrowings		19,380	-	-	19,380
Contract liabilities	B(i)	-	-	15	15
Other financial liabilities		18	-	-	18
Derivatives		-	-	-	-
Current tax liabilities		7,861	-	-	7,861
Provisions		1,165	-	-	1,165
Liabilities directly associated with assets classified as held for sale		-	-	-	-
		85,569	-	-	85,569
Total liabilities		**124,111**	-	-	**124,111**
Total equity and liabilities		**265,575**	-	-	**265,575**

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.24(a)

Reconciliation of the Group's total comprehensive income

Consolidated statement of comprehensive income	**Note**	**For the financial year ended 31 December 2017**			
		SFRS S$'000	**SFRS(I) 1 S$'000**	**SFRS(I) 15 S$'000**	**SFRS(I)s S$'000**
Continuing operations					
Revenue		151,840	-	-	151,840
Cost of sales		(91,840)	-	-	(91,840)
Gross profit		60,000	-	-	60,000
Other income		3,356	-	-	3,356
Distribution expenses		(4,600)	-	-	(4,600)
Administration expenses	B(ii)	(19,277)	-	60	(19,217)
Net impairment gain/(losses) on financial and contract assets		(406)	-	-	(406)
Finance costs		(6,023)	-	-	(6,023)
Other operating expenses		(2,612)	-	-	(2,612)
Share of profits of associates		1,589	-	-	1,589
Share of profits of joint venture		81	-	-	81
Profit before tax		32,108	-	60	32,168
Income tax expense	B(ii)	(11,799)	-	(10)	(11,809)
Profit for the year from continuing operations		20,309	-	50	20,359
Profit for the year from discontinued operations		9,995	-	-	9,995
TOTAL PROFIT FOR THE YEAR		30,304	-	50	30,354
Items that will not be reclassified subsequently to profit or loss:					
Gains on revaluation of property, plant and equipment		1,150	-	-	1,150
Net gain on the fair value changes of equity instruments at FVOCI		-	-	-	-
Remeasurement of defined benefit obligation		23	-	-	23
		1,173	-	-	1,173
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of available-for-sale financial assets		57	-	-	57
Cash flow hedges				-	
- Fair value gain on effective hedges		221	-	-	221
- Reclassification		(201)	-	-	(201)
Exchange differences on translating foreign operations					
- Gains on translation of foreign operations		85	-	-	85
- Reclassification		-	-	-	-
		162	-	-	162
Other comprehensive income for the year, net of tax		1,335	-	-	1,335
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,639	-	50	31,689

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

SFRS(I) 1.25

There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

(a) Cumulative translation difference[3]

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative translation difference for all foreign operations to nil at the date of transition, and reclassified the cumulative translation difference of $140,000 as at 1 January 2017 determined in accordance with SFRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. By electing this optional exemption, the cumulative translation difference decreased by $140,000 and retained earnings increased by the same amount as at 31 December 2017.

B. SFRS(I) 15

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

SFRS(I) 1.D34

The Group has elected to apply the transition provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

SFRS(I) 15.C5(b),(c),(d)

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

(i) Construction contracts

Certain reclassifications was made with the adoption of SFRS(I) 15 to align the Group's financial statements with the terminology in SFRS(I) 15:

- Amounts due from customers under construction contracts, amounting to S$ 225,000 (1 January 2017: S$ 255,000), is presented as contract assets.
- Amounts due to customers under construction contracts amounting to S$ 10,000 (1 January 2017: S$ 15,000) is presented as contract liabilities.

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

B. SFRS(I) 15 (cont'd)

(ii) Success-based commissions

The Group pays success-based commissions to property agents upon sale of properties under construction. These costs were previously recognised as sales commissions as an expense when incurred.

Under SFRS(I) 15, the Group capitalises such costs as costs of obtaining a contract under SFRS(I) 15 as they are incremental and are expected to be recovered. The capitalised costs are amortised consistently with the pattern of revenue recognised for the related contract. Accordingly, the impact to the financial statements is as follows:

Consolidated statement of financial position	31 December 2017
	S$'000
Increase in contract costs	60
Increase in deferred tax liabilities	(10)
Increase in retained earnings from adoption of SFRS(I) 15	50

Adjustments made to line items in the statement of comprehensive income for the financial year ended 31 December 2017 relate to:

	31 December 2017
	S$'000
Decrease in administrative expenses	60
Increase in tax expenses	(10)
Increase in profit for the year	50

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

C. SFRS(I) 9

SFRS(I) 9.7.1.1
SFRS(I) 7.2.2
SFRS(I) 1.8.28(a)

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

SFRS(I) 1.E1
SFRS(I) 1.E2

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Accounting policies Note p). Additionally, the Group is exempted from complying with SFRS(I) 7 for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9. As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under SFRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Details of their impact on the Group's consolidated financial statements as well as the new requirements are described below.

(i) Classification of financial assets and financial liabilities

SFRS(I) 7.42J

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of SFRS(I) 9.

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI (debt instrument), FVOCI (equity instrument); or FVPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

C. SFRS(I) 9 (Cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

SFRS(I) 7.42I(a)-(b), 42O
SFRS(I) 7.42I

On the date of initial application of SFRS(I) 9 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018:

		Group				
	Note	Measurement category		Carrying amount		
		SFRS 39	SFRS(I) 9	SFRS 39	SFRS(I) 9	Differences
Non-current financial assets				S$'000	S$'000	S$'000
Finance lease receivables	(a)	Amortised cost	Amortised cost	707	707	-
Other financial assets						
- Unquoted equity security	(b)	AFS (at cost)	FVOCI	4,752	4,847	95
- Listed equity securities	(b)	AFS (FVOCI)	FVOCI	3,105	3,105	-
Derivatives		FVPL	FVPL	263	263	-
Current financial assets						
Trade receivables	(a)	Loans and receivables (amortised cost)	Amortised cost	16,042	15,988	54
Loan to related parties	(a)	Loans and receivables (amortised cost)	Amortised cost	3,647	3,647	-
Loan to an associate	(a)	Loans and receivables (amortised cost)	Amortised cost	25	25	-
Finance lease receivables	(a)	Loans and receivables (amortised cost)	Amortised cost	198	198	-
Other financial assets						
- Held for trading financial assets	(c)	FVPL	FVPL	1,250	1,250	-
- SGD Government bond	(d)	HTM (amortised cost)	Amortised cost	3,450	3,450	-
Derivatives		FVPL	FVPL	137	137	-
Cash and bank balances		Loans and receivables (amortised cost)	Amortised cost	19,778	19,778	-
Non-current financial liabilities						
Borrowings		Financial liabilities (amortised cost)	Amortised cost	31,524	31,524	-
Current financial liabilities						
Trade payables		Financial liabilities (amortised cost)	Amortised cost	17,580	17,580	-
Other payables and accruals		Financial liabilities (amortised cost)	Amortised cost	7,400	7,400	-
Other financial liabilities		Financial liabilities (amortised cost)	Amortised cost	18	18	-
Borrowings		Financial liabilities (amortised cost)	Amortised cost	31,524	31,524	-

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

C. SFRS(I) 9 (Cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

SFRS(I) 7.42I(a)-(b), 42O

	Company				
	Measurement category		Carrying amount		
	SFRS 39	SFRS(I) 9	SFRS 39 S$'000	SFRS(I) 9 S$'000	Differences S$'000
Current financial assets					
Trade receivables	Loans and receivables (amortised cost)	Amortised cost	12,003	12,003	-
Cash and bank balances	Loans and receivables (amortised cost)	Amortised cost	8,912	8,912	-
Trade payables	Financial liabilities (amortised cost)	Amortised cost	17,580	17,580	-

(a) Trade receivables, contract asset and finance lease receivables

Trade receivables, contract asset and finance lease receivables that were classified as loans and receivables under SFRS 39 are now classified at amortised cost.

(b) Available-for-sale equity securities

SFRS(I) 1-8.28(f)
SFRS(I) 7.42J

For quoted equity securities, the Group has elected to present fair value changes on these equity investments in other comprehensive income under SFRS(I) 9, because these instruments are not held for trading. Accordingly, these assets are categorised as "Equity investments at fair value through other comprehensive income". Unlike SFRS 39, the accumulated fair value adjustment reserve related to these investments will never be reclassified to profit or loss.

Unquoted equity investments, which are currently measured at cost, is re-measured to fair value under SFRS(I) 9. The Group has elected to present fair value changes on these unquoted equity securities in other comprehensive income under SFRS(I) 9, because these instruments are not held for trading. Accordingly, these assets are categorised as "Equity investments at fair value through other comprehensive income". The difference between the cost as at 1 January 2018, amounting to S$ 95,000, and the fair value amounting to S$ 95,000, was recognised in the opening reserves when the Group applies SFRS(I) 9, with a corresponding increase in tax liabilities of S$ 16,000.

(c) Held for trading financial assets

SFRS(I) 1-8.28(f)
SFRS(I) 9.4.1.4

The Group has continued to measure these assets at fair value through profit or loss (FVPL) under SFRS(I) 9. There was no impact on the amounts recognised in relation to these assets from the adoption of SFRS(I) 9.

(d) Held-to-maturity debt investments

SFRS(I) 1-8.28(f)
SFRS(I) 9.4.1.2
SFRS(I) 7.42J

The Group has continued to recognise these assets at amortised cost under SFRS(I) 9, because these investments are expected to give rise to cash flows representing solely payments of principal and interest, and these investments are held to collect contractual cash flows. Accordingly, these investments are categorised as "Debt investments at amortised cost".

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

C. SFRS(I) 9 (Cont'd)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in SFRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount. As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets, separately in the statement of profit or loss. As a result, the Group reclassified net impairment loses amounting to S$406,000 recognised under SFRS 39, from other operating expenses to 'net impairment losses on trade receivables and contract assets' in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all trade receivables and that arise from SFRS(I) 15, as well as lease receivables. Based on the assessment made, there was an increase of $54,000 in the allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 respectively on transition to SFRS(I) 9. For debt investments represent SGD government bonds with low credit risk as at 1 January 2018, the Group adopted the exemption in SFRS(I) 9 to assess these low-credit risk instruments based on 12-month ECLs. The Group has assessed that the 12-month ECLs of these investments did not result in a material difference between the previous carrying amount and the revised carrying amount of the financial assets as at 1 January 2018.

SFRS(I) 7.42P

On the date of initial application of SFRS(I) 9 on 1 January 2018, the closing loss allowances reconcile to the opening loss allowances are provided below:

Group	Trade receivables S$'000	Contract assets S$'000	Debt investments at FVOCI S$'000	Debt investments at amortised cost S$'000
Closing balance as at 31 December 2017 (SFRS 39)	(838)	-	-	-
Amounts restated through retained earnings	(54)	-	-	-
Opening balance as at 1 January 2018	(892)	-	-	-

The application of SFRS(I) 9 impairment requirements at 1 January 2018 does not have significant effect on the Company. Additional information about how the Group and the Company measure the allowance for impairment is described in Note 39.

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

C. SFRS(I) 9 (Cont'd)

(iii) Transition impact on equity

SFRS(I) 9.42L

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on fair value adjustment reserve and retained earnings at 1 January 2018.

Group	Impact of adopting SFRS(I) 9 at 1 January 2018 S$'000
Fair value adjustment reserve	
Closing balance as at 31 December 2017 (SFRS 39)	527
Fair value gain arising from FVOCI	95
Deferred taxes arising from fair value adjustment	(16)
Opening balance as at 1 January 2018 (SFRS(I) 9)	606
Retained earnings	
Closing balance as at 31 December 2017 (SFRS 39)	95,099
Recognition of expected credit losses under SFRS(I) 9	(54)
Opening balance as at 1 January 2018 (SFRS(I) 9)	95,045

SFRS(I) 1.25

D. Impact on the Statement of cash flows

There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I)[1,2] and adoption of new standards (cont'd)

SFRS(I) 1.25

Notes to the reconciliation of equity and total comprehensive income (cont'd)

Guidance Notes

Retrospective application of all accounting policies

SFRS(I) 1.7
SFRS(I) 1.8
SFRS(I) 1.9

1) Under SFRS(I) 1, an entity is required to use the same accounting policies in its opening SFRS(I) balance sheet and throughout all periods presented in its first SFRS(I) financial statements. <u>The transitional provisions in all other SFRS(I) do not apply to a first-time adopter</u>. Full retrospective application of all SFRS(I) effective at the end of the first SFRS(I) reporting period is required, subject to the mandatory exceptions and optional exemptions under SFRS(I). The entity is not allowed to apply different versions of SFRS(I) which were effective at an earlier date, but may early adopt a new SFRS(I) that is not yet mandatory if that SFRS(I) permits early application.

Reconciliations

SFRS(I) 1.27

2) A first-time adopter does not apply the requirements under SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in accounting policies that occur when the entity first adopts SFRS(I). Rather, the first-time adopter must provide an explanation of transitional adjustments and reconciliations of equity and comprehensive income. In this illustration, it is assumed that there were no changes to the accounting policies or optional exemptions elected by the Group during the period covered by its first SFRS(I) financial statements.

Cumulative translation differences

SFRS(I) 1.D13

3) A first-time adopter need not comply with the requirements in SFRS(I) 1-21 to recognise cumulative translation differences on foreign operations (i.e., cumulative translation differences that existed at the date of transition to SFRS(I)). If a first-time adopter uses this exemption:

   a) It must be applied to all foreign operations of the Group. The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to SFRS(I); and
   b) The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to SFRS(I) and shall include later translation differences.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

SFRS(I) 1-8.30

(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective[1]

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

Description	Effective Date (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
SFRS(I) 9 *Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) 1-28 *Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	
- Amendments to SFRS(I) 3 *Business Combinations*	1 January 2019
- Amendments to SFRS(I) 11 *Joint Arrangements*	1 January 2019
- Amendments to SFRS(I) 1-12 *Income Taxes*	1 January 2019
- Amendments to SFRS(I) 1-23 *Borrowing Costs*	1 January 2019
SFRS(I) 1-19 Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely, early application is still permitted

Except for amendments to 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.

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group plans to adopt SFRS(I) 16 on 1 January 2019 based on a permitted transition approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group will elect the transition option to record, in respect of leases previously classified as operating leases, the right-of-use asset on 1 January 2019 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 31 December 2018. The Group also plans to adopt an expedient offered by SFRS(I) 16, exempting the Group from having to reassess whether pre-existing contracts contain a lease.

As disclosed in Note 42, the Group has entered into operating leases of land and equipment as lessee. As at 31 December 2018, the minimum lease payments committed under non-cancellable operating leases amount to S$ 7.86 million. As at 1 January 2019, the Group expects an increase in right-of-use assets of approximately S$6.8 million, an increase in lease liabilities of S$7 million, with a corresponding decrease in the opening retained earnings of S$0.2 million and its related tax impact as of 1 January 2019. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117

2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

SFRS(I) 1-8.30

(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective[1] (cont'd)

Guidance Notes

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

1) SFRS(I) 1-8 requires an entity to:
   (i) disclose those standards or interpretations that have been issued which are not yet effective; and
   (ii) provide known or reasonably estimable information to assess the possible impact that the application of such SFRS(I)s will have on the entity's financial statements in the period of initial application.

   Therefore, the Group has listed those SFRS(I)s and SFRS(I) INTs that are issued but not yet effective and **relevant** to the Group. Only those SFRS(I)s and SFRS(I) INTs, which are relevant to the entity, should be indicated. The following is a list of standards issued but not effective as at 30 September 2018. Each entity should customise the note accordingly to include standards that are applicable to the entity. Please see Appendix V for the illustrative disclosures of adoption of the new and revised standards.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies

SFRS(I) 1-1.112(a)

(a) Basis of preparation

SFRS(I) 1.3
SFRS(I) 1-1.117
SGX 1207.5(d)
SFRS(I) 1.23, 27

The financial statements[1,2] have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") as issued by Accounting Standards Council. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Singapore Financial Reporting Standards in Singapore (SFRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 2(a). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

SFRS(I) 101.112(a), 117
SFRS(I) 10.19,
SFRS(I) 1-28.35

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

SFRS(I) 1-1.51(d)(e)

The financial statements are presented in Singapore dollars (SGD or S$), which is the functional currency of the Company. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 1-1.112(a)

(a) Basis of preparation (cont'd)

Guidance Notes

First-time adoption of SFRS(I)

SFRS(I) 1.3

1) An entity's first SFRS(I) financial statements are the first annual financial statements in which it adopts SFRS(I) by an explicit and unreserved statement of compliance with SFRS(I). SFRS(I) comprise Standards and Interpretations that are equivalent to the International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board (IASB). When SFRS(I) is first adopted, entities are required to explain transitioned from previous GAAP to SFRS(I) and how its reported financial position, financial performance and cash flows were affected.

SFRS(I) 1.7 to 8

In preparing its first SFRS(I) financial statements, an entity selects accounting policies based on SFRS(I)s that are effective as at the first annual SFRS(I) reporting date; this may include the early adoption of new standards or interpretations that are not effective for the first SFRS(I) reporting period but for which early adoption is permitted. An entity does not apply earlier versions of standards that no longer are effective. Generally those policies are applied consistently at the date of transition to fully restate on a retrospective basis the opening statement of financial position on an SFRS(I) basis, and in each of the periods presented in the first SFRS(I) financial statements; this is the case even if a particular standard does not require retrospective application for existing SFRS(I) users. The retrospective application of SFRS(I)s effectively requires an entity to remeasure all transactions and events as of the date that they arose originally, using SFRS(I)s effective as at the entity's first annual SFRS(I) reporting date. The mandatory exceptions and optional exemptions provide relief from this general principle.

Going concern assumption

SFRS(I) 1-1.25
SFRS(I) 1-1.122

2) When preparing financial statements, management shall make an assessment of the entity's ability to continue as a going concern. Where the effect of the judgement made in relation to the entity's ability to continue as a going concern has significant effect on the amounts recognised in the financial statements, the judgement made should be disclosed.

SFRS(I) 1-1.25

When management is aware of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed, even if management eventually concludes that it is appropriate to prepare the financial statements on a going concern basis.

SFRS(I) 1-1.25

Illustrative disclosure:

"The Group incurred a net loss of S$ XXX (2017: S$ XXX) and total comprehensive loss of S$ XXX (2017: S$ XXX) during the financial year ended 31 December 2018 and as that date, the Group's current liabilities and total liabilities exceeded its current assets and total assets by S$ XXX (2017: S$ XXX) and S$ XXX (2017: S$ XXX) respectively.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ultimate holding company has undertaken to provide continuing financial support and/or the Group is able to generate profits and/or sufficient positive cash flows from its operations. If the Group is unable to continue its operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements."

Illustrative disclosure :

"The Company incurred a net loss of S$ XXX (2017: S$ XXX) and total comprehensive loss of S$ XXX (2017: S$ XXX) during the financial year ended 31 December 2018 and as at that date, the Company's current and total liabilities exceeded its current and total assets by S$ XXX (2017: S$ XXX) and S$ XXX (2017: S$ XXX) respectively. These financial statements are prepared on a realisation basis because management intends to liquidate the Company within the next 12 months from the reporting date. Accordingly, all assets as at 31 December 2018 are measured at the lower of their carrying amounts and estimated realisable values and all liabilities as at 31 December 2018 are measured at their estimated settlement amounts."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(b) Group accounting

i. Subsidiaries

SFRS(I) 10.7
SFRS(I) 10.20
SFRS(I) 10.25

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated[1,3] from the date on which control[2] is transferred to the Group. They are deconsolidated from the date that control ceases.

SFRS(I) 10.B41, B42

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

SFRS(I) 3.32

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over the fair value of the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

SFRS(I) 3.5
SFRS(I) 3.37
SFRS(I) 3.39
SFRS(I) 3.18
SFRS(I) 3.19

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

SFRS(I) 3.53

Acquisition-related costs are expensed as incurred.

SFRS(I) 3.42

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

SFRS(I) 3.58

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

SFRS(I) 3.B63(a)
SFRS(I) 3.34

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(b) Group accounting (cont'd)

i. Subsidiaries (cont'd)

SFRS(I) 10.23

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests without loss of control are also recorded in equity.

SFRS(I) 10.25
SFRS(I) 10.B98
SFRS(I) 10.B99

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

Guidance Notes

Reporting date of subsidiary

SFRS(I) 10.B92

1) The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall have the **same reporting date**. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent, to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

SFRS(I) 10.B93

Where it is impracticable to do so, the parent may use the financial statements of a subsidiary prepared as of a reporting date different from that of the parent, provided adjustments are made for the effects of significant transactions or events that occur between that date and the date of the parent's financial statements, and the difference between the reporting dates of the subsidiary and parent is no more than three months. In addition, the length of the reporting periods and any difference in the reporting dates shall be the same from period to period.

SFRS(I) 1-28.33

A similar requirement applies to the financial statements of associates and joint ventures used for the purpose of equity accounting, as appropriate.

Business Combinations involving entities under common control

SFRS(I) 3.2
SFRS(I) 3.App B

2) In this illustration, there is no business combination involving entities under common control. Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 *Business Combinations* and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity).

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(b) Group accounting (cont'd)

Guidance Notes

Business Combinations involving entities under common control (cont'd)

SFRS(I) 3.2
SFRS(I) 3.App B

RAP 12.9

2) Illustrative accounting policy where the pooling of interest method is applied:

"Business Combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination. Any difference between the consideration paid and the share capital of the "acquired" 'entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control."

Exemption from consolidation

SFRS(I) 10.4(a)

3(a) When a parent is exempted under paragraph 4(a) of SFRS(I) 10 *Consolidated Financial Statements* from preparing consolidated financial statements and elects to use the exemption and prepare separate financial statements, the following disclosure can be considered:

"These financial statements are the separate financial statements of [Company name]. The Company is exempted from the preparation of consolidated financial statements as,

i. the Company is a wholly-owned subsidiary of MS Global Limited, a UK-incorporated company;

ii. the Company's equity instruments are not traded in a public market;

iii. the Company did not file, nor is in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; and

iv. MS Global Limited, the ultimate controlling party, produces consolidated financial statements that are available for public use and comply with SFRS(I)s (or International Financial Reporting Standards, delete where applicable), in which subsidiaries are consolidated (or are measured at fair value through profit or loss in accordance with SFRS(I) (or IFRS 10 Consolidated Financial Statements), delete where applicable).

The registered office of MS Global Limited is as follows: St Paul's House, Warwick Lane, London EC4M 7BP, UK."

The exemption above also applies to investment in associates and joint ventures.

SFRS(I) 1-27.16(b)(c)

3(b) The exempted parent that elects to prepare separate financial statement shall also disclose a list of significant investments in subsidiaries, jointly-controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest (and if different, proportion of voting power held) and a description of the method used to account for these investments.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(b) Group accounting (cont'd)

ii. Associates and joint ventures[1]

SFRS(I) 1-28.3 and 5, SFRS(I) 11.16

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

SFRS(I) 1-28.32(a)

Goodwill on acquisition of associates or joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments. Gains and losses on the disposal of associates and joint ventures include the carrying amounts of goodwill relating to the entity sold.

SFRS(I) 1-28.10
SFRS(I) 1-28.32

Investments in associates and joint ventures are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

SFRS(I) 1-28.25

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

SFRS(I) 1-28.38
SFRS(I) 1-28.39

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

SFRS(I) 1-28.40
SFRS(I) 1-28.42

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

SFRS(I) 1-28.28
SFRS(I) 1-28.35

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Guidance Notes

Reporting date

1) Please refer to Guidance Note 1 under Note 3(b)(i) Subsidiaries.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(b) Group accounting (cont'd)

iii. Joint operation[1]

SFRS(I) 11.7 and 20

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

SFRS(I) 11.20

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

SFRS(I) 11.21

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to those particular assets, liabilities, revenues and expenses.

SFRS(I) 11.B34-B35

When the Group enters into transaction involving a sale or contribution of assets with a joint operation, the Group recognises gains and losses resulting from such a transaction only to the extent of the interests held by the other parties to the joint operation. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

SFRS(I) 11.B36-B37

When the Group enters into a transaction involving purchase of assets from a joint operation, the Group does not recognise its share of the gains and losses until it resells the assets to a third party, except for losses that evidence a reduction in net realisable value or an impairment loss on those assets.

(c) Investment in subsidiary companies, associates and joint venture

SFRS(I) 1-27.17(c)

Investments in subsidiary companies, associates and joint ventures[1,2] are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, associates and joint venture, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

Guidance Notes

SFRS(I) 1-27.10

1) When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either: (a) at cost; (b) in accordance with SFRS(I) 9; or (c) using the equity method as described in SFRS(I) 1-28.

   An entity applies the same accounting policy on joint operations as stated in Note 3(b)(iii) above, in its separate financial statements.

SFRS(I) 1-27.11

2) If an entity elects, in accordance with paragraph 18 of SFRS(I) 1-28 (as amended in 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with SFRS 39, it shall also account for those investments in the same way in its separate financial statements.

SFRS(I) 1-27.11A

   If a parent is required, in accordance with paragraph 31 of SFRS(I) 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with SFRS(I) 9, it shall also account for its investment in a subsidiary in the same way in its separate financial statements.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(d) Non-current assets held for sale and discontinued operations

SFRS(I) 5.6

Non-current assets or disposal groups are classified as held for sale or distribution if their carrying amount will be recovered through a sale transaction or distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SFRS(I) 5.8A

SFRS(I) 5.15, 15A

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (or disposal groups) classified as held for sale (held for distribution) are measured at the lower of the assets' previous carrying amount and fair value less cost to sell (fair value less costs to distribute).

SFRS(I) 5.25
SFRS(I) 5.20 to 22

The assets are not depreciated or amortised while they are classified as held-for-sale. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

SFRS(I) 5.32

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

i. represents a separate major line of business or geographical area of operations; or
ii. is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
iii. is a subsidiary acquired exclusively with a view to resale.

SFRS(I) 5.34

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

(e) Revenue recognition[1,4]

SFRS(I) 15.47

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.

SFRS(I) 15.31-32
SFRS(I) 15.73

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.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

(i) Sale of electronics and appliance equipment

SFRS(I) 15.119(a)
SFRS(I) 15.119(c)

The Group supplies electronic equipment for consumer and industrial electronics for wholesaler.

SFRS(I) 15.119
SFRS(I) 15.123
SFRS(I) 15.125
SFRS(I) 15.108

For sale of industrial electronics equipment to wholesaler, revenue is recognised when the control of the goods has transferred, being when the goods are delivered to the wholesaler, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has the objective evidence that all criteria for acceptance have been satisfied[2,3]. A receivable is recognised when the goods are delivered as this represents the point in time that the right to consideration is unconditional because only the passage of time is required before the payment is due.

SFRS(I) 15.119
SFRS(I) 15.125
SFRS(I) 15.126

For sales of electronic equipment directly to customers, revenue is recognised by the Group when the control of the goods has transferred, being at the point the customer purchases the goods at the retail outlets. Payment of the transaction price is due immediately at the point the customer purchases the goods.

SFRS(I) 15.55
SFRS(I) 15.B21
SFRS(I) 15.119(d)
SFRS(I) 15.126

It is the group's policy to sell its goods to the end customer with 30-day right of return. Therefore, a refund liability[5] and a right to the returned goods are recognised in relation to electronic equipment expected to be returned. Accumulated experience is used to estimate the numbers of returns at the time of sale at a portfolio level using the expected value method. Because the level of product returns has been consistent over previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of the assumption and the estimated amount of returns are reassessed at each reporting date.

SFRS(I) 15.B30

Sales-related warranties associated with the electronics and appliance equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for these warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment (see Note 3(r)).

(ii) Sale of health and beauty goods

SFRS(I) 15.119
SFRS(I) 15.125
SFRS(I) 15.126

The Group operates a chain of retail stores selling skincare, fragrance, make-up and hair care, body care products, health and beauty supplements to consumers. Revenue from the sale of health and beauty goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail store. Payment of the transaction price is due immediately at the point the customer purchases the goods. Under the Group's standard return policy, customers have a right of return within 7 days from the date of purchase with a valid reason. Accordingly, a refund liability[5] and a right to the returned goods are recognised in relating to goods expected to be returned.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

(iii) Construction of properties

SFRS(I) 15.119(c)
SFRS(I) 15.31

The Group constructs and sells commercial properties under long-term contracts with customers. Such contracts are entered into before construction of the commercial properties begins. Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

SFRS(I) 15.119(a)
SFRS(I) 15.41

For construction of commercial properties whereby the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for performance completed to date, revenue from construction of commercial properties is recognised over time on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

SFRS(I) 15.119(a)

For construction of commercial properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, usually upon transfer of legal title.

SFRS(I) 15.119(b)
SFRS(I) 15.105
SFRS(I) 15.106

The Group becomes entitled to invoice customers for construction of commercial properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

SFRS(I) 15.91
SFRS(I) 15.95

Incremental costs of obtaining a contract (e.g. sales commission) are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

SFRS(I) 15.129
SFRS(I) 15.94

The Group has elected to apply the practical expedient in SFRS(I) 15 to recognise the incremental costs of obtaining a contract for the sale of electronic equipment as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.

SFRS(I) 15.127(b)
SFRS(I) 15.101

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

(iv) Sale of maintenance services

The Group offers an after-sales service for the electronic equipment which is included in the transaction price for the sale of electronic equipment. This service relates to maintenance work that may be required to be carried out on the equipment for a two–year period after sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the two–year period will be for the price at which these are sold by the entity to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

SFRS(I) 15.B29
SFRS(I) 15.74
SFRS(I) 15.81
SFRS(I) 15.126(c)
SFRS(I) 15.123(a)
SFRS(I) 15.35(b)
SFRS(I) 15.124
SFRS(I) 15.106
SFRS(I) 15.117

The Group considers the maintenance service to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Discounts are not considered as they are only given in rare circumstances and are never material. Revenue from the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight line basis over the period of service (i.e. two years when the services are purchased together with the underlying equipment).

Guidance Notes

SFRS(I) 15.119

1) SFRS(I) 15.119 sets out the disclosures required about an entity's performance obligations in contracts with customers, including a description of all of the following:
   - (a) when the entity typically satisfies its performance obligations (e.g. upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;
   - (b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained);
   - (c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent);
   - (d) obligations for returns, refunds and other similar obligations; and
   - (e) types of warranties and related obligations.

SFRS(I) 15.38
SFRS(I) 15.B79-B80

2) An entity may bill a customer for a product but still retaining physical possession of the product until it is transferred to the customer at a point in time in the future ("Bill-and-hold arrangement"). SFRS(I) 15 requires entity to determine when it has satisfied its performance obligation to transfer a product by evaluating when a customer obtains control of the product.

   Illustrative disclosure on a contract with bill-and-hold arrangements can be considered as follows:

SFRS(I) 15.B79-B82

   "In some bill-and-hold arrangements, even though the Group has not yet delivered the goods to the customer, it has satisfied its performance obligation as control of the good has been transferred to the customer, and all of the following criteria are met: The reason for the bill-and-hold arrangement is substantive, the product is identified separately as belonging to the customer, the product currently is ready for physical transfer to the customer, and the Group does not have the ability to use the good or to direct it to another customer."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

Guidance Notes

SFRS(I) 15.B77-B78

3) If an entity delivers a product to another party (such as a dealer or a distributor) for sale to end customers, the entity shall evaluate whether that other party has obtained control of the product at that point in time. A product that has been delivered to another party may be held in a consignment arrangement if that other party has not obtained control of the product. Accordingly, an entity shall not recognise revenue upon delivery of a product to another party if the delivered product is held on consignment. Illustrative disclosure on a contract with consignment arrangements can be considered as follows:

"In some consignment arrangements, although the good has been delivered to the customer, the Group retains control of the good and satisfies its performance obligation only upon the sale of the good to the end-customer of the customer."

4) An entity may refer to the following illustrative disclosures of other revenue recognition topics, where applicable.

SFRS(I) 15.B34-B38

(a) Acting as an agent

When another party is involved in providing goods or services to a customer, the entity is required to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). Illustrative disclosure for entity acting as agent can be considered as follows:

"The Group acts as an agent to provide a service of arranging for another party to transfer goods or services to a customer. The Group recognises a commission fee, being the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party."

(b) Customer loyalty programme

In this illustration, the Group does not have customer loyalty programme. An illustrative disclosure can be considered as follows:

SFRS(I) 15.B39-B40

"The Group operates a loyalty programme through which retail customers accumulate points on purchases made which entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods. The promise to provide the discount to the customer is therefore a separate performance obligation.

SFRS(I) 15.74
SFRS(I) 15.B42
SFRS(I) 15.106
SFRS(I) 15.117

The transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

Guidance Notes

4) An entity may refer to the following illustrative disclosures of other revenue recognition topics, where applicable (cont'd)

(c) Multiple performance obligations

In this illustration, the Group does not provide multiple performance obligations, e.g. sale of a product and related installation services. When an entity accounts for the sale of a product and installation service separately as they are assessed to be distinct, that is, the customer can benefit from the good or service on its own or together with other readily available resources and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract, the entity can consider the following illustrative disclosure as follows:

SFRS(I) 15.119(a) and (c)

"The Group manufactures and installs energy-saving system equipment. The sale of hardware 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. For the installation of the energy-saving equipment, revenue is recognised over time, based on the actual labour hours spent relative to the total expected labour hours."

(d) Significant financing component

If an entity has any significant financing component in its contracts with customers, the entity is required to make adjustment of transaction prices for the time value of money. An illustrative disclosure can be considered as follows:

SFRS(I) 15.60
SFRS(I) 15.64

"In determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that include a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract."

When the entity expects at contract inception that the period between payment and performance will be one year or less, an entity can elect the practical expedient on the accounting for significant financing component. An illustrative disclosure can be considered as follows:

SFRS(I) 15.129
SFRS(I) 15.63

"The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less."

SFRS(I) 15.65

An entity is required to present the effects of financing (interest revenue or interest expense) separately from revenue from contracts with customers in the statement of comprehensive income. Interest revenue or interest expense is recognised only to the extent that a contract asset (or receivable) or a contract liability is recognised in accounting for a contract with a customer.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(e) Revenue recognition[1,4] (cont'd)

Guidance Notes

4) An entity may refer to the following illustrative disclosures of other revenue recognition topics, where applicable (cont'd)

(e) Consideration payable to a customer

If the Group has consideration payable to a customer (i.e. an entity pays or expects to pay to a customer in the form of cash or non-cash items, e.g. coupons, vouchers, volume rebates), an illustrative disclosure can be considered as follows:

SFRS(I) 15.70-71
SFRS(I) 15.72

"The Group accounts for consideration payable to customers as a reduction of the transaction price if the payment is not for distinct goods or services received from the customer. If the payment is for distinct goods or services received from the customer, the Group accounts for any excess of the consideration payable to the customer over the fair value of the distinct goods or services as a reduction of the transaction price. If the Group cannot reasonably estimate the fair value of the goods or services received from the customer, it accounts for all of the consideration payable to the customer as a reduction of the transaction price.

The Group recognises the reduction of revenue at the later of: (a) when it recognises revenue for the transfer of the related goods or services to the customer; and (b) when it promises to pay the consideration."

(f) Contract modifications

If the Group has contract modifications (e.g. change in the scope or pricing of a contract), the following illustrative disclosure can be considered.

SFRS(I) 15.20-21

"The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification"

5) In this illustration, there is no refund liabilities taken up as the Group's refund liabilities is not material. The following illustrative note can be considered:

"Note X Inventories

........Included in finished goods are rights to recover returned goods from customers amounting to S$XXX (2017: S$XXX, 1 January 2017: S$XXX). These are measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those inventories and any potential decreases in the value to the Group of the returned inventories. Refund liabilities of the same amounts were also recognised in trade and other payables."

Illustrative wordings regarding the critical estimation of the refund liabilities is provided in Appendix IV.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(f) Leases

i. When the Group is the lessee[3]

Lessee – Finance leases

SFRS(I) 1-17.4

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

SFRS(I) 1-17.20

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

SFRS(I) 1-17.25

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

SFRS(I) 1-17.4
SFRS(I) 1-17.33
SFRS(I) INT 1-15.5

Leases of factories and warehouses where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

SFRS(I) 1-17.31(c)

Contingent rents[2] are recognised as an expense in profit or loss when incurred.

ii. When the Group is the lessor[3]

Lessor – Finance leases

SFRS(I) 1-17.4

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

SFRS(I) 1-17.36

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the statements of financial position and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

SFRS(I) 1-17.40
SFRS(I) 1-17.39

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

SFRS(I) 1-17.38

Initial direct costs[1] incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(f) Leases (cont'd)

iii. When the Group is the lessor[3]

Lessor – Operating leases

SFRS(I) 1-17.4
SFRS(I) 1-17.50

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term.

SFRS(I) 1-17.52

Initial direct costs[1] incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

SFRS(I) 1-17.56(b)

Contingent rents[2] are recognised as income in profit or loss when earned.

Guidance Notes

Initial direct costs – lessee

SFRS(I) 1-17.4

1) Initial direct costs of lessees are the incremental costs incurred by lessees that are directly attributable to negotiating and arranging a lease. Where initial direct costs are incurred by the reporting entity as a lessee, the following disclosure is suggested:

Lessee – Finance leases

SFRS(I) 1-17.24

"Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense."

Lessee – Operating leases

SFRS(I) 1-17 is silent on the accounting of initial direct costs by lessees in operating leases. Either of the following accounting policies can be adopted:

i. "Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss over the lease term on a straight-line basis."; or

ii. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred."

Contingent rents

SFRS(I) 1-17.25
SFRS(I) 1-17.31(c)
SFRS(I) 1-17.31(e)(i)
SFRS(I) 1-17.35(c)
SFRS(I) 1-17.35(d)(i)
SFRS(I) 1-17.47(e)
SFRS(I) 1-17.56(b)

2) Contingent rents recognised as an expense or income, if material, shall be disclosed for each class of leases (i.e. operating and financing), irrespective of whether the reporting entity is a lessee or lessor. The basis upon which the contingent rent payable was determined is required to be disclosed when the reporting entity is a lessee.

Penalties for early termination

3) Where such penalties are material, the following disclosure is suggested:

"When a lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when termination takes place."

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(g) Foreign currencies

(a) Functional and presentation currency

SFRS(I) 1-21.8

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

SFRS(I) 1-1.51(d)

For the purpose of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Singapore Dollar ("S$"), which is the functional currency[1] of the Company and the presentation currency[2,3] for the consolidated financial statements.

(b) Transactions and balances

SFRS(I) 1-21.21

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

SFRS(I) 1-21.23(a)

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

SFRS(I) 1-21.23(a)
SFRS(I) 1-21.28
SFRS(I) 1-21.32
SFRS(I) 9.6.5.13-14

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

SFRS(I) 1-21.48

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

SFRS(I) 1-21.23(c)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

SFRS(I) 1-23.6(e)

i. exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

SFRS(I) 1-21.27

ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 3 (t) (ii) Hedge accounting below for hedging accounting policies); and

SFRS(I) 1-21.32

iii. exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the net investment.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(g) Foreign currencies (cont'd)

(c) Translation of Group entities' financial statements

SFRS(I) 1-21.39

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

a. assets and liabilities are translated at the closing rate at the reporting date;

SFRS(I) 1-21.39

b. income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

c. all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Guidance Notes

Functional and presentation currency

SFRS(I) 1-21.54

1) Where there is a change in the functional currencies of either the reporting entity or a significant foreign operation, the fact and reason for the change in the functional currencies shall be disclosed.

SFRS(I) 1-21.53

2) When the financial statements are presented in a currency different from the Company's functional currency, the following are required to be disclosed:
   i. the Company's functional currency; and
   ii. the reason for using a different currency as its presentation currency.

3) Where a non-Singapore Dollar presentation currency is used for a Singapore-incorporated entity, it is recommended as a best practice to prominently denote this fact.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(h) Borrowing costs

SFRS(I) 1-23.8
SFRS(I) 1-23.22
SFRS(I) 1-23.5

Borrowing costs directly attributable[1,2] to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

SFRS(I) 1-23.12

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation[2].

SFRS(I) 1-23.8

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Guidance Notes

SFRS(I) 1-23.8

1) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised into the cost of the qualifying assets.

Capitalisation of borrowing costs

SFRS(I) 1-23.14
SFRS(I) 1-23.26(b)

2) If the amount of borrowing costs eligible for capitalisation have been determined by applying capitalisation rate to the expenditures on a qualifying asset because funds used for the purpose of obtaining the qualifying asset are borrowed generally (rather than specifically), the capitalisation rate should be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(i) Employee benefits[7,8,9]

SFRS(I) 1-19.55(b)

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

i. Defined contribution plan[1]

SFRS(I) 1-19.8

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

SFRS(I) 1-19.51

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

ii. Defined benefit retirement plan

SFRS(I) 1-19.57(a)(d)

The cost of providing benefits under defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are categorised as follows:

SFRS(I) 1-19.120

a. Service cost (including current service cost, past service cost, as well as gains and losses on settlements);

b. Net interest expense or income; and

c. Remeasurement of the net defined benefit liability/(asset) in other comprehensive income.

The Group presents the first two components of defined benefit costs in profit or loss in employee benefits expense. Past service cost is recognised in profit or loss in the period of plan amendment. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actual gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(i) Employee benefits[7,8,9] (cont'd)

iii. Share-based compensation[2,3,4,5,6]

SFRS(I) 2.2(a)
SFRS(I) 2.10

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period.

SFRS(I) 2.16
SFRS(I) 2.21A

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

SFRS(I) 2.20

At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares[6].

SFRS(I) 2.13A

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

Guidance Notes

(i) Defined contribution plans

Employee leave entitlement

1 In this illustration, it is assumed that employee leave entitlement is not significant and is not included in the list of significant accounting policies.

Illustrative accounting policy for employee leave entitlement (if significant):

SFRS(I) 1-19.13
SFRS(I) 1-19.155
SFRS(I) 1-19.156

"Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the project unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(i) Employee benefits[7,8,9] (cont'd)

Guidance Notes

(ii) Share-based compensation

Share-based compensation – Cash-settled plan

SFRS(I) 2.30
SFRS(I) 2.32-33

2) If the Group operates a cash-settled share-based compensation plan, the following disclosure is suggested:

"A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a [specify valuation model]. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions. "

Share-based compensation – Modification

3) If there is any modification of the share option plan, please refer to the illustrative disclosure below:

SFRS(I) 2.28

SFRS(I) 2.B42 to B44

"Where a share-based compensation plan is modified to increase the total fair value of the plan, the incremental fair value is recognised as additional share-based compensation expense. Where the modifications reduce the fair value of the plan, the share-based compensation is measured as if such modifications have not occurred (except for modifications that involve cancellation of equity instruments granted)."

Share-based compensation – Forfeiture

SFRS(I) 2.IG24

4) If a share-based payment under vesting conditions or other conditions where the counterparty does not meet the conditions, this event is to be treated as forfeiture. The following disclosure requirements may be considered:

"Where the vesting conditions of a share-based compensation plan are not met, it shall be considered as forfeiture. The expense shall be revised to reflect the best available estimate of the number of equity instruments expected to vest."

Share-based compensation – Vesting Conditions and Cancellations

SFRS(I) 2.IG24

5) If a share-based payment has non-vesting conditions where a counterparty or an entity can choose whether to meet the condition or not, a failure to meet the condition shall be treated as a cancellation.

The entity recognises immediately the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.

If there is any cancellation of the share option plan, the following disclosure is suggested:

SFRS(I) 2.28

"Where the employee share option plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(i) Employee benefits[7,8,9] (cont'd)

Guidance Notes

Share-based compensation – Transfer of share option reserve

SFRS(I) 2.23

6) The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained earnings upon expiry of the option are not mandatory. Alternatively, the share option reserve may be kept as a separate reserve upon expiry or exercise of the option. It may also be transferred to retained earnings upon exercise of the option.

Termination benefits

7) In this illustration, the Group does not provide any termination benefit to its employees. An illustrative accounting policy for termination benefits is as follows:

SFRS(I) 1-19.8

"Termination benefits are employee benefits provided in exchange for termination of employment as a result of either the Group's decision to terminate an employment contract before that employee's normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

SFRS(I) 1-19.165
SFRS(I) 1-19.169

A liability and expense for termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits, and when the Group recognises related restructuring costs. Initial recognition and subsequent measurement of termination benefits should be performed in accordance with the nature of the employee benefits."

Termination benefits versus Post-employment benefits

SFRS(I) 1-19.164

8) Some termination benefits are payable regardless of the reason for the employee's departure. Although these benefits are described in some countries as termination indemnities or termination gratuities, they can be post-employment benefits, rather than termination benefits and an entity accounts for them as post-employment benefits.

Profit sharing and bonus plans

SFRS(I) 1-19.19

9) If such benefits are material, the following disclosure is suggested:

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

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(j) Income tax

SFRS(I) 1-12.6

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

i. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

SFRS(I) 1-12.46

ii. Deferred tax

SFRS(I) 1-12.15

Deferred tax is recognised on temporary 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.

SFRS(I) 1-12.34

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

SFRS(I) 1-12.22C

Such deferred tax 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.

SFRS(I) 1-12.39

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

SFRS(I) 1-12.44

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.

SFRS(I) 1-12.56

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.

SFRS(I) 1-12.47

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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.

SFRS(I) 1-12.51

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.

SFRS(I) 1-12.71

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.

SFRS(I) 1-12.37

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. Significant Accounting Policies (cont'd)

(j) Income tax (cont'd)

ii. Deferred tax (cont'd)

SFRS(I) 1-12.68

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

SFRS(I) 1-12.51C

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

iii. Current and deferred tax for the period

SFRS(I) 1-12.58

Current and deferred tax are recognised as income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

(k) Property, plant and equipment

i. Measurement

Land and buildings

SFRS(I) 1-16.15

Land and buildings are initially recognised at cost[1]. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses.

SFRS(I) 1-16.31

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

SFRS(I) 1-16.31

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

SFRS(I) 1-16.34
SFRS(I) 1-16.35(b)

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

SFRS(I) 1-16.39
SFRS(I) 1-21.30

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(k) Property, plant and equipment[3] (cont'd)

i. Measurement (cont'd)

Other property, plant and equipment

SFRS(I) 1-16.15
SFRS(I) 1-16.30
SFRS(I) 1-16.73(a)

All other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Components of cost[2]

SFRS(I) 1-23.10
SFRS(I) 1-16.16(b)

Properties in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

ii. Depreciation[3]

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

SFRS(I) 1-16.61
SFRS(I) 1-16.51

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

SFRS(I) 1-17.27

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

SFRS(I) 1-36.9

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

SFRS(I) 1-16.51
SFRS(I) 1-16.61

The residual value, useful life and depreciation method are reviewed at each financial year and adjusted as appropriate at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

SFRS(I) 1-16.73(c)

The following useful lives are used in the calculation of depreciation:

Buildings	20 – 30 years
Leasehold improvements	5 – 7 years
Plant and equipment	5 – 15 years
Equipment under finance lease	5 years

iii. Subsequent expenditure

SFRS(I) 1-16.7

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

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(k) Property, plant and equipment[3] (cont'd)

iv. Disposal

SFRS(I) 1-16.67

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

SFRS(I) 1-16.68
SFRS(I) 1-16.41

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Guidance Notes

(i) Measurement

Method of accounting

SFRS(I) 1-16.29
SFRS(I) 1-16.36
SFRS(I) 1-16.37

1) An item of PPE shall be initially measured at cost, but can be subsequently measured using either the cost model or the revaluation model. The elected policy shall be applied consistently to an entire class of PPE. A class of PPE is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes include land, land and buildings, machinery, ships, aircraft, motor vehicles, furniture and fixtures and office equipment.

Provision for dismantlement, removal or restoration

SFRS(I) 1-16.16(c)

2) The projected cost of dismantlement, removal or restoration is recognised as part of the cost of PPE if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period. In this illustration, there are no projected costs of dismantlement, removal or restoration. The following is an example of the accounting policy:

"The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories."

(ii) Depreciation

Component approach to depreciation

SFRS(I) 1-16.7
SFRS(I) 1-16.13
SFRS(I) 1-16.14
SFRS(I) 1-16.43

3) Parts of some items of PPE may require replacement or major overhauls at regular intervals. An entity allocates the amount initially recognised in respect of an item of PPE to its significant parts and depreciates separately each significant part if those parts have different useful lives. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised. If the amount is material, a suggested disclosure is as follows:

"The [specific class of plant and equipment] are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of [years] in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(l) Investment properties

SFRS(I) 1-40.6
SFRS(I) 1-40.5
SFRS(I) 1-40.10
SFRS(I) 1-40.75(b)(e)
SFRS(I) 1-40.8(b)
SFRS(I) 1-40.20
SFRS(I) 1-40.30
SFRS(I) 1-40.35

Investment properties[1], which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes and land under operating leases that is held for long-term capital appreciation or for a current indeterminate use), are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value[2], determined annually by independent professional valuers on the highest-and-best use basis. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

SFRS(I) 1-40.18
SFRS(I) 1-40.19

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

SFRS(I) 1-40.66
SFRS(I) 1-40.69

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

SFRS(I) 1-40.57
SFRS(I) 1-40.60

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

SFRS(I) 1-40.61

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

Guidance Notes

Classification as investment property

SFRS(I) 1-40.75(c)
SFRS(I) 1-1.122

1) When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved.

Cost model

SFRS(I) 1-40.30
SFRS(I) 1-40.34
SFRS(I) 1-40.56

2) Alternatively, the entity may adopt the cost model which is to measure investment properties at cost less accumulated depreciation and accumulated impairment losses. In these circumstances, disclosure about the cost basis and depreciation rates would be required. This option is not available if the entity accounts for property interest held under an operating lease as investment property. The following accounting policy may be adopted:

"Investment properties which are properties held for long-term rental yields and/or for capital appreciation, are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [ ] years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise….."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(l) Investment properties (cont'd)

Guidance Notes

Cost model (cont'd)

SFRS(I) 1-40.79(e)

2) When the cost model is applied, the fair value of investment property shall be disclosed at each reporting date. In exceptional cases, when an entity cannot determine the fair value of investment property reliably, it shall disclose:

   a. a description of the investment property;

   b. an explanation of why fair value cannot be determined reliably; and

   c. if possible, the range of estimates within which fair value is highly likely to lie.

(m) Intangible assets[1]

SFRS(I) 1-38.24
SFRS(I) 1-38.74

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost[1] less accumulated amortisation and accumulated impairment losses.

SFRS(I) 1-38.97
SFRS(I) 1-38.118(b)
SFRS(I) 1-38.104
SFRS(I) 1-36.9

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least once at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

SFRS(I) 1-36.10(a)
SFRS(I) 1-36.9
SFRS(I) 1-38.107
SFRS(I) 1-38.109

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

SFRS(I) 1-38.113

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

i. Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

SFRS(I) 1-38.57

Deferred development expenditure is recognised if, and only if, all of the following have been demonstrated:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;

b. the intention to complete the intangible asset and use or sell it;

c. the ability to use or sell the intangible asset;

d. how the intangible asset will generate probable future economic benefits;

e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(m) Intangible assets[1](cont'd)

i. Research and development expenditure (cont'd)

SFRS(I) 1-38.74
SFRS(I) 1-38.118(a),(b)

Subsequent to initial recognition, the deferred development costs are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the deferred development costs begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of 8 years on a straight line method, based on the period of expected sales from the related projects.

ii. Trademarks

SFRS(I) 1-38.74, 118(a),(b)

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulate impairment losses (if any). Trademarks have useful lives of 32 years and amortised to profit or loss using the straight line method.

iii. Computer software licence

SFRS(I) 1-38.24
SFRS(I) 1-38.27-28,
SFRS(I) 1-38.66-67

Acquired computer software licence is initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

SFRS(I) 1-38.74
SFRS(I) 1-38.118
SFRS(I) 1-38.97

Computer software licence is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

Guidance Notes

SFRS(I) 1-38.75

1) Alternatively, the entity may adopt the revaluation model which is to measure intangible assets at fair value less accumulated amortisation and accumulated impairment losses. This option is only available if the fair value can be determined by reference to an active market.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(n) Impairment of non-financial assets

i. Goodwill

SFRS(I) 1-36.10(b)

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

SFRS(I) 1-36.80

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's cash-generating-units ("CGU") or groups of CGU, that are expected to benefit from synergies arising from the business combination.

SFRS(I) 1-36.6
SFRS(I) 1-36.74
SFRS(I) 1-36.90

An impairment loss[1] is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value-in-use.

SFRS(I) 1-36.104

The total impairment loss[1] of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

SFRS(I) 1-36.124

An impairment loss[1] on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

SFRS(I) 1-36.86

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

ii. Intangible assets, property, plant and equipment, investments in subsidiaries, associates and joint ventures

SFRS(I) 1-36.9
SFRS(I) 1-28.40

Finite intangible assets, property, plant and equipment and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

SFRS(I) 1-36.9
SFRS(I) 1-36.66

At the end of each reporting period, the Group reviews the carrying amounts of its finite intangible assets, property, plant and equipment and investments in subsidiaries, associates and joint ventures to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

SFRS(I) 1-36.67

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

SFRS(I) 1-36.10(a)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

SFRS(I) 1-36.74
SFRS(I) 1-36.IE72

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(n) Impairment of non-financial assets (cont'd)

ii. Intangible assets, property, plant and equipment, investments in subsidiaries, associates and joint ventures (cont'd)

SFRS(I) 1-36.90
SFRS(I) 1-36.59

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

SFRS(I) 1-36.60

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount[2] where the revaluation was previously taken to other comprehensive income. In this case, such impairment loss of revalued asset is treated as a revaluation decrease. Please refer to Note 3 (l) Property, plant and equipment for the treatment of a revaluation decrease.

SFRS(I) 1-36.110

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

SFRS(I) 1-36.119

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount[2], in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset[2] was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

Guidance Notes

(i) Goodwill

Reversal of impairment loss on goodwill in a previous interim period.

SFRS(I) INT 10.6

1) An entity **shall not reverse** an impairment loss recognised in a previous interim period of an investment in either an equity investment or a financial asset carried at cost or goodwill.

(ii) Assets carried at revalued amounts

2) In this illustration, certain classes of non-financial assets are carried at their revalued amounts. The disclosures related to revalued amounts shall be removed if the Group applies only the cost model for all non-financial assets.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(o) Inventories

SFRS(I) 1-2.9
SFRS(I) 1-2.25
SFRS(I) 1-2.36(a)

Inventories are stated at the lower of cost[1] and net realisable value. Costs are determined using the first-in-first-out method.

SFRS(I) 1-2.6(c)
SFRS(I) 1-2.10
SFRS(I) 9.6.5.11(d)(i)

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories that are transferred from the hedging reserve.

SFRS(I) 1-2.6

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Guidance Notes

Cost of inventories of a service provider

1) Where materials and supplies to be consumed in the rendering of services are material, the following disclosure is suggested:

"Inventories comprise materials and supplies to be consumed in the rendering of [ ] services.....Net realisable value is the estimated selling price of [ ] services less the applicable costs of conversion to complete the services and variable selling expenses."

SFRS(I) 7.21

(p) Financial assets – accounting policies are applicable from 1 January 2018

i. Classification and measurement

SFRS(I) 9.4.1.1

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

SFRS(I) 9.4.3.2

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Initial Recognition

SFRS(I) 9.5.1.1

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

SFRS(I) 9.5.1.3

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.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(p) Financial assets – accounting policies are applicable from 1 January 2018 (cont'd)

i. Classification and measurement (cont'd)

Subsequent Measurement

(a) Debt instruments

SFRS(I) 9.5.1.1

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities. Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost:

SFRS(I) 9.4.1.2

SFRS(I) 7.20

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Interest income is recognised in profit or loss and is included in the "other income" line item.

FVOCI

SFRS(I) 9.4.1.2A

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses (debt instruments measured at FVOCI that are not part of a designated hedging relationship) which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income" using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL

SFRS(I) 9.4.1.4

SFRS(I) 7.20, 20A

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. For debt investment that is measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Interest income from these financial assets is included in "other income" using the effective interest rate method.

In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVPL.

SFRS(I) 1-1.117
SFRS(I) 1-1.122
SFRS(I) 7.21

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies are applicable from 1 January 2018 (cont'd)

i. Classification and measurement (cont'd)

Subsequent Measurement (cont'd)

(b) Equity instruments

SFRS(I) 9.5.7.5-5.7.6

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value of equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

SFRS(I) 7.20

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Dividends are included in the 'other income' line item in profit or loss.

SFRS(I) 9.5.7.1

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Changes in fair value of equity instruments at FVOCI are recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

(c) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

ii. Impairment

SFRS(I) 9.5.5.1
SFRS(I) 9.5.5.3
SFRS(I) 9.5.5.5
SFRS(I) 9.5.5.15

The Group assesses on a forward looking basis the expected credit losses associated with the following financial instruments:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

SFRS(I) 1-1.117
SFRS(I) 1-1.122
SFRS(I) 7.21

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies are applicable from 1 January 2018 (cont'd)

ii. Impairment (cont'd)

Simplified approach - Trade receivables, lease receivables and contract assets

SFRS(I) 9.5.5.15-16

The Group applies the simplified approach to provide ECLs for all trade receivables, lease receivables and contract assets as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

General approach - Other financial instruments and financial guarantee contracts

SFRS(I) 9.5.5.1-11

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

SFRS(I) 9.5.5.3
SFRS(I) 9.5.5.9
SFRS(I) 9.5.5.11

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

SFRS(I) 9.5.5.5.7

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

SFRS(I) 7.35F(b), B8A

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

SFRS(I) 9.5.5.19
SFRS(I) 9.B5.5.38

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

SFRS(I) 1-1.117
SFRS(I) 1-1.122
SFRS(I) 7.21

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies are applicable from 1 January 2018 (cont'd)

ii. Impairment (cont'd)

Credit-impaired financial assets

SFRS(I) 7.35F(d), 35G(a)(iii), 9A

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost, and debt investments at FVOCI are credit-impaired.

SFRS(I) 7.35F(d), 9A

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (e.g. being more than 90 days past due);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not other consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECLs

SFRS(I) 7.35G(a)

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the, present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

SFRS(I) 7.35F(e)

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

iii. Recognition and derecognition

SFRS(I) 7.B5(c)
SFRS(I) 9.3.1.1
SFRS(I) 9.3.1.2

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(p) Financial assets – accounting policies are applicable from 1 January 2018 (cont'd)

iii. Recognition and derecognition (cont'd)

SFRS(I) 9.3.2.3

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognises fair value changes in other comprehensive income. If the Group has elected on initial recognition to measure the equity instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is not reclassified to profit or loss, but is transferred to retained earnings.

SFRS(I) 9.3.2.6

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings

(p) Financial assets – accounting policies applied until 31 December 2017

As disclosed in Note 2(b), the Group has applied SFRS(I) 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

i. Classification

SFRS 39.9
SFRS(I) 7.8

Until 31 December 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depended on the nature of the asset and the purpose for which the assets were acquired. Management determined the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets, at fair value through profit or loss

SFRS 39.9

This category had two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset was classified as held for trading if it is acquired principally for the purpose of selling it in the short term. Financial assets designated as at fair value through profit or loss at inception were those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives were also categorised as held for trading unless they are designated as hedges. Assets in this category were presented as current assets if they were either held for trading or are expected to be realised within 12 months after the reporting period.

Loans and receivables

SFRS 39.9

Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were presented as current assets, except for those expected to be realised later than 12 months after the reporting period which were presented as non-current assets. Loans and receivables were presented as "trade and other receivables" and "cash and bank balances" on the statements of financial position.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies applied until 31 December 2017 (cont'd)

i. Classification (cont'd)

Held-to-maturity financial assets

SFRS 39.9

Held-to-maturity financial assets were non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management had the positive intention and ability to hold to maturity.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.
They were presented as non-current assets, except for those maturing within 12 months after the reporting period which are presented as current assets.

Available-for-sale financial assets

SFRS 39.9

Available-for-sale financial assets were non-derivatives that are either designated in this category or not classified in any of the other categories. They were presented as non-current assets unless the investment matured or management intended to dispose of the assets within 12 months after the reporting period.

ii. Recognition and derecognition

SFRS 39.38

Regular way purchases and sales of financial assets were recognised on trade date – the date on which the Group committed to purchase or sell the asset.

SFRS 39.17
SFRS 39.20(a)

The Group derecognised a financial asset only when the contractual rights to the cash flows from the financial asset had expired, or had been transferred[7] and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

SFRS 39.20(c)

If the Group neither transferred nor retained substantially all the risks and rewards of ownership and continued to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay.

SFRS 39.20(b)

If the Group retained substantially all the risks and rewards of ownership of a transferred financial asset, the Group continued to recognise the financial asset and also recognised a collateralised borrowing for the proceeds received.

SFRS 39.26

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received was recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset was transferred to profit or loss.

SFRS 39.20

Trade receivables that were factored out to banks and other financial institutions with recourse to the Group were not derecognised until the recourse period had expired and the risks and rewards of the receivables had been fully transferred. The corresponding cash received from the financial institutions was recorded as borrowings.

iii. Initial measurement

SFRS 39.AG64
SFRS 39.43

Financial assets were initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which were recognised at fair value. Transaction costs for financial assets at fair value through profit or loss were recognised immediately as expenses.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies applied until 31 December 2017 (cont'd)

iv. Subsequent measurement

SFRS 39.46

Financial assets, both available-for-sale and at fair value through profit or loss were subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity were subsequently carried at amortised cost[1] using the effective interest method.

SFRS 39.55(a)

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, were recognised in profit or loss when the changes arise.

SFRS 39.46(c)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

Interest and dividend income on available-for-sale financial assets were recognised separately in income.

SFRS 39.55(b)
SFRS 39.AG83

Gains and losses arising from changes in fair value of available-for-sale debt investments were recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which were recognised directly in profit or loss.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) were recognised in other comprehensive income and accumulated in the fair value adjustment reserve, together with the related currency translation differences, with the exception of impairment losses.

The cumulative gain or loss previously recognised in other comprehensive income was reclassified from equity to profit or loss as a reclassification adjustment when the financial asset was derecognised.

SFRS 39.58

The Group assessed at each reporting date whether there was objective evidence that a financial asset or a group of financial assets was impaired and recognised an allowance for impairment when such evidence existed.

Loans and receivables / Held-to-maturity financial assets

SFRS 39.59

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets were impaired.

SFRS 39.63

The carrying amount of these assets was reduced through the use of an impairment allowance account[1] which was calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset became uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were recognised against the same line item in profit or loss.

SFRS 39.65

The allowance for impairment loss account was reduced through profit or loss in a subsequent period when the amount of impairment loss decreased and the related decrease can be objectively measured. The carrying amount of the asset previously impaired was increased to the extent that the new carrying amount did not exceed the amortised cost had no impairment been recognised in prior periods.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(p) Financial assets – accounting policies applied until 31 December 2017 (cont'd)

v. Impairment (cont'd)

Available-for-sale financial assets

SFRS 39.61

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost was considered as an indicator that an available-for-sale equity investment was impaired.

SFRS 39.67
SFRS 39.68
SFRS 39.69

If any evidence of impairment existed, the cumulative loss that was previously recognised in other comprehensive income was reclassified to profit or loss. The cumulative loss was measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on available-for-sale equity investment were not reversed through profit or loss.

Guidance Notes

Impairment loss on financial assets carried at amortised cost

SFRS 39.63

1) SFRS 39 allowed an impairment loss on financial assets carried at amortised cost to be recognised through the use of an allowance account or by reducing the carrying amount of the financial asset directly.

(q) Offsetting of financial assets and financial liabilities

SFRS(I) 1-32.42

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(r) Provisions[1]

SFRS(I) 1-37.14

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 a reliable estimate can be made of the amount of the obligation.

SFRS(I) 1-37.36

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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

i. Onerous contracts

SFRS(I) 1-37.66
SFRS(I) 1-37.68

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii. Warranties

SFRS(I) 1-37.24
SFRS(I) 1-37.36

Provisions for the expected cost for of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products based on the directors' best estimate of the expenditure required to settle the Group's obligation.

Guidance Notes

Provisions for asset dismantlement, removal or restoration

SFRS(I) 1-37.14

1) Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. The following accounting policy should be disclosed if such provisions are accounted for:

SFRS(I) 1-37.36

"The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration the time value.

SFRS(I) INT 1.5

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately."

SFRS(I) 6.10
SFRS(I) 6.11

Emission rights received could be recognised as intangible assets at their fair value with all the disclosures required by SFRS(I) 1-38, or an entity may also apply that net liability approach based on SFRS(I) 1-37.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(s) Financial liabilities

i. Compound instruments (convertible bonds)

SFRS(I) 1-32.28

The component parts of compound instruments (convertible bonds[1]) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

SFRS(I) 1-32.AG 31(a)

SFRS(I) 1-32.AG 31(b)

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

ii. Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees 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.

SFRS(I) 9.4.2.1(c)

<u>Financial guarantees in the separate financial statements – accounting policies from 1 January 2018</u>
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9.

- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

SFRS(I) 9.5.5.1, B5.5.28, 32

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

SFRS 39.43, 47(c)

<u>Financial guarantees in the separate financial statements – accounting policies applied until 31 December 2017</u>
The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(s) Financial liabilities (cont'd)

iii. Financial liabilities

SFRS(I) 9.3.1.1

The Group recognises a financial liability on its statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

SFRS(I) 9.5.1.1

SFRS(I) 9.4.2.1

Financial liability is recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

SFRS(I) 9.B5.4.4

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and all other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the amortised cost of a financial liability.

SFRS(I) 1-1.69

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

Financial liabilities at FVPL

SFRS(I) 9.4.2.1

Financial liabilities are classified as at FVPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVPL[2].

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee or a designated and effective hedging instrument.

SFRS(I) 7.B5(e)

SFRS(I) 7.35

Financial liabilities at FVPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other operating income in the consolidated statement of comprehensive income.

iv. Derecognition of financial liabilities

SFRS(I) 9.3.3.1
SFRS(() 9.3.3.3

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(s) Financial liabilities (cont'd)

Guidance Notes

Conversion option

SFRS(I) 1-32.11(b)(ii)

1) If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability.

SFRS(I) 1-32.28
SFRS(I) 1-32.15
SFRS(I) 1-32.16
SFRS(I) 1-32AG 27(d)

An example of a conversion option that is a derivative liability is found in a convertible bond that is denominated in a foreign currency. This is because the fixed amount of the foreign currency bond that will be extinguished if the holder converts represents a variable amount of cash in the functional currency of the issuer. The following disclosure is suggested:

"On issuance of convertible foreign currency bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option. The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption. When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital."

Financial liabilities designated at FVPL

2) In this illustration, the Group does not have financial liabilities designated at FVPL upon initial recognition. An illustrative accounting policy where the financial liabilities designated at FVPL applied is provided below:

"A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be irrevocably designated as at FVPL upon initial recognition if:

SFRS(I) 9.4.2.2

i. such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire hybrid contract (asset or liability) to be designated as at FVPL.

SFRS(I) 9.B5.7.8
SFRS(I) 9.B5.7.9

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss."

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(t) Derivative financial instruments and hedge activities

Derivative financial instruments and hedge activities – accounting policies are applicable from 1 January 2018

(i) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 39 Financial instruments.

SFRS(I) 9.5.1.1
SFRS(I) 9.5.2.1(c)
SFRS(I) 9.5.2.3

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

SFRS(I) 1-1.66
SFRS(I) 1-1.69

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of SFRS(I) 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of SFRS(I) 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or FVPL as appropriate. (Note 3(p) Classification and measurement – applicable from 1 January 2018).

SFRS(I) 1-1.66
SFRS(I) 1-1.69

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

ii. Hedge accounting

SFRS(I) 9.6.5.2

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Note 43 Fair value measurement sets out details of the fair values of the derivative instruments used for hedging purposes.

The following hedges in-placed as at 31 December 2017 qualified respectively as fair value, cash flow, and net investment hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

SFRS(I) 9.6.4.1

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

SFRS(I) 7.21

(t) Derivative financial instruments and hedging activities (cont'd)

Derivative financial instruments and hedge activities – accounting policies are applicable from 1 January 2018

SFRS(I) 7.22

ii. Hedge accounting (cont'd)

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

SFRS(I) 9.6.5.5

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

SFRS(I) 7.23

(a) Cash flow hedges

SFRS(I) 1-1.7(e)
SFRS(I) 9.6.5.11

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other operating income.

SFRS(I) 9.6.5.15-16

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

SFRS(I) 9.6.5.12

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

SFRS(I) 1-1.117
SFRS(I) 1-1.122
SFRS(I) 7.21

3. Significant Accounting Policies (cont'd)

(t) Derivative financial instruments and hedging activities (cont'd)

Derivative financial instruments and hedge activities – accounting policies are applicable from 1 January 2018

SFRS(I) 7.22

ii. Hedge accounting (cont'd)

(b) Hedges of net investments in foreign operations

SFRS(I) 9.6.5.13

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gains or losses relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other operating income.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation in the same way as exchange differences relating to the foreign operation as described in Note 3 (g) Foreign currencies above.

Derivative financial instruments and hedge activities – accounting policies applied until 31 December 2017

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of SFRS(I) 9. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under SFRS(I) 9. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

(u) Related parties

SFRS(I) 1-24.9

A related party is defined as follows:
A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

SFRS(I) 1-24.9(a)

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 reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(u) Related parties (cont'd)

SFRS(I) 1-24.9(b)

b. An entity is related to the Group and the company if any of the following conditions applies:

i. the entity and the reporting entity 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.

(v) Segment reporting

SFRS(I) 8.5(b)

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

(w) Cash and cash equivalents

SFRS(I) 1-7.45

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statements of financial position.

(x) Share capital

Ordinary shares are classified as equity. Incremental costs[1] directly attributable to the issuance of new ordinary shares are charged to equity, net of any tax effects.

Guidance Notes

1) SFRS(I) 1-32 requires directly attributable costs relating to equity transactions to be recognised in equity, but does not specify which equity account. Accordingly, these costs may also be recognised against retained earnings.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.117
SFRS(I) 1-1.122

3. Significant Accounting Policies (cont'd)

(y) Treasury shares

SFRS(I) 1-32.33

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

CA 76G

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

SFRS(I) 1-32.33

When treasury shares are subsequently sold or re-issued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(z) Dividends to Company's shareholders

SFRS(I) 1-10.12
SFRS(I) 1-32.35

Dividend to the Company's shareholders are recognised when the dividends are approved for payment.

4. Critical accounting judgements and key sources of estimation uncertainty

SFRS(I) 1-1.122

In the application of the Group's accounting policies, which are described in Note 3 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

SFRS(I) 1-1.122
SFRS(I) 1-1.125
SFRS(I) 1-1.126
SFRS(I) 1-1.129

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements[1,2] in applying accounting policies

In the process of applying the Company's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed in the following pages.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(a) Critical judgements[1,2] in applying accounting policies (cont'd)

i. Control over C (Singapore) Pte Ltd as subsidiary

SFRS(I) 12.7(a)
SFRS(I) 12.9(b)

Note 18 describes that C (Singapore) Pte Ltd is a subsidiary of the Group although the Group only owns 45 per cent ownership interest in C (Singapore) Pte Ltd. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of C (Singapore) Pte Ltd that has the power to direct the relevant activities of C (Singapore) Pte Ltd. Therefore, the directors of the Group concluded that it has the practical ability to direct the relevant activities of C (Singapore) Pte Ltd unilaterally and hence the Group has control over C (Singapore) Pte Ltd.

ii. Investment in BB Co. Ltd as an associate

SFRS(I) 12.7(b)
SFRS(I) 12.9(e)

Note 19 describes that BB Co. Ltd is an associate of the Group although the Group only owns 17 per cent ownership interest in BB Co. Ltd. The Group has significant influence over BB Co. Ltd by virtue of the contractual right to appoint two directors to the board of directors of that Company.

The carrying amount of the investment in BB Co. Ltd and details of these assets are set out in Note 19 Investment in associates.

iii. Classification of investment in Freeflow Limited as financial asset at FVOCI

Management has assessed that it has no significant influence in Freeflow Limited despite its 20% interest, because the other 80% of the ordinary share capital is controlled by 1 shareholder who also manages the day to day operation of the Company.

Details of these assets are set out in Note 21 of the financial statements.

SFRS(I) 1-1.125
SFRS(I) 1-1.129

(b) Key sources of estimation uncertainty[3]

SFRS(I) 1.14

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SFRS. The estimates used by the Group to present these amounts in accordance with SFRS(I) reflect conditions at 1 January 2017, the date of transition to SFRS(I) and as of 31 December 2017.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the estimation of value in use is provided in Note 16.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

SFRS(I) 1-1.125
SFRS(I) 1-1.129

(b) Key sources of estimation uncertainty[3](cont'd)

ii. Useful lives of plant and equipment

The cost of plant and equipment for the various manufacturing operations is depreciated on a straight line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 15 years. These are common life expectancies applied in these industries. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. Hence, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the end of each reporting period is disclosed in Note 14 Property, plant and equipment to the financial statements.

SFRS(I) 7.3G
SFRS(I) 7.35F(c)

iii. Loss allowance[5] for trade receivables and contract assets

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix which involves grouping receivables according to historical loss patterns (e.g. customer rating or product or by geographical location) and applying a historic provision rate which is based on days past due for groupings of various customer segments that have similar loss patterns. In devising such a provision matrix, the Group uses its historical credit loss experience with forward-looking information (adjusted as necessary to reflect current conditions and forecast economic conditions) to estimate the lifetime expected credit losses on the trade receivables and contract assets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The Group has recognised a loss allowance of 100% against all receivables over past due dates because historical experience has indicated that these receivables are generally not recoverable. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 39.

iv. Sale of commercial properties[4]

The Group has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the commercial properties to the customers, as it reflects the Group's development efforts incurred to date relative to the total inputs expected to be incurred for the development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the commercial properties. The estimated total construction and other related costs are based on contracted amounts. In respect of amounts not contracted for, management relies on past experience and technical expertise to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in the development of similar commercial properties, analysed by different property types and geographical areas for the past 2 to 4 years.

As at 31 December 2018, S$200,000 of the Group's contract assets were subject to the estimation of progress towards completion using the input method. If the estimated total contract cost of on-going contracts to be incurred had been higher/lower by 5%, the Group's contract assets and revenue would have been lower/higher by S$ 10,000. If the estimated total contacts of on-going contracts to be incurred had been higher by 10%, a provision for onerous contracts of S$50,000 would have been recognised. The carrying amount of the Group's contract assets is disclosed in Note 5 to the financial statements

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

SFRS(I) 1-1.125
SFRS(I) 1-1.129

(b) Key sources of estimation uncertainty[3] (cont'd)

v. Employee share options

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 40 Share-based payments.

vi. Defined benefit plan

SFRS(I) 1-19.116

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Significant estimates and assumptions in determining the value of defined benefit plans are disclosed in Note 38 Retirement benefit plans.

vii. Fair value measurements and valuation processes

Some of the Groups' assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by a Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 14, 15 and 43.

Guidance Notes

1) If no critical judgements and estimates and assumptions applied, the following should be disclosed in the financial statements:

"In the preparation of the financial statements, there were no critical judgements that management made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements, nor key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year."

2) In this illustration, it is assumed that these are the judgements and estimates made in applying accounting policies that has the most significant effect on the amounts recognised in the financial statements. These disclosures must be tailored for another reporting entity as they are specific to an entity's particular circumstance.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

4. **Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

Guidance Notes

3) Disclosure of key sources of estimation uncertainty is not required for assets and liabilities that are measured at fair value based on recently observable market prices. This is because even if their fair values may change materially within the next financial year, these changes will not arise from assumptions or other sources of estimation uncertainty at the reporting date.

The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation is required to be disclosed only when it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.

SFRS(I) 15.123

4) SFRS(I) 15 requires an entity to disclose the judgements, and changes in the judgements, made in applying the Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity must explain the judgements, and changes in the judgements, used in determining both the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations. Entities will need to apply judgement to ensure that judgements that significantly affect the determination of the amount and timing of revenue are appropriately disclosed to meet the disclosure requirements.

SFRS(I) 15 requires:

SFRS(I) 15.124

- For performance obligations that an entity satisfies over time, the entity must disclose both the method used to recognise revenue and an explanation why the methods used provide a faithful depiction of the transfer of goods or services.

SFRS(I) 15.125

- For performance obligations satisfied at a point in time, the entity must disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services

SFRS(I) 15.126

- An entity must disclose information about the methods, inputs and assumptions used for determining its transaction price and amounts allocated to performance obligations, including:
  (a) Determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration.
  (b) Assessing whether an estimate of variable consideration is constrained.
  (c) Allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable).
  (d) Measuring obligations for returns, refunds and other similar obligations.

SFRS(I) 15.127(a)

- An entity is also required to describe the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer that are capitalised as an asset.

SFRS(I) 7.35G(b)

5) An entity must disclose how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information. In this illustration, the Group did not disclose detailed information on how the forecast economic conditions have been incorporated in the determination of expected credit losses because the impact is not significant. Entities are expected to provide more detailed information if the forward-looking information has a significant impact in the calculation of expected credit losses.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

5. Revenue from contract with customers[1]

(a) Disaggregation of revenue from contract with customers

SFRS(I) 15.114
SFRS(I) 15.115

The Group's revenue[2] is disaggregated by principal geographical areas, major product and services lines and timing of revenue recognition. This is consistent with the revenue information as disclosed in Note 6 Segment Information[3,4].

	Group	
	Year ended 2018	Year ended 2017
	S$'000	S$'000
Principal geographical market		
Singapore		
- Electronics and appliance equipment	54,915	58,149
- Health and beauty goods	17,008	18,012
- Construction	3,337	2,386
	75,260	78,547
People's Republic of China		
- Electronics and appliance equipment	28,394	28,821
- Health and beauty goods	10,520	10,110
	38,914	38,931
Mauritius		
- Electronics and appliance equipment	17,430	20,121
- Health and beauty goods	6,457	7,058
	23,887	27,179
Others – South East Asia		
- Electronics and appliance equipment	2,084	5,317
- Health and beauty goods	773	1,866
	2,857	7,183
Total	140,918	151,840
Major product or service lines		
Sale of electronics and appliance equipment		
- Wholesaler	61,694	67,445
- Direct Sales	41,129	44,963
	102,823	112,408
Sale of health and beauty goods	34,758	37,046
Construction of commercial properties	3,337	2,386
	140,918	151,840
Timing of revenue recognition (SFRS(I) 15.B87-B89)		
At a point in time		
Sale of electronics and appliance equipment	102,823	112,408
Sale of health and beauty goods	34,758	37,046
Over time		
Construction of commercial properties	3,337	2,386
	140,918	151,840

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

5. Revenue from contract with customers[1] (cont'd)

SFRS(I) 15.116(a)

(b) Contract balances[5]

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Contract assets - current			
Construction of commercial properties	234	225	255
Contract liabilities - current			
Construction of commercial properties	(31)	(10)	(15)

SFRS(I) 15.117

Contract assets relate to construction of commercial properties representing the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer. Contract liabilities relate to the Group's obligation to transfer goods or services to customer for which the Group has received consideration from customers for construction of commercial properties. Contract liabilities are recognised as revenue as the Group performs under the contract.

SFRS(I) 15.118

Significant changes[6] in the contract assets and contract liabilities balances during the reporting are disclosed as follows:

		Group	
		2018	2017
		S$'000	S$'000
	Contract assets		
	Contract assets reclassified to trade receivable	(110)	(150)
SFRS(I) 15.116(c)	Changes in measurement of progress	120	120
SFRS(I) 15.113(b)	Impairment loss on contract asset	(1)	-
	Contract liabilities		
SFRS(I) 15.116(b)	Revenue recognised at the beginning of the year	210	90
	Increase due to cash received, excluding amounts recognised as revenue during the year	(231)	(85)

SFRS(I) 7.34(a)
SFRS(I) 7.35G
SFRS(I) 7.35G(c)

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

SFRS(I) 7.35M
SFRS(I) 7.35N
SFRS(I) 9.B5.5.35

The Group's and Company's credit risk exposure in relation to contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as presented below. The group's provision for loss allowance is based on past due as the group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

	2018
Group	S$'000
Expected credit loss rate	0.5%
Trade receivables – gross carrying amount at default- not past due	235
Loss allowance – lifetime ECL	(1)
Net carrying amount	234

SFRS(I) 7.35H

The movement in lifetime ECL that has been recognised for the group's contract assets in accordance with the simplified approach set out in SFRS(I) 9 is presented as below:

	2018
	S$'000
At 1 January 2018	-
Net increase in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	1
At 31 December 2018	1

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

5. Revenue from contract with customers[1] (cont'd)

SFRS(I) 15.120

(c) Transaction price allocated to remaining performance obligations

SFRS(I) 15.120(a)

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 is S$470,000.

SFRS(I) 15.120(b)(ii)

The Group expects to recognise $350,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in the financial year 2019[7], and $120,000 in the financial year 2020[7].

SFRS(I) 15.122
SFRS(I) 15.121
SFRS(I) 15.B16

This amount has not included variable consideration which is subject to significant risk of reversal[8]. As permitted under paragraph 121 of SFRS(I) 15, the Group does not disclose the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or the Group recognises revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.

(d) Other current assets

SFRS(I) 15.128(a)

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Costs to obtain contracts			
Construction of commercial properties	60	60	-

SFRS(I) 15.120(b)
SFRS(I) 15.122

The Group has recognised an asset in relation to costs to obtain construction of a commercial property. This cost is amortised to the profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

SFRS(I) 15.128(b)

Amortisation recognised as part of the cost of sales during the period amounted to S$30,000. There was no impairment loss in relation to the costs capitalised.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

5. Revenue from contract with customers[1] (cont'd)

Guidance Notes

SFRS(I) 15.113

1) An entity is required to disclose revenue recognised from contracts with customers, separately from other sources of revenue (e.g. rental income), unless those amounts are presented separately in the statement of comprehensive income in accordance with other standards.

SFRS(I) 15.129
SFRS(I) 15.63

Financing component
"The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money."

SFRS(I) 15.114
SFRS(I) 15.B87-B89

2) In this illustration, the Group has determined that disaggregation of revenue using existing segments, major product or services lines, geographical markets and timing of revenue recognition (at a point in time or over time) is appropriate to meet the disclosure requirements as this revenue information is regularly reviewed by the chief operating decision maker and provides users of the financial statements with useful information as to the nature and timing of the revenue from contracts with customers.

SFRS(I) 15 requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Examples of categories for the disaggregation of revenue as provided in SFRS(I) 15 are:
(a) type of good or service (e.g. major product lines)
(b) geographical regions
(c) market or customer type
(d) type of contract (e.g. fixed-price and time-and-materials contracts)
(e) contract duration (e.g. short-term and long-term contracts)
(f) timing of transfer of goods or services (e.g. at a point in time or over time)
(g) sales channels (e.g. sold directly to consumers or sold through intermediaries)

When selecting the type of category to disaggregate revenue, an entity should consider how information about its revenue has been presented for other purposes, including:
(a) Disclosures presented outside the financial statements (e.g. earnings releases, annual reports or investor presentations)
(b) Information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and
(c) Other information similar to the above that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

SFRS(I) 15.114

3) An entity must disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reporting segment.

4) In this illustration, there were no inter-segment sales as disclosed in Note 6 Segment Information.

SFRS(I) 15.116(a)

5) SFRS(I) 15 requires an entity to disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately presented or disclosed.

SFRS(I) 15.109

In this illustration, the Group used the term "contract assets" and "contract liabilities". SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets.

6) SFRS(I) 15 requires an entity to provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information.

5. Revenue from contract with customers[1] (cont'd)

Guidance Notes

SFRS(I) 15.120

7) SFRS(I) 15 requires an entity to disclose the following information about its remaining unsatisfied performance obligations:
   a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the reporting date; and
   b) an explanation of when the entity expects to recognise as revenue the amount disclosed in a) in either of the following ways:
      (i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
      (ii) by using qualitative information.

   In this illustration, the Group disclosed such information using qualitative information. An illustrative disclosure using the time bands can be considered as follow:

   "Revenue expected to be recognised in the future relate to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is presented as follows:

	20X9	*20Y0*	*20Y1*	*Total*
	S$'000	*S$'000*	*S$'000*	*S$'000*
Construction of commercial properties	*XXX*	*XXX*	*XXX*	*XXX*

SFRS(I) 15.57

8) In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:
   (a) the amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence of the promised good or service.

   (b) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time.

   (c) the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value.

   (d) the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances.

   (e) the contract has a large number and broad range of possible consideration amounts.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

6. Segment information[1]

(a) Products and services from which reportable segments derive their revenues

SFRS(I) 8.22(a)

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business.

SFRS(I) 8.22(b)
SFRS(I) 1-1.138(b)

The Group's reportable segments are as follows:

- Electronics and appliance equipment

The electronics and appliance equipment segment is a supplier of electronic components for consumer and industrial electronics for wholesaler.

- Health and beauty goods

The health and beauty goods segment is in the retail business of selling skincare, fragrance, make-up and hair care, body care products, health and beauty supplements to consumers.

- Construction

Construction segment is in the construction of commercial properties.

SFRS(I) 8.22(aa)

The electronics and appliances (direct sales) segment includes a number of direct sales operations in various provinces within China each of which is considered as a separate operating segment by the Exco. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

(1) the nature of the products and production processes;
(2) the type or class of customer for their products and services;
(3) methods used to distribute their products to the customers or provide their services; and
(4) if applicable, the nature of the regulatory environment.

The Group has two operations (the bag manufacturing operation and car business) were discontinued in the current year. The segment information reported in this note does not include the information of these discontinued operations as these are disclosed in Note 11 Discontinued Operations.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

6. Segment information (cont'd)

(b) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

SFRS(I) 8.23

	Segment revenue		Segment profit	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
Electronics and appliances	102,823	112,408	23,748	26,964
Health and beauty goods	34,758	37,046	8,753	9,415
Construction	3,337	2,386	359	501
	140,918	151,840	32,860	36,880
Share of profits of associates			1,186	1,589
Share of profits of joint venture			282	81
Other income			4,255	3,356
Central administration costs and directors' salaries			(4,438)	(3,715)
Finance costs			(4,418)	(6,023)
Profit before tax from continuing operations (SFRS(I) 8.28(b))			29,727	32,168

SFRS(I) 8.23(a)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales[2] in the current year (2017: nil).

SFRS(I) 8.27

Segment profit represents the profit earned by each segment prior to the allocation of central administration costs and directors' salaries, share of profits of associates, other income and finance costs, and income tax expense. This is the measure reported to the Chief Operating Decision Maker.

6. Segment information (cont'd)

SFRS(I) 8.23

(c) Reconciliation

		Group	
		2018	2017
		S$'000	S$'000
SFRS(I) 8.28(c)	**(i) Segment assets**		
	Electronics and appliance	138,624	143,544
	Health and beauty goods	63,490	70,303
	Construction	11,587	23,468
SFRS(I) 8.28(c)	Total segment assets	213,701	237,315
	Assets classified as held-for-sale	22,336	-
	Unallocated	15,644	23,874
	Consolidated total assets	251,681	261,189
SFRS(I) 8.28(d)	**(ii) Segment liabilities**		
	Electronics and appliance	47,274	58,983
	Health and beauty goods	14,456	21,408
	Construction	5,523	3,842
SFRS(I) 8.28(d)	Total segment liabilities	67,253	84,233
	Liabilities relating to classified as held-for-sale	2,489	-
	Unallocated	10,107	9,944
	Consolidated total liabilities	79,849	94,177

SFRS(I) 8.27

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in associates, other financial assets, derivatives and tax assets. Goodwill is allocated to reportable segments as described in Note 16 Goodwill. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than other financial liabilities, derivatives, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(d) Other segment information

SFRS(I) 8.23(e)
SFRS(I) 8.24(b)

	Group			
	Depreciation and amortisation		Additions to non-current assets	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
Electronics and appliance	8,179	10,305	9,283	6,492
Healthy and beauty goods	4,133	4,951	9,386	3,465
Construction	1,566	1,799	5,017	2,207
Total	13,878	17,055	23,686	12,164

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

6. Segment information (cont'd)

(d) Other segment information (cont'd)

SFRS(I) 8.23(i)
SFRS(I) 1-36.129

In addition to the depreciation and amortisation reported above, impairment losses of S$1,204,000 (2017: S$ Nil) and S$235,000 (2017: S$ Nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the following reportable segments:

	2018
	S$'000
Impairment losses of property, plant and equipment – electronics and appliance	1,204
Impairment loss of goodwill – construction	235

(e) Revenue from major products and services

SFRS(I) 8.32

The Group's revenue from continuing operations from its major products and services were as follows:

	2018	2017
	S$'000	S$'000
Electronics and appliances	102,823	112,408
Health and beauty products	34,758	37,046
Construction	3,337	2,386
	140,918	151,840

(f) Geographical information

The Group operates in three principal geographical areas – Singapore (country of domicile), People's Republic of China and Mauritius as set out below:

SFRS(I) 8.33

- Singapore
  The Company is headquartered and has operations in Singapore. The operations in this area are principally manufacture and sale of electronics and appliances, and health and beauty products.

- People's Republic of China
  The operations in this area are manufacture and sale of electronics and appliances, health and beauty products and construction of commercial properties.

- Mauritius
  The operations in this are principally sale of health and beauty products.

- Others
  The operations include sale of electronics and appliances in South East Asia countries such as Malaysia, Brunei, Thailand, Vietnam and Cambodia.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

6. Segment information (cont'd)

(f) Geographical information (cont'd)

SFRS(I) 8.33(a)

The Group's revenue from external customers and information about its non-current assets* by geographical location are detailed below:

	Revenue from continuing external customers		Non-current assets*	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
Singapore	75,260	78,547	98,421	103,245
People's Republic of China	38,914	38,931	19,797	28,100
Mauritius	23,887	27,179	16,085	19,512
Others	2,857	7,183	7,950	21,891
	140,918	151,840	142,253	172,748
Discontinued operations (Note 11)	55,000	64,000	19,399	-
Total	195,918	215,840	161,652	172,748

* Non-current assets consist of property, plant and equipment, investment properties, goodwill and intangible assets.

(g) Information about major customers

SFRS(I) 8.34

Included in revenues arising from direct sales of electronics and appliances of S$102.8 million (2017: S$112.4 million) (see Note 6 (b)) are revenues of approximately S$25.6 million (2017: S$19.8 million) which arose from sales to the Group's largest customer.

Guidance Notes

SFRS(I) 8.2(a)(b)

1) Segment disclosures are required only for parent companies:

- whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- that file, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

Segment revenues and results

SFRS(I) 8.27(a)

2) In this illustration, we have assumed that there were no inter-segment sales in the year. If there were inter-segment sales in the year or previous year, the basis of the inter-segment sales should be disclosed, e.g.

"Sales between segments are carried out at arm's length."

7. Other income

		Group	
		2018	2017
		S$'000	S$'000
	Continuing operations		
SFRS(I) 1-1(82)(a)	Interest income:		
	Bank deposits	1,686	934
	Debt instruments at amortised cost	450	-
	Held-to-maturity investments	-	389
SFRS(I) 7.20(b)	Total interest income on financial assets at amortised cost[1]	2,136	1,323
	Dividends received from available-for-sale investments	-	150
	Dividends received from financial assets at FVOCI	150	-
	Miscellaneous income	101	117
SFRS(I) 1-40.75(f)(i)	Operating lease rental income – investment property	18	14
SFRS(I) 1-1.98(c)	Gain/(loss) on disposal of property, plant and equipment	6	67
SFRS(I) 1-21.52(a)	Net foreign exchange gains	1,418	1,609
	Gain arising on effective settlement of legal claim against a subsidiary (Note 18)	40	-
SFRS(I) 1-40.76(d)	Fair value gains on investment property at fair value through profit or loss	297	8
SFRS(I) 7.24C(b)	Hedge ineffectiveness on cash flow hedges	89	68
		4,255	3,356

Guidance Notes

SFRS(I) 7.20(b)

1) Entities are required to disclose the total interest revenue (calculated using the effective interest method) for financial assets that are measured at amortised cost or those that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9 (showing these amounts separately).

8. Finance costs

		Group	
		2018	2017
		S$'000	S$'000
	Continuing operations		
	Interest expense:		
	Bank overdrafts and loans carried at amortised cost	4,421	6,025
	Interest on obligations under finance leases	75	54
	Other interest expense	14	-
SFRS(I) 7.20(b)	Total interest expenses for financial liabilities not classified as at FVPL[1]	4,510	6,079
SFRS(I) 7.24C(b)(iv)	Fair value gains on interest rate swaps designated as cash flow hedges of floating rate debt reclassified from equity to profit or loss	(120)	(86)
SFRS(I) 1-37.60	Unwinding of discounts on provisions	28	30
		4,418	6,023

Guidance Notes

SFRS(I) 7.20

1) Entities are required to disclose the total interest expense (calculated using the effective interest method) for financial liabilities that are not measured at fair value through profit or loss.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

9. Income taxes

(a) Income tax expense

SFRS(I) 1-12.79

	Group	
	2018	2017
	S$'000	S$'000
Consolidated statement of comprehensive income:		
Current tax:		
Current income taxation	10,021	11,347
	10,021	11,347
Deferred tax:		
Deferred tax expense relating to the origination and reversal of temporary differences (Note 9 (e))	1,683	548
Deferred tax reclassified from other comprehensive income to profit or loss (Note 9(c))	(150)	(86)
	1,543	462
Income tax expense relating to continuing operations	11,564	11,809

A reconciliation[1] between the expense and the product of accounting profit is as follows:

	Group	
	2018	2017
	S$'000	S$'000
Profit before tax from continuing operations	29,727	32,168
Income tax expense calculated at 17% (2017: 17%)	5,054	5,468
Effect of:		
Income not subject to tax	(30)	-
Expenses not deductible for tax purposes	6,651	6,668
Share of profits of associates and joint ventures	(250)	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	139	(43)
Income tax expense recognised in profit or loss	11,564	11,809

SFRS(I) 1-12.81(c)

The tax rate used is the corporate tax rate of 17% payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

Expenses not deductible for tax purposes comprise transaction cost related to the acquisition of a subsidiary, exchange loss arising from revaluation of non-trade balances and entertainment and transportation expenses incurred for personal purposes.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

9. Income taxes (cont'd)

SFRS(I) 1-12.81(a)

(b) Income tax recognised directly in equity

	Group	
	2018	2017
	S$'000	S$'000
Deferred tax		
Arising on transactions with owners:		
Initial recognition of the equity component of compound financial instruments	242	-
Share issue and buy-back expenses deductible over 5 years	(84)	-
Total income tax recognised directly in equity	158	-

SFRS(I) 1-12.81

(c) Income tax recognised in other comprehensive income

	Group	
	2018	2017
	S$'000	S$'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Translation of foreign operations	22	36
Fair value remeasurement of financial instruments designated in a hedge of a net investment in a foreign operation	(4)	-
Fair value remeasurement of available-for-sale financial assets	28	24
Fair value remeasurement of financial instruments treated as cash flow hedges	131	95
Revaluation of property, plant and equipment	-	493
	177	648
Reclassifications from other comprehensive income to profit or loss:		
Relating to cash flow hedges	(114)	(86)
On disposal of a foreign operation	(2)	-
	(116)	(86)
Total income tax recognised in other comprehensive income	61	562

(d) Current tax assets and liabilities

	Group	
	2018	2017
	S$'000	S$'000
Current tax assets		
Tax refund receivable	125	60
	125	60
Current tax liabilities		
Income tax payable	5,270	5,868

9. Income taxes (cont'd)

(e) Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Group				
	Opening balance	Recognised in profit or loss[5]	Recognised in other comprehensive income	Reclassified from equity to profit or loss	Closing balance
	S$'000	S$'000	S$'000	S$'000	S$'000
SFRS(I) 1-12.81(a) **2017**					
SFRS(I) 1-12.81(g) ***Temporary differences***					
Cash flow hedges	(110)	-	(95)	86	(119)
Associates	(791)	(477)	-	-	(1,268)
Property, plant & equipment	(2,560)	(202)	(493)	-	(3,255)
Finance leases	(29)	7	-	-	(22)
Intangible assets	(669)	97	-	-	(572)
Available-for-sale financial assets	(202)	-	(24)	-	(226)
Exchange difference on foreign operations	22	-	(36)	-	(14)
Provisions	1,692	(20)	-	-	1,672
Other financial liabilities	9	(4)	-	-	5
Others	45	49	-	-	94
	(2,593)	(550)	(648)	86	(3,705)
Unused tax losses and credits					
Others	-	2	-	-	2
	-	2	-	-	2
	(2,593)	(548)	(648)	86	(3,703)

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

9. Income taxes (cont'd)

(e) Deferred tax balances (cont'd)

Deferred tax assets/(liabilities) arise from the following: (cont'd)

	Group						
	Opening balance S$'000	Recognised in profit or loss[5] S$'000	Recognised in other compre-hensive income S$'000	Recognised directly in equity S$'000	Reclassified from equity to profit or loss S$'000	Acquisitions/ disposals S$'000	Closing balance S$'000
SFRS(I) 1-12.81(a) **2018**							
SFRS(I) 1-12.81(g) ***Temporary differences***							
Cash flow hedges	(119)	-	(131)	-	114	-	(136)
Net investment hedges	-	-	4	-	-	-	4
Associates	(1,268)	(356)	-	-	-	-	(1,624)
Property, plant & equipment	(3,255)	(1,585)	-	-	-	495	(4,345)
Finance leases	(22)	18	-	-	-	-	(4)
Intangible assets	(572)	214	-	-	-	-	(358)
Financial assets at FVOCI	(226)	-	(28)	-	-	-	(254)
Convertible bond	-	9	-	(242)	-	-	(233)
Exchange difference on foreign operations	(14)	-	(22)	-	36	-	-
Provisions	1,672	42	-	-	-	-	1,714
Other financial liabilities	5	2	-	-	-	-	7
Unclaimed share issue and buy-back costs	-	-	-	84	-	-	84
Others	94	(27)	-	-	-	-	67
	(3,705)	(1,683)	(177)	(158)	150	495	(5,078)
Unused tax losses and credits							
Other	2	-	-	-	-	-	2
	2	-	-	-	-	-	2
	(3,703)	(1,683)	(177)	(158)	150	495	(5,076)

Deferred tax balances[5] are presented in the statements of financial position as follows:

	Group	
	2018	2017
	S$'000	S$'000
Deferred tax liabilities	4,690	3,703
Directly associated with assets held for sale (Note 11)	430	-
	5,076	3,703

9. Income taxes (cont'd)

(f) Unrecognised taxable temporary differences associated with investments in subsidiaries

SFRS(I) 1-12.81(f)

Deferred tax liabilities amounting to S$260,000 (2017: S$214,000) have not been recognised in respect of taxes that will be payable upon distribution of earnings of certain foreign subsidiaries. The Group controls the distribution of these earnings and has determined that such earnings will not be distributed in the foreseeable future.

(g) Unrecognised deferred tax assets

SFRS(I) 1-12.81(e)

The following deferred tax assets have not been recognised at the reporting date:

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Tax losses	11	11	11

SFRS(I) 1-12.82
SFRS(I) 1-12.81(e)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group[2,4] has unrecognised tax losses of S$65,000 (2017: S$65,000; 1 January 2017: S$64,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date.

Guidance Notes

A. Income tax recognised in profit or loss

Applicable tax rate(s)

SFRS(I) 1-12.85

1) In explaining the relationship between tax expenses and accounting profit, an entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. This publication illustrates the disclosure where the corporate tax rate in the country in which the Company is domiciled (Singapore) is the most meaningful tax rate.

   Another entity operating in several jurisdictions may find it more meaningful to aggregate separate reconciliations prepared using the domestic rates in those jurisdictions. When that approach is adopted, the line item "effect of different tax rates in other countries" will no longer be relevant.

Investment holding company

2) In the situations where the entity is an investment holding company, the following disclosures should be considered:

   "The losses incurred by the Company, which is an investment holding company, are not available to offset against future taxable profits under relevant sections of the Income Tax Act."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

9. Income taxes (cont'd)

Guidance Notes

3) Not used.

Dormant company

4) In the event, the entity is dormant, the following disclosure can be considered:

"As the Company is dormant, the losses incurred by the Company cannot be carried forward to offset against future profits."

B. Deferred tax balances

Deferred income tax or expense recognised in profit or loss

SFRS(I) 1-12.81(g)(ii)

5) This disclosure is required in situations where the amount of the deferred tax income or expense recognised in profit or loss relating to each type of deferred tax assets/liabilities is not apparent from the changes in the amounts recognised in the statements of financial position.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

10. Discontinued operations

(a) Disposal of bag manufacturing operations

SFRS(I) 5.30
SFRS(I) 5.41

On 28 August 2018, the board of directors entered into a sale agreement to dispose of A Limited, which carried out all of the Group's bag manufacturing operations. The disposal of the bag manufacturing operations is consistent with the Group's long-term policy to focus its activities in the electronics and appliance and other health and beauty goods markets. The disposal was completed on 29 October 2018, on which date control of the bag manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 18 Investment in subsidiaries.

(b) Plan to dispose of the car business

SFRS(I) 5.30
SFRS(I) 5.41

On 30 October 2018, the board of directors announced a plan to dispose of the Group's car business. The Group is actively seeking a buyer for its car business and expects to complete the sale by 31 July 2019. The assets and liabilities related to the car business have been reclassified to assets and liabilities held-for-sale (Note 11).

(c) Analysis[2] of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. bag manufacturing and car businesses) included in the consolidated statement of comprehensive income are set out below. The comparative statement of comprehensive income has been re-presented to include those operations classified as discontinued in the current period[2].

		Group	
		2018	2017
		S$'000	S$'000
SFRS(I) 5.33(b)	***Profit for the year from discontinued operations***		
	Revenue	55,000	64,000
	Other income	30	45
		55,030	64,045
	Expenses	(45,500)	(51,052)
	Profit before tax	9,530	12,993
SFRS(I) 1-12.81(h)	Income tax expense	(2,530)	(2,998)
	Profit for the year	**7,000**	**9,995**
	Gain on disposal of operation	1,830	-
SFRS(I) 1-12.81(h)	Income tax expense	(630)	-
		1,200	-
SFRS(I) 5.33(b)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,200	9,995
SFRS(I) 5.33(c)	***Cash flows from discontinued operations[1]***		
	Net cash inflows from operating activities	5,950	6,900
	Net cash inflows from investing activities	3,500	-
	Net cash outflows from financing activities	(5,302)	-
	Net cash inflows	4,148	6,900

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

10. Discontinued operations (cont'd)

Guidance Notes

SFRS(I) 5.33(c)

1) The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the Notes to the financial statements or on the face of the cash flow statement/ statement of cash flow. This illustration illustrates the disclosure when the entity elects to disclose in the Notes to the financial statements.

   If the entity elects to present net cash flows on the face of the statement of cash flow, the relevant net cash flows should be presented under operating, investing and financing activities respectively. It is not appropriate to combine and present the net cash flows from three activities as one line item under operating, investing or financing activities.

SFRS(I) 5.33(b)
SFRS(I) 5.33(c)
SFRS(I) 5.39

2) These analyses/disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

11. Assets classified as held for sale[1]

	Group	
	2018	2017
	S$'000	S$'000
Assets related to car business	22,336	-
Liabilities associated with assets held for sale	2,489	-

SFRS(I) 5.41
SFRS(I) 5.38

As described in Note 10 Discontinued operations, the Group is seeking to dispose of its car business and anticipates that the disposal will be completed by 31 July 2019. The directors expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities.

The major classes of assets and liabilities of the car business at the end of the reporting period are as follows:

	Group
	2018
	S$'000
Goodwill (Note 16)	1,150
Property, plant and equipment	18,249
Inventories	890
Trade receivables	1,872
Cash and bank balances (Note 26)	175
Assets of car business classified as held for sale	22,336
Trade payables	(2,059)
Deferred tax liabilities (Note 9)	(430)
Liabilities of car business classified as held for sale	(2,489)
Net assets of car business classified as held for sale	19,847

Guidance Notes

SFRS(I) 5.26A

1) When an entity made a direct reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa, this reclassification is considered a continuation of the original plan of disposal. As a result, the entity continues to measure the assets (or disposal group) at the lower of carrying amount and fair value less cost to sell.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

12. Profit for the year from continuing operations[1,2]

SFRS(I) 1-1.97
SFRS(I) 1-1.104

The following items have been included in arriving at profit before tax from continuing operations:

Reference		Group 2018 S$'000	Group 2017 S$'000
SGX 1207(6a)	Audit fees[3] paid to:		
	- Auditors of the Company	250	250
	- Other auditors	50	50
SGX 1207(6a)	Non-audit fees[3] paid to:		
	- Auditors of the Company	100	50
	- Other auditors	80	-
SFRS(I) 1-1.104 SFRS(I) 1-16.75(a)	Depreciation of property, plant and equipment	12,587	15,794
SFRS(I) 1-1.104	Amortisation of intangible assets	1,291	1,261
SFRS(I) 1-1.104	Employee benefits expense	9,803	11,655
SFRS(I) 1-2.36(d)	Inventories recognised as an expense in cost of sales	87,897	91,840
SFRS(I) 1-17.35(c)	Operating lease expense	2,008	2,092
	Research and development costs	502	440
	Impairment loss on property, plant and equipment	1,204	-
	Impairment of goodwill	235	-
SFRS(I) 1-1.97 and 104	Transportation charges[2]	550	458
SFRS(I) 1-1.97 and 104	Marketing expenses	3,305	2,254
SFRS(I) 7.20(a)	Net loss arising on financial assets classified as FVPL	707	-

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

12. Profit for the year from continuing operations[1,2] (cont'd)

Guidance Notes

Expenses by function

SFRS(I) 1-1.99

1) This disclosure is required only to entities that present their expenses by function on the face of the statement of comprehensive income. In this illustration, the reporting entity presents only selected significant/material expenses in this Note to the financial statements.

Separate disclosure of income and expenses

SFRS(I) 1-1.97
SFRS(I) 1-1.98

2) Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, the nature and amount of such items shall be disclosed separately. This includes:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructuring of the activities of an entity and reversals of any provision for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements;

(g) other reversals of provisions;

SFRS(I) 1-17.31(d)

(h) minimum lease payments; and

SFRS(I) 1-17.31(c)

(i) contingent rents and sub-lease payments - the following disclosure is suggested as below:

"Included in the Group's rental expense on operating leases is contingent rent amounting to S$ XXX (2017: S$ XXX). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics."

SFRS(I) 1-1.97

This expense item (transportation charges) has been disclosed separately as it is considered to be material in the assumed scenario due to their size or nature.

Audit and non-audit fees

SGX 1207 6a

3) The aggregate amount of fees paid to auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, an appropriate negative statement shall be made.

"The financial statements of the Company for the year ended 31 December 2018 do not include non-audit fees."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

13. Earnings per share[1,2,3,4,5]

		Group	
		2018 Cents per share	2017 Cents per share
	Basic earnings per share		
	From continuing operations	81.4	74.2
SFRS(I) 1-33.68	From discontinued operations	47.1	42.1
	Total basic earnings per share	128.5	116.3
	Diluted earnings per share		
	From continuing operations	74.7	74.0
SFRS(I) 1-33.68	From discontinued operations	43.0	42.0
	Total diluted earnings per share	117.7	116

Basic earnings per share

SFRS(I) 1-33.10

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

		Group	
		2018 S$'000	2017 S$'000
SFRS(I) 1-33.70(a)	Profit for the year attributable to owners of the Company	22,363	27,591
	Earnings used in the calculation of total basic earnings per share	22,363	27,591
	Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(8,200)	(9,995)
	Earnings used in the calculation of basic earnings per share from continuing operations	14,163	17,596

		Group	
		2018 '000	2017 '000
SFRS(I) 1-33.70(b)	Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	17,400	23,730

13. Earnings per share[1,2,3,4,5] (cont'd)

Diluted earnings per share

SFRS(I) 1-33.30
SFRS(I) 1-33.31
SFRS(I) 1-33.33
SFRS(I) 1-33.36
SFRS(I) 1-33.41
SFRS(I) 1-33.A15

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

SFRS(I) 1-33.36

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

SFRS(I) 1-33.45

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

SFRS(I) 1-33.70(a)

The earnings used in the calculation of diluted earnings per share are as follows:

	Group	
	2018	2017
	S$'000	S$'000
Earnings used in the calculation of total basic earnings per share	22,363	27,591
Interest on convertible bond (after tax at 17%)	77	-
Earnings used in the calculation of diluted earnings per share from continuing operations	22,440	27,591
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	(8,200)	(9,995)
Earnings used in the calculation of diluted earnings per share from continuing operations	14,240	17,596

SFRS(I) 1-33.70(b)

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Group	
	2018	2017
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,400	23,730
Effects of dilutive potential ordinary shares:		
Employee options	161	85
Convertible bond	1,500	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	19,061	23,815

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

13. Earnings per share[1,2,3,4,5] (cont'd)

Guidance Notes

Earnings per share ("EPS")

SFRS(I) 1-33.64

1) If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the reporting period.

SFRS(I) 1-33.73

2) If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on SFRS(I) 1-33. The basic and diluted per share amount shall be disclosed in the Notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the statement of comprehensive income.

3) An entity shall present basic and diluted earnings per share, even if the amounts are negative (i.e. a loss per share).

SFRS(I) 1-33.70(d)

4) An entity shall disclose a description of ordinary share transactions or potential ordinary share transactions, other than those resulted from share capitalisation, bonus issue or share split, that occur after the end of the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

SFRS(I) 1-33.71

Example of such transactions include:

- An issue of shares for cash;
- An issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reporting period;
- The redemption of ordinary shares outstanding;
- The conversion or exercise of potential ordinary shares outstanding at the end of the reporting period into ordinary shares;
- An issue of options, warrants, or convertible instruments; and
- The achievement of conditions that would result in the issue of contingently issuable shares.

Earnings per share amounts are not adjusted for such transactions occurring after the end of the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.

Anti-dilutive earnings per share

SFRS(I) 1-33.70(c)

5) If the earnings (per ordinary share basis) attributable to the potential ordinary shares are higher than that attributable to ordinary shares, these potential ordinary shares are said to be anti-dilutive. Potential ordinary shares shall be treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. SFRS(I) 1-33.70(c) requires disclosure of potential ordinary shares which are not included in the calculation of the diluted EPS because they are anti-dilutive for the periods presented, but which could potentially dilute basic EPS in the future.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

14. Property, plant and equipment[2]

		Group	
		2018	2017
		S$'000	S$'000
	Cost or valuation	145,729	170,907
	Accumulated depreciation and impairment losses	(35,946)	(35,186)
	Net book value	109,783	135,721
SFRS(I) 13.93(e)	Freehold land, valuation	15,078	17,868
SFRS(I) 13.93(e)	Buildings, valuation	6,622	14,694
	Plant and equipment, at cost	88,055	102,997
SFRS(I) 1-17.31(a)	Equipment under finance lease, at cost	28	162
		109,783	135,721

		Freehold land at fair value	Buildings at fair value	Plant and equipment at cost	Equipment under finance lease at cost	Total
SFRS(I) 1-1.78(a)		S$'000	S$'000	S$'000	S$'000	S$'000
SFRS(I) 1-16.73(d)	***Cost or valuation***					
SFRS(I) 1-16.73(d)	Balance at 1 January 2017	16,923	12,659	152,794	630	183,006
SFRS(I) 1-16.73(e)(i)	Additions	-	1,205	10,670	27	11,902
SFRS(I) 1-16.73(e)(ii)	Disposals	-	-	(25,788)	-	(25,788)
SFRS(I) 1-40.8(e)	Transferred to investment property (Note 15)	-	(1,510)	-	-	(1,510)
SFRS(I) 1-16.73(e)(iv)	Revaluation increase	1,608	2,533	-	-	4,141
SFRS(I) 1-16.73(e)(viii)	Effect of foreign currency exchange differences	(663)	(193)	(1)	13	(844)
	Balance at 31 December 2017	17,868	14,694	137,675	670	170,907
SFRS(I) 1-16.73(e)(i)	Additions	-	-	22,932	51	22,983
SFRS(I) 1-16.73(e)(ii)	Disposals	(1,439)	(1,200)	(12,401)	(624)	(15,664)
	Transferred as consideration for acquisition of subsidiary	(400)	-	-	-	(400)
	Derecognised on disposal of a subsidiary	-	-	(8,419)	-	(8,419)
	Acquisitions through business combinations	-	-	512	-	512
SFRS(I) 1-16.73(e)(ii)	Reclassified as held for sale	(1,200)	(1,357)	(22,045)	-	(24,602)
SFRS(I) 1-16.73(e)(viii)	Effect of foreign currency exchange differences	249	-	214	(51)	412
SFRS(I) 1-16.73(d)	Balance at 31 December 2018	15,078	12,137	118,468	46	145,729

The Group acquired S$51,000 of equipment under a finance lease (2017: S$27,000).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

14. Property, plant and equipment[2] (cont'd)

		Freehold land at fair value S$'000	Buildings at fair value S$'000	Plant and equipment at cost S$'000	Equipment under finance lease at cost S$'000	Total S$'000
	Accumulated depreciation and impairment losses					
SFRS(I) 1-16.73(d)	Balance at 1 January 2017	-	(1,551)	(25,019)	(378)	(26,948)
SFRS(I) 1-16.73(e)(ii)	Disposals	-	-	4,610	-	4,610
SFRS(I) 1-16.73(e)(iv)	Eliminated on revaluation	-	2,498	-	-	2,498
SFRS(I) 1-16.73(e)(vii)	Depreciation expense[1]	-	(947)	(14,717)	(130)	(15,794)
SFRS(I) 1-16.73(e)(viii)	Effect of foreign currency exchange differences	-	-	448	-	448
SFRS(I) 1-16.73(d)	Balance at 31 December 2017	-	-	(34,678)	(508)	(35,186)
	Disposals	-	106	3,602	500	4,208
	Eliminated on disposal of a subsidiary	-	-	2,757	-	2,757
SFRS(I) 1-16.73(e)(ii)	Eliminated on reclassification as held for sale	-	153	6,200	-	6,353
SFRS(I) 1-36.126(a) SFRS(I) 1-16.73(e)(v)	Impairment losses recognised in profit or loss	-	-	(1,204)	-	(1,204)
SFRS(I) 1-16.73(e)(vii)	Depreciation expense[1]	-	(774)	(11,803)	(10)	(12,587)
SFRS(I) 1-16.73(e)(viii)	Effect of foreign currency exchange differences	-	-	(287)	-	(287)
SFRS(I) 1-16.75(d)	Balance at 31 December 2018	-	(515)	(35,413)	(18)	(35,946)
	Net book value					
	At 31 December 2018	15,078	11,622	83,055	28	109,783
	At 31 December 2017	17,868	14,694	102,997	162	135,721
	At 1 January 2017	16,923	11,108	127,775	252	156,078

(a) Impairment losses recognised

SFRS(I) 1-36.131
SFRS(I) 1-16.78

During the year, impairment losses recognised in respect of technically obsolete plant and equipment amounted to S$1,204,000 (2017: S$ Nil). Those assets belonged to the Group's electronics and appliance reportable segment.

SFRS(I) 1-36.126(a)

The impairment losses have been included in the line item other expenses in the consolidated statement of comprehensive income.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

14. Property, plant and equipment[2] (cont'd)

(b) Freehold land and buildings carried at fair value

SFRS(I) 1-16.77(a)(b)
SGX 1207.11

An independent valuation of the Group's freehold land and buildings was performed by Top One Surveyors Pte. Ltd., an independent valuer, to determine the fair value of the land and buildings as at 31 December 2017. The valuer has a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

SFRS(I) 13.91(a), 93(d)

The fair value of the freehold land and buildings was determined using market comparable approach that uses yield adjustments based on management's assumption. There has been no change to the valuation technique from previous year. The fair values are regarded as level 3 fair values.

SFRS(I) 13.93(a)(b)

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2017 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 2017
	S$'000	S$'000	S$'000	S$'000
- Freehold land	-	-	17,868	17,868
- Buildings	-	-	14,694	14,694

Valuation techniques used to derive Level 3 fair values

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2017:

Description	Fair Value as at 31 December 2017 S$'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Freehold land	17,868	Market comparable approach	Yield adjustments based on management's assumptions*	10% to 25% (12%)
Buildings	14,694	Market comparable approach	Yield adjustments based on management's assumptions*	10% to 20% (15%)

* The yield adjustments are made for any difference in the nature, location or condition of the specific property.

A significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly lower (higher) fair value measurement.

SFRS(I) 13.93(c)

There were no transfers[3] between Level 1 and Level 2 during the year.

SFRS(I) 1-16.77(e)

Had the Group's freehold land and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured at cost less accumulated depreciation, their carrying amounts would have been as follows:

	Group	
	2018	2017
	S$'000	S$'000
Freehold land	14,500	16,500
Buildings	5,400	11,712

14. Property, plant and equipment[2] (cont'd)

(c) Assets pledged as security

SFRS(I) 1-16.74(a)

Freehold land and buildings with a carrying amount of S$26,700,000 (2017: S$32,562,000; 1 January 2017: S$ 28,031,000) have been mortgaged to secure borrowings of the Group (see Note 31 Borrowings). Freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

SFRS(I) 1-7.43

Included in additions in the consolidated financial statements are equipment acquired under finance leases amounting to S$51,000 (2017: S$27,000; 1 January 2017: S$ nil). The cash outflow on acquisition of property, plant and equipment amounted to approximately S$22,932,000 (2017: S$11,875,000; 1 January 2017: S$ 11,850,000).

In addition, the Group's obligations under finance leases (see Note 37 Obligations under finance leases) are secured by the lessors' title to the leased assets, which have a carrying amount of S$28,000 at reporting date (2017: S$162,000; 1 January 2017: S$ 200,000).

Guidance Notes

SFRS(I) 1-8.39
SFRS(I) 1-16.76

1) Where applicable, an entity should disclose the nature and effect of a change in accounting estimate that has an effect in the current or subsequent periods.

Illustrative Note disclosure for change in estimated useful life of equipment:

"During the financial year, the Group conducted an operational efficiency review on its production lines. The Group revised the estimated useful lives of some machines from five to eight years, after refurbishment that will enable these machines to remain in production for additional three years. The revision in estimate has been applied on a prospective basis from 1 January 2018. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2018	*2018*	*2019*	*Later*
	S$'000	*S$'000*	*S$'000*	*S$'000*
Decrease in depreciation expense	*(XXX)*	*(XXX)*	*(XXX)*	*(XXX)"*

SFRS(I) 1-16.79(a) to (d)

2) Entities are also encouraged to disclose the following information, which users of financial statements may find relevant to their needs:

- The carrying amount of temporarily idle property, plant and equipment;
- The gross carrying amount of any fully depreciated property, plant and equipment that is still in use;
- The carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with SFRS(I) 5; and
- When the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

SFRS(I) 13.95
SFRS(I) 13.C3

3) If an asset has been transferred between different levels of the fair value hierarchy during the year, the Group should disclose the reasons for the transfer and the Group's policy for determining when transfers between levels are deemed to have occurred (for example, at the beginning or end of the reporting period or at the date of the event that caused the transfer).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Investment properties[2]

		Group	
		2018	2017
		S$'000	S$'000
	At fair value		
SFRS(I) 1-40.76	Balance at beginning of year	1,642	170
SFRS(I) 1-40.76(a)	Additions through subsequent expenditure	10	12
	Disposals	-	(58)
SFRS(I) 1-40.76(f)	Transferred from property, plant and equipment (Note 14)	-	1,510
SFRS(I) 1-40.76(d), SFRS(I) 13.93(e)	Gain from fair value adjustments (under level 3)[2] recognised in profit or loss	297	8
SFRS(I) 1-40.76(e)	Effect of foreign currency exchange differences	(13)	-
SFRS(I) 1-40.76	Balance at end of year	1,936	1,642

SFRS(I) 1-40.75(e)
SFRS(I) 13.91(a)

The fair value of the Group's investment properties at 31 December 2018 has been arrived at on the basis of a valuation carried out at that date by Top One Surveyors Pte. Ltd., an independent valuer with appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

SFRS(I) 13.93(i)

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

SFRS(I) 13.93(b)

The fair value measurement for the investment property of $1,936,000 (2017: S$ 1,642,000, 1 January 2017: S$ 170,000) has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

SFRS(I) 1-1.125, 129,
SFRS(I) 13.93(d),

Valuation techniques used to derive Level 3 fair values

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Valuation techniques	Unobservable inputs	Range [weighted average]
Commercial property	Market comparable approach	Yield adjustments based on management's assumptions*	10% to 20% [15%] (2017: 10% to 20%[15%]; 1 January 2017: 9.5% to 19% [14.5%]

* The yield adjustments are made for any difference in the nature, location or condition of the specific property.

A significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly lower (higher) fair value measurement.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Investment properties[2] (cont'd)

All of the Group's investment properties is held under freehold interests.

SFRS(I) 1-17.56(c) Investment property is leased to non-related parties under operating leases (Note 42 Operating lease arrangements).

The investment properties held by the Group[1] as at 31 December are as follows:

SGX 1207.11(b)

Description and location	Existing use	Tenure	Unexpired lease term
Shop unit in a 5-storey shopping centre, PRC	Shop	Leasehold	58 years

SFRS(I) 1-40.75(f)(i)
SFRS(I) 1-40.75(f)(ii)
SFRS(I) 1-40.75(f)(iii)

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to S$18,000 (2017: S$14,000). Direct operating expenses arising on the investment property in the period amounted to S$4,000 (2017: S$3,000). Property tax and other direct operating expenses arising from investment property that did not generate rental income is S$ Nil (2017: S$ Nil).

Guidance Notes

List of properties held for investment

SGX 1207.11

1) The disclosure is only required for entities listed on the SGX-ST, where the aggregate value of all properties for development, sale or for investment purposes held by the entity represent more than 15% of the value of the consolidated net tangible assets, or contribute more than 15% of the consolidated pre-tax operating profit. This disclosure may be included in other parts of the entity's annual report instead.

Fair value disclosures for investment properties measured using the cost model

SFRS(I) 13.97

2) For investment properties that are measured using the cost model, SFRS(I) 1-40.79(e) requires the fair value of the properties to be disclosed in the notes to the financial statements. In that case, the fair value of the properties (for disclosure purpose) should be measured in accordance with SFRS(I) 13.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

16. Goodwill

		Group	
		2018	2017
	Cost	S$'000	S$'000
SFRS(I) 3.B67(d)(i)	Balance at beginning of year	24,060	23,920
SFRS(I) 1-38.118(e)(i) SFRS(I) 3.B67(d)(ii)	Additional amounts recognised from business combinations occurring during the year (Note 18)	478	-
SFRS(I) 1-38.118(e)(ii)	Derecognised on disposal of a subsidiary (Note 18)	(3,080)	-
SFRS(I) 3.B67(d)(vii)	Classified as held for sale (Note 11)	(1,150)	-
SFRS(I) 1-38.118(e)(vii) SFRS(I) 3.B67(d)(vi)	Effect of foreign currency exchange differences	212	140
SFRS(I) 3.B67(d)(viii)	Balance at end of year	20,520	24,060
	Accumulated impairment losses		
SFRS(I) 3.B67(d)(i)	Balance at beginning of year	-	-
SFRS(I) 1-38.118(e)(iv) SFRS(I) 1-36.126(a) SFRS(I) 3.B67(d)(v)	Impairment losses recognised in the year	(235)	-
SFRS(I) 3.B67(d)(viii)	Balance at end of year	(235)	-
	Net book value	20,285	24,060

(a) Allocation of goodwill to cash-generating units

SFRS(I) 1-36.135

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following cash-generating units (CGU):

- Electronics and appliance
- Health and beauty goods
- Construction

SFRS(I) 1-36.134(a)

The carrying amount of goodwill (other than goodwill classified as held for sale and goodwill relating to discontinued operations) was allocated to cash-generating units as follows:

	Group	
	2018	2017
	S$'000	S$'000
Health and beauty goods	9,620	9,620
Electronics and appliances	9,400	8,710
Construction operations – other	1,265	1,500
	20,285	19,830

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

16. Goodwill (cont'd)

(a) Allocation of goodwill to cash-generating units (cont'd)

SFRS(I) 1-36.130(e), 134(c) and (d)(iii)

The recoverable amounts of the CGUs have been determined based on value in use[1] calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Electronics and appliance segment		*Health and beauty segment*	
	2018	2017	2018	2017
Gross Margin	29%	30%	50%	60%
Growth rates	5%	4.5%	6%	5.5%
Pre-tax discount rates	10%	9.5%	9.5%	9.4%

<u>Key assumptions used in the value in use calculations</u>

SFRS(I) 1-36.134(d)(i)

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

SFRS(I) 1-36.134(d)(i) and (ii)

Gross margins – Gross margins are based on past performance and expectations of market developments.

Growth rates – The forecasted growth rates are based on published industry reports and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

SFRS(I) 1-36.134(d)(i), (ii) and (iv)

Pre-tax discount rates – The discount rates reflect specific risks relating to the relevant segments.

With regards to the assessment of value in use for the electronics and appliance CGU and health and beauty CGUs, the directors are of the view that reasonably possible changes in the above key assumptions will not cause the recoverable amounts of the CGUs to fall below the book values of the CGUs. The assessment of value in use for the construction CGU is discussed further in Note 16(b).

(b) Impairment losses recognised in the period

SFRS(I) 1-36.130

During the year, the Group recorded an impairment change of S$235,000 (2017: Nil) in relation to goodwill attributable to the construction CGU. The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	2018	2017
Growth rates	0.5%	2%
Pre-tax discount rates	10%	9.5%
Gross Margin	8%	15%

The main factor contributing to the impairment of the cash-generating unit was a change during the year in building regulations, requiring registration and certification of builders for government contracts, which increased operating costs in the construction sector. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

16. Goodwill (cont'd)

(b) Impairment losses recognised in the period (cont'd)

SFRS(I) 1-36.126(a)

The impairment loss has been included in the 'other expenses' line item in the consolidated statement of comprehensive income.

If the management's estimated gross margin used in the value in use calculation for the construction CGU at 31 December 2018 is increased/(decreased) by 5%, goodwill impairment charge will be increased/(decreased) by S$100,000.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the construction CGU at 31 December 2018 is increased/(decreased) by 1%, the carrying amounts of goodwill impairment charge of this CGU will be increased/(decreased) by S$54,000 (2017: S$ Nil).

16. Goodwill (cont'd)

Guidance Notes

SFRS(I) 1-36.134(e)

Recoverable amount of cash-generating units ("CGU") containing goodwill or intangible assets with indefinite useful lives determined based on fair value less costs to sell

1) In this illustration, the recoverable amounts of such CGUs were determined based in value in use calculations. If an entity uses fair value less costs of disposal ("FVLCOD") to measure the recoverable amount of CGU, the entity should disclose the methodology used. If FVLCOD is not determined using an observable market price, the entity should disclose:

   (i) each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

   (ii) a description of management's approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

   (iiA) the level of the fair value hierarchy (see SFRS(I) 13) within which the fair value measurement is categorised in its entirety (without giving regard to the observability of 'costs of disposal').

   (iiB) if there has been a change in valuation technique, the change and the reason(s) for making it.

   If fair value less costs of disposal is measured using discounted cash flow projections, an entity shall disclose the following information:

   (iii) the period over which management has projected cash flows.

   (iv) the growth rate used to extrapolate cash flow projections.

   (v) the discount rate(s) applied to the cash flow projections.

   Illustrative Note disclosure for fair value less cost of disposal

   Electronic products manufacturing and distribution

SFRS(I) 1-36.134(c)(e)

The recoverable amount of this CGU was based on the fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation techniques used.

SFRS(I) 1-36.134(e)(i)

The key assumptions used in the assumption of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

SFRS(I) 1-36.134(e)

In percent	**2018**	2017
Discount rate (SFRS(I) 1-36.134(e)(v))	**xx**	xx
Terminal value growth rate (SFRS(I) 1-36.134(e)(iv))	**xx**	xx
Budgeted EBITDA growth rate (SFRS(I) 1-36.134(e)(i))	**xx**	xx

SFRS(I) 1-36.134(e)(ii)

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of x% at a market interest rate of x%.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

16. Goodwill (cont'd)

Guidance Notes

Illustrative Note disclosure for fair value less cost of disposal (cont'd)

Electronic products manufacturing and distribution (cont'd)

SFRS(I) 1-36.134(e)(ii) to (iii)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make.

SFRS(I) 1-36.134(e)(ii)

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- Revenue growth was projected taking into account the management's best estimates of sales volume and price growth for the next five years taking into account the Group's historical performance and current economic conditions. It was assumed that sales price would increase in line with forecasted inflation over the next five years.
- Various scenarios have been developed and the EBITDA resulting from each scenario have been factored into management's final estimates on a probability-weighted basis, based on probabilities assigned to each scenario.
- The budgeted EBITDA takes into account the estimated costs of a restructuring that is anticipated in 2019.

SFRS(I) 1-36.134(f)

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately S$ XXX (2017: S$ XXX). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount	
In percent	**2018**	2017
Discount rate (*SFRS(I) 1-36.134(f)(iii)*)	**xx**	xx
Budgeted EBITDA growth rate (*SFRS(I) 1-36.134(f)(iii)*)	**(xx)**	(xx)

Notes: Provided specified criteria are met, if the most recent detailed calculation made in a preceding period of the recoverable amount of a CGU (group of units) is used in the impairment test for that unit (group of units) in the current period, the disclosures required in the financial statements by paragraphs 134 and 135 relate to the carried forward calculation of recoverable amount.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

17. Other intangible assets

		Deferred development expenditure	Trademarks	Computer licenses	Total
		S$'000	S$'000	S$'000	S$'000
	Cost				
SFRS(I) 1-38.118(e)	Balance at 1 January 2017	2,860	9,816	2,820	15,496
	Additions - internally developed	250	-	-	250
	Balance at 31 December 2017	3,110	9,816	2,820	15,746
	Additions - internally developed	215	-	-	215
SFRS(I) 1-38.118(e)	Balance at 31 December 2018	3,325	9,816	2,820	15,961
	Accumulated amortisation				
SFRS(I) 1-38.118(e)	Balance at 1 January 2017	(716)	(1,515)	(929)	(3,160)
SFRS(I) 1-38.118(e)(vi)	Amortisation expense	(358)	(303)	(600)	(1,261)
	Balance at 31 December 2017	(1,074)	(1,818)	(1,529)	(4,421)
SFRS(I) 1-38.118(e)(vi)	Amortisation expense	(388)	(303)	(600)	(1,291)
SFRS(I) 1-38.118(e)	Balance at 31 December 2018	(1,462)	(2,121)	(2,129)	(5,712)
	As 31 December 2018	1,863	7,695	691	10,249
	As 31 December 2017	2,036	7,998	1,291	11,325
	As 1 January 2017	2,144	8,301	1,891	12,336

Deferred development expenditure relates to energy savings projects for the electronics and appliance segment and have an average remaining amortisation period of 4 years (2017: 5 years). Computer license has remaining amortisation period of 1.5 years (2017: 2.5 years).

SFRS(I) 1-38.122(b) Trademarks relate to "excellence" and "superior" brand names for the Group's specialised electronics and appliance that were acquired in business combinations. The remaining useful life of these trademarks are 25 years (2017: 26 years).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Investment in subsidiaries

	Company		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
SFRS(I) 1-27.10(a) Shares at cost	1,125,000	1,100,000	1,100,000
	(1,000,000)	(1,000,000)	(1,000,000)
	125,000	100,000	100,000

Composition of the Group

SFRS(I) 12.10(a)(i)
SFRS(I) 1-27.17(b)

Details of the Company's significant subsidiaries[1,9] are as follows:

Name	Principal activities	Principal place of business and operation[10]	Proportion of ownership interest[11]		
			2018	2017	1 January 2017
A Limited[(a)]	Manufacture and sale of bags	Singapore	Nil	100%	100%
B Electronics Limited[(a)]	Manufacture and sale of electronics and appliance	Singapore	90%	100%	100%
C (Singapore) Pte Ltd[(a)]	Manufacture and sale of health and beauty goods	Singapore	45%	45%	45%
D (Singapore) Pte Ltd[(a)]	Construction, manufacture and sale of cars	Singapore	100%	100%	100%
E (PRC) Co. Ltd.[(b)]	Manufacture of health and beauty goods	People's Republic of China	70%	50%	50%
F Electronics Limited[(c)]	Manufacture of electronics and appliance	Mauritius	100%	100%	100%
G Sdn Bhd[(d)]	Manufacture and sale of electronics and appliance	Malaysia	80%	-	-
H Sdn Bhd[(d)]	Manufacture and sale of electronics and appliance	Malaysia	100%	-	-

SGX 717

(a) Audited by Moore Stephens LLP, Singapore.[2,3]
(b) Audited by China Wall CPA Company Limited, People's Republic of China.[2,3]
(c) Not required to be audited under the laws of the country of incorporation.
(d) Audited by Moore Stephens LLP, Malaysia.[2,3]

18. Investment in subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests

SFRS(I) 12.10(a)(ii)
SFRS(I) 12.12(a) to (f)
SFRS(I) 12.B11

The Group has the following subsidiaries that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		
		2018 S$'000	2017 S$'000	1 January 2017 S$'000
C (Singapore) Pte Ltd	Singapore	55%	55%	55%
E (PRC) Co. Ltd	People's Republic of China	30 %	50%	50%

SFRS(I) 12.10(a)(ii)
SFRS(I) 12.12(a) to (f)
SFRS(I) 12.B11

The Group has the following subsidiaries that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Profit allocated to non-controlling interests		Accumulated non-controlling interests		
		2018	2017	2018	2018	1 January 2017
		S$'000	S$'000	S$'000	S$'000	S$'000
C (Singapore) Pte Ltd	Singapore	1,219	1,052	10,119	8,900	7,848
E (PRC) Co. Ltd	People's Republic of China	922	1,614	7,854	8,776	7,162
Individually immaterial subsidiaries with non-controlling interests				5,480	2,329	2,232
				23,453	20,005	17,242

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Investment in subsidiaries (cont'd)

SFRS(I) 12.12(g)
SFRS(I) 12.B10
SFRS(I) 12.B11

Summarised financial information[12] in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

C (Singapore) Pte Ltd

	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Current assets	21,000	19,748	18,655
Non-current assets	6,100	5,284	5,988
Current liabilities	(4,100)	(4,354)	(4,877)
Non-current liabilities	(4,550)	(4,445)	(5,446)
Equity attributable to owners of the Company	8,331	7,333	6,472
Non-controlling interests	10,119	8,900	7,848

	2018	2017
	S$'000	S$'000
Revenue	3,445	3,890
Expenses	(1,228)	(1,977)
Profit for the year	2,217	1,913
Profit attributable to owners of the Company	998	861
Profit attributable to the non-controlling interests	1,219	1,052
Profit for the year	2,217	1,913
Total comprehensive income attributable to owners of the Company	998	861
Total comprehensive income attributable to the non-controlling interests	1,219	1,052
Total comprehensive income for the year	2,217	1,913
Net cash inflow from operating activities	2,899	1,745
Net cash (outflow)/inflow from investing activities	(150)	854
Net cash (outflow) from financing activities	(2,500)	(155)
Net cash inflow	249	2,444

18. Investment in subsidiaries (cont'd)

SFRS(I) 12.12(g)
SFRS(I) 12.B10
SFRS(I) 12.B11

Summarised financial information[12] in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

E (PRC) Co. Ltd

	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Current assets	26,782	30,500	25,001
Non-current assets	9,777	8,460	8,283
Current liabilities	(1,314)	(3,855)	(4,105)
Non-current liabilities	(4,888)	(5,976)	(3,278)
Equity attributable to owners of the Company	22,503	20,353	18,739
Non-controlling interests	7,854	8,776	7,162

	2018	2017
	S$'000	S$'000
Revenue	5,849	5,977
Expenses	(2,777)	(2,749)
Profit for the year	3,072	3,228
Profit attributable to owners of the Company	2,150	1,614
Profit attributable to the non-controlling interests	922	1,614
Profit for the year	3,072	3,228
Total comprehensive income attributable to owners of the Company	2,150	1,614
Total comprehensive income attributable to the non-controlling interests	922	1,614
Total comprehensive income for the year	3,072	3,228
Net cash inflow from operating activities	3,889	1,977
Net cash (outflow)/inflow from investing activities	(225)	1,050
Net cash (outflow) from financing activities	(3,788)	(285)
Net cash (outflow)/inflow	(124)	2,742

18. Investment in subsidiaries (cont'd)

SFRS(I) 12.9(b)

The Group owns 45% equity shares of C (Singapore) Pte Ltd. However, based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of C (Singapore) Pte Ltd. The relevant activities of C (Singapore) Pte Ltd are determined by the board of directors of C (Singapore) Pte Ltd based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over C (Singapore) Pte Ltd.

SFRS(I) 1-36.126(a)
SFRS(I) 1-36.130(a) to (c), (e), (g)
SFRS(I) 1-36.134(d)(iv)

During the last financial year, management performed an impairment test for the investment in D (Singapore) Pte Ltd, as this subsidiary had been persistently making losses. An impairment loss of S$ Nil (2017: S$1,000,000,000) was recognised for the year ended 31 December 2018 to write down this subsidiary to its recoverable amount. The recoverable amount of the investment in D (Singapore) Pte Ltd has been determined based on a value calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 10% (2017: 7.5%) per annum and 0.5% (2017: 2%) per annum, respectively.

SFRS(I) 3.B64(a) to (d)

(a) Acquisition of subsidiaries[4,5,7]

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			(%)	S$'000
2018				
G Sdn Bhd	Manufacture and sale of electronics and appliance	15/07/18	80	505
H Sdn Bhd	Manufacture and sale of electronics and appliance	30/11/18	100	687
				1,192

The subsidiaries were acquired to expand the Group's electronics and appliance business.

The Group has elected to measure the non-controlling interest[8] at the non-controlling interest's proportionate share of the acquired subsidiaries' identifiable net assets.

SFRS(I) 3.B64(f)

Consideration transferred

	G Sdn Bhd	H Sdn Bhd
	S$'000	S$'000
Cash	430	287
Transfer of land and buildings at fair value at date of acquisition	-	400
Contingent consideration arrangement[6]	75	-
Total	505	687

SFRS(I) 1-7.40(a) (Total)

SFRS(I) 3.B64(g)

The contingent consideration requires the Group to pay the vendors an additional S$300,000 if G Sdn Bhd's profit before interest and tax ("PBIT"), in each of the years 2018 and 2019, exceeds S$500,000. G Sdn Bhd's PBIT for the past three years has been S$350,000 on average and the directors do not consider it probable that this payment will be required. S$75,000 represents the estimated fair value of this obligation.

The Group transferred property, plant and equipment with an aggregate fair value of S$400,000 as part of the purchase consideration for H Sdn Bhd.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

SFRS(I) 3.B64(m)

Acquisition-related costs amounting to S$145,000 (G Sdn Bhd: S$65,000; H Sdn Bhd: S$80,000) have been excluded from the consideration transferred and have been recognised as an expense in the period in the consolidated statement of comprehensive income.

SFRS(I) 3.B64(i)

Assets acquired and liabilities assumed at the date of acquisition

The fair value of the identifiable assets and liabilities of the acquired subsidiaries as at the acquisition date were:

SFRS(I) 1-7.40(d)

	G Sdn Bhd	H Sdn Bhd	Total
	S$'000	S$'000	S$'000
Cash and cash equivalents	200	-	200
Trade and other receivables	87	105	192
Inventories	-	57	57
Plant and equipment	143	369	512
Trade and other payables	(63)	(35)	(98)
Deferred tax liabilities	(17)	-	(17)
Total identifiable net assets at fair value	350	496	846
Consideration transferred	505	687	1,192
Plus: non-controlling interests (SFRS(I) 3.B64(o)(i))	132	-	132
Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
Goodwill arising on acquisition (Note 16)	287	191	478

SFRS(I) 3.B67(a)

The initial accounting for the acquisition of G Sdn Bhd has only been provisionally determined at the end of the reporting period. At the date of finalisation of these financial statements, the necessary market valuations and other calculations have not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair values.

SFRS(I) 3.B64(h)

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of S$87,000 (G Sdn Bhd) and S$105,000 (H Sdn Bhd) had gross contractual amounts of S$104,000 and S$120,000 respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are S$10,000 (G Sdn Bhd) and S$8,000 (H Sdn Bhd).

Goodwill arising on acquisition

SFRS(I) 3.B64(e)

Goodwill arose in the acquisition of G Sdn Bhd and H Sdn Bhd because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of G Sdn Bhd and H Sdn Bhd. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

SFRS(I) 3.B64(k)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

SFRS(I) 3.B64(o)

Non-controlling interests

During the year, the Group's subsidiary company, acquired an additional 20% equity interest in E (PRC) Co. Ltd. from its non-controlling interest for a cash consideration of S$943,000. The effect of the change in the Group's ownership interest in E (PRC) Co. Ltd. on the equity attributable to owners of the Company is summarised below:

SFRS(I) 12.18

	2018
	S$'000
Consideration paid for acquisition of non-controlling interests	943
Decrease in equity attributable to non-controlling interests	(731)
Decrease in equity attributable to owners of the Company	212

Impact of acquisitions on the results of the Group

SFRS(I) 3.B64(q)(i)
SFRS(I) 3.61

Included in the profit for the year is S$35,000 attributable to the additional business generated by G Sdn Bhd, and S$13,000 attributable to H Sdn Bhd. Revenue for the period includes S$2.3 million in respect of G Sdn Bhd and S$2.8 million in respect of H Sdn Bhd.

SFRS(I) 3.B64(q)(ii)

Had these business combinations been effected at 1 January 2018, the revenue of the Group from continuing operations would have been S$145 million, and the profit for the year from continuing operations would have been S$19.7 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

18. Investment in subsidiaries (cont'd)

(b) Disposal of subsidiary

On 28 August 2018, the Group disposed of A Limited which carried out its entire bag manufacturing operations.

Consideration received

		2018
		S$'000
SFRS(I) 1-7.40(b)	Consideration received in cash and cash equivalents	7,854
SFRS(I) 1-7.43 SFRS(I) 1-7.44	Deferred sales proceeds not received as at year end (Note 24)	960
SFRS(I) 1-7.40(a)	Total consideration received	8,814

Analysis of asset and liabilities over which control was lost

		2018
		S$'000
SFRS(I) 1-7.40(d)	Cash and cash equivalents	288
	Trade receivables	1,034
	Inventories	2,716
	Property, plant and equipment	5,662
	Goodwill	3,080
	Payables	(5,315)
	Deferred tax liabilities	(471)
	Net assets disposed of	6,994

Gain on disposal of subsidiary

		2018
		S$'000
	Consideration received	8,814
	Net assets disposed of	(6,994)
	Cumulative exchange differences in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity on loss of control of subsidiary	10
SFRS(I) 12.19	Gain on disposal of subsidiary	1,830

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Investment in subsidiaries (cont'd)

(b) Disposal of subsidiary (cont'd)

SFRS(I) 12.18

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income (see Note 10 Discontinued operations).

The aggregate cash inflow arising from disposal of subsidiary

	2018
	S$'000
Consideration received in cash and cash equivalents	7,854
Less: cash and cash equivalent balances disposed of	(288)
	7,566

(c) Change in the Group's ownership interest in subsidiary

SFRS(I) 12.18

During the year, the Group disposed of 10% of its interest in B Electronics Limited, reducing its continuing interest to 90%. The proceeds on disposal of S$213,000 were received in cash.

An amount of S$179,000 (being the proportionate share of the carrying amount of the net assets of B Electronics Limited) has been transferred to non-controlling interests (see Note 30 Non-controlling interests). The difference of S$34,000 between the increase in non-controlling interests and the consideration received has been credited to retained earnings.

The following summarises the effect of the change in the Group's ownership interest in B Electronics Limited on the equity attributable to owners of the Company:

	2018
	S$'000
Proceeds from sale of 10% ownership interest	213
Net assets attributable to non-controlling interests	(179)
Increase in equity attributable to parent	34

(d) Significant restrictions

Cash and cash equivalents of S$200,000 held by E (PRC) Co Ltd in which the Group has a material non-controlling interest, are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

18. Investment in subsidiaries (cont'd)

Guidance Notes

Listing of companies in the Group

SGX 718

1) In the SGX-ST Listing Manual, a subsidiary or associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. In the absence of a formal definition in FRS, it is preferable to adopt this definition set out in the SGX-ST Listing Manual.

SGX 717

2) Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associates. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements.

3) It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associates provided that:

SGX 716

(i) the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or

(ii) the issuer's subsidiary or associate, is listed on a stock exchange.

Initial accounting for business combination incomplete

SFRS(I) 3.B67(a)

4) The following is the suggested illustrative disclosure for adjustments to initial accounting for a business combination that was determined provisionally in the previous reporting period:

"The purchase price allocation of the acquisition of Acquiree Group ("Acquiree") in the financial year ended 31 December 2017 was provisional as the Group had sought an independent valuation for the land and buildings owned by Acquiree. The results of this valuation had not been received at the date the 2017 financial statements were authorised for issue. The valuation of lands and buildings was received in April 2018 and showed that the fair value at the date of the acquisition was S$ XXX, an increase of S$ XXX compared to the provisional value.

The 2017 comparative information has been restated to reflect this adjustment. The value of lands and buildings increased by S$ XXX, there was an increase in the deferred tax liability of S$ XXX and an increase in non-controlling interest of S$ XXX. There was also a corresponding reduction in goodwill of S$ XXX, to give total goodwill arising on the acquisition of S$ XXX. The depreciation charge on the buildings from the acquisition date to 31 December 2017 increased by S$ XXX."

Acquisition of individually immaterial business combination

SFRS(I) 3.B65

5) For individually immaterial business combinations occurring during the reporting period that are material collectively, an entity shall disclose in aggregate the information required by SFRS(I) 3.B64(e) to (q).

Contingent liability in business combination

6) The following is the suggested illustrative Note disclosure where an entity recognised contingent liabilities in a Business Combination:

SFRS(I) 3.B64(j)
SFRS(I) 3.56

"A contingent liability with a fair value of S$ XXX has been recognised as at acquisition date. The contingent liability arose from [describe circumstances giving rise to liability]. The outcome of the contingency expected to be finalised in [expected dated]. As at the reporting date, the contingent liability has been remeasured to S$ XXX, which is based on the expected probable outcome."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

18. Investment in subsidiaries (cont'd)

Guidance Notes

Bargain purchases

SFRS(I) 3.B64(n)

7) If an acquisition resulted in a bargain purchase instead of goodwill recognised, the acquirer shall disclose the amount of the gain recognised and the line item in the consolidated statement of comprehensive income in which the gain is recognised, and a description of the reasons why the transaction resulted in a gain.

Non-controlling interest

8) In this illustration, the Group has elected to measure non-controlling interest arising from acquisition of subsidiaries at the non-controlling interest's proportionate share of acquired subsidiaries' identifiable net assets. The following is an illustrative disclosure when an entity chooses to measure non-controlling interest arising in a business combination at fair value:

"Fair value of non-controlling interest in acquiree

SFRS(I) 3.B64(o)(ii)

The fair value of the non-controlling interest in acquiree, an unlisted company, was estimated by applying a valuation methodology based on the income approach and corroborated by a separate valuation methodology based on the market approach. The significant fair value estimates are:

- *Discount rates ranging from XX% to XX%;*
- *Long-term sustainable growth rates ranging from XX% to XX%; and*
- *Adjustments for lack of control and marketability that market participants would consider when estimating the fair value of the non-controlling interest in acquiree."*

SFRS(I) 12.B2

9) An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

SFRS(I) 12.12(b)
SFRS(I) 1-27.17(b)(ii)

10) An entity shall disclose the country of incorporation if different from the principal place of business of the subsidiary.

SFRS(I) 12.12(d)
SFRS(I) 1-27.17(b)(iii)

11) An entity shall disclose the proportionate of voting rights if different from the proportion of ownership interests held.

SFRS(I) 12.B11

12) The summarised financial position presented shall be the amounts before the inter-company eliminations.

19. Investment in associates[1,2,3,4,5]

SFRS(I) 12.21(a)(i)

The Group's material investment in associates are summarised below:

Name of associate	Principal activity	Place of incorporation and operation	Proportion (%) of ownership Interest		
			2018	2017	1 January 2017
AA Limited (i)	General trading	Singapore	35	35	35
BB Co. Ltd (ii)	Electronics manufacturing	People's Republic of China	17	17	17

SFRS(I) 12.21(a)(iv)

(i) Pursuant to a shareholder agreement, the Company has the right to cast 37% of the votes at shareholder meetings of AA Limited. AA Limited is audited by Moore Stephens LLP, Singapore.

SFRS(I) 13.97
SFRS(I) 12.21(b)(iii)

The fair value of the Group's interest in AA Limited, which is listed on the Stock Exchange of Singapore, is S$2.2 million (2017: S$2 million; 1 January 2017: S$2 million). The fair value measurement is classified within Level 1 of the fair value hierarchy.

SFRS(I) 12.9(e)

(ii) Although the Group holds less than 20% of the equity shares of BB Co. Ltd, and it has less than 20% of the voting power in shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of directors of that Company. BB Co., Ltd is audited by a member firm of the Moore Stephens network in China.

19. Investment in associates[1,2,3,4,5] (cont'd)

SFRS(I) 12.21(b)(ii)
SFRS(I) 12.B12
SFRS(I) 12.B14(a)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with SFRS(I)s adjusted by the Group for equity accounting purposes.

AA Limited	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Current assets	9,500	9,230	8,340
Non-current assets	4,800	3,345	3,277
Current liabilities	(3,482)	(2,789)	(2,889)
Non-current liabilities	(3,978)	(4,337)	(4,281)

SFRS(I) 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in AA Limited recognised in the consolidated financial statements:

Net assets of the associate	6,840	5,449	4,447
Proportion of the Group's ownership in AA Limited	35%	35%	35%
Carrying amount of the Group's interest AA Limited	2,394	1,907	1,556

	2018	2017
	S$'000	S$'000
Revenue	2,900	2,448
Profit or loss from continuing operations	1,391	1,002
Profit/(loss) for the year	1,391	1,002
Total comprehensive income for the year	1,391	1,002
Dividends received from the associate during the year	30	25

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

19. **Investment in associates[1,2,3,4,5] (cont'd)**

SFRS(I) 12.21(b)(ii)
SFRS(I) 12.B12
SFRS(I) 12.B14(a)

BB Co. Ltd	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Current assets	14,079	12,448	12,438
Non-current assets	16,350	16,225	11,383
Current liabilities	(14,882)	(13,187)	(18,779)
Non-current liabilities	(5,107)	(8,098)	(7,236)

SFRS(I) 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in AA Limited recognised in the consolidated financial statements:

Net assets of the associate	10,440	7,388	2,194
Proportion of the Group's ownership in AA Limited	17%	17%	17%
Carrying amount of the Group's interest AA Limited	1,775	1,256	373

	2018	2017
	S$'000	S$'000
Revenue	5,200	6,500
Profit or loss from continuing operations	3,052	5,194
Profit (loss) for the year	3,052	5,194
Total comprehensive income for the year	3,052	5,194

SFRS(I) 12.21(c)(ii)
SFRS(I) 12.B16

Aggregate information of associates that are not individually material

	2018	2017
	S$'000	S$'000
The Group's share of profit (loss) from continuing operations	180	355
The Group's share of total comprehensive income	180	355

	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Aggregate carrying amount of the Group's interests in these associates	1,031	677	316

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

19. Investment in associates[1,2,3,4,5] (cont'd)

Guidance Notes

Financial Statements under IFRS

SFRS(I) 1.5.1, D17

1) If an associate or joint venture prepares its financial statements under IFRS, the Group's first SFRS(I) consolidated financial statements must use the same carrying amounts of assets and liabilities as in the IFRS financial statements of the associate or joint venture (after adjusting for equity accounting adjustments).

SFRS(I) 1.13

If an associate or joint venture did not prepare its financial statements under IFRS, the Group applies SFRS(I)s retrospectively unless: (a) the mandatory exceptions set out in paragraphs 14 to 17 and Appendix B of SFRS(I) 1 apply; or (b) where the Group elects to use the optional exemptions in Appendices C to E of SFRS(I) 1.

Illustrative Note disclosure where the significant restrictions on associate apply

SFRS(I) 12.22(a)

2) An entity shall also disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans and advances. The nature and extent of any significant restrictions (i.e. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

Illustrative Note disclosure where the significant restrictions on associate apply:

"The Group's associated companies in certain countries are subject to foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency denominated obligations are subject to the approval of the relevant government authorities."

SFRS(I) 12.22(c)

Unrecognised share of losses of an associate

3) The following is the suggested Note disclosure where the entity has unrecognised share of losses of an associate if the investor has discontinued recognition of its share of losses of an associate:

"The Group has not recognised its share of losses of an associate amounting to S$ XXX (2017: S$ XXX) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to S$ XXX (2017: S$ XXX) at the reporting date."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

19. Investment in associates[1,2,3,4,5] (cont'd)

Guidance Notes

Illustrative Note disclosure upon loss of significant influence in an associate

4) *"Change in the Group's ownership interest in an associate*

SFRS(I) 1-28.22

In the prior year, the Group held a 40% interest in xx Pte Ltd and accounted for the investment as an associate. In December 2018, the Group transferred a 30% interest in xx Pte Ltd to a third party for proceeds of S$ XXX (received in January 2018). The Group has retained the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was S$ XXX.

	Group 2018
Proceeds of disposal	*S$ XXX*
Plus: fair value of investment retained (10%)	*S$ XXX*
Less: carrying amount of investment on the date of loss of significant influence	*S$ XXX*
Gain/loss recognised on disposal of interest in a former associate in profit or loss	*S$ XXX*

Sale proceeds of S$ XXX have not been received in cash at the end of the reporting period.

The profit recognised in the year comprises a realised profit of S$ XXX and an unrealised profit of S$ XXX. A current tax expense of S$ XXX arose on the gain realised in the period, and a deferred tax expense of S$ XXX has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of."

Reporting dates of financial statements of associates

SFRS(I) 12.22(b)
SFRS(I) 1-28.34

5) The reporting date of the financial statements of an associate should be disclosed, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor, as well as the reason for using a different reporting date of different period.
SFRS(I) 1-28 *Investments in Associates and Joint Ventures* allows a difference between the end of reporting period of the associates and that of investor however it shall be no more than 3 months.

The following is the suggested illustrative Note disclosure where the reporting date of financial statements of an associate is different from that of the investor:

"For the current financial year, the Group recognised its share of the associate's operating results based on its audited financial statements drawn up to the most recent reporting date, which is 30 November 2018. The associate company, being listed on the SGX-ST, is unable to release information other than those publicly published."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

20. Investment in Joint venture

Joint venture

SFRS(I) 12.21(a)

Details of the Group's material joint venture at[1] the end of the reporting period as follows:

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion (%) of ownership Interest held by the Group		
			2018	2017	1 January 2017
MS Electronics Co. Limited	Manufacture of electronics and appliance	People's Republic of China	33.5	33.5	33.5

SFRS(I) 12.21(b)(i)

The above joint venture is accounted for using the equity method in these consolidated financial statements.

SFRS(I) 12.B14

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with SFRS(I)s .

SFRS(I) 12.21(b)(ii)
SFRS(I) 12.B12
SFRS(I) 12.B14(a)

MS Electronics Limited

Summarised statement of financial position

	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Cash and cash equivalents	1,500	1,450	1,355
Trade receivables	3,282	4,539	4,607
Non-current assets	11,056	10,100	11,900
Total assets	15,838	16,089	17,862
Current financial liabilities	(3,413)	(2,835)	(2,994)
Non-current financial liabilities	(5,852)	(7,523)	(9,379)
Total liabilities	(9,265)	(10,358)	(12,373)
Net assets	6,573	5,731	5,489

SFRS(I) 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2018	2017	1 January 2017
Net assets	6,573	5,731	5,489
Proportion of the Group's ownership interest in the joint	33.5%	33.5%	33.5%
Carrying amount of the Group's interest in the joint venture	2,202	1,920	1,839

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

20. Investment in Joint venture (cont'd)

SFRS(I) 12.21(b)(ii)
SFRS(I) 12.B12
SFRS(I) 12.B14(a)

MS Electronics Limited

Summarised statement of comprehensive income

	2018	2017
	S$'000	S$'000
Revenue	2,124	2,005
Operating expenses	(1,258)	(1,728)
Interest expense	(24)	(35)
Profit before tax	842	242
Income tax expense	-	-
Profit after tax	842	242
Other comprehensive income	-	-
Total comprehensive income	842	242

SFRS(I) 12.B13

The above profit (loss) for the year include the following:

	2018	2017
Depreciation and amortisation	(75)	(56)
Interest expense	(24)	(35)

Significant restriction

SFRS(I) 12.22(a)

MS Electronics Co. Ltd is incorporated and operates in People's Republic of China (PRC). As a result of remittance controls in PRC, there are specific restrictions on the amount and timing of cash dividends that MS Electronics Co. Ltd is able to remit out of PRC to the Group.

Guidance Notes

1) In this illustration, the Group does not have joint operation. The following disclosure is required for a material joint operation:

SFRS(I) 12.21(a)

"The Group has a material joint operation, Project xx. The Group has a xx% share in the ownership of a property located in Central District, PRC. The property upon completion will be held for leasing purposes. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the joint operation's expenses."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 7.7

21. Other financial assets

		Group		
		2018	2017	1 January 2017
		S$'000	S$'000	S$'000
SFRS 107.8(a)	***Financial assets carried at fair value through profit or loss***			
	Held for trading	-	1,250	1,178
SFRS(I) 7.8(a)	***Equity investments mandatorily measured at fair value through profit or loss***			
	Listed equity securities	543	-	-
SFRS 107.8(b)	***Held-to-maturity investments***			
	1.2% SGD government bond (a)	-	3,450	3,450
SFRS(I) 7.8(f)	***Debt investment measured at amortised cost[1]***			
	1.2% SGD government bond (a)	5,500	-	-
SFRS 107.8(d)	***Available-for-sale financial assets***			
	Listed equity securities (Singapore)	-	3,105	3,026
	Unquoted equity security (b)	-	4,752	4,750
		-	7,857	7,776
SFRS(I) 7.8(h)	***Equity investments measured at fair value through other comprehensive income[2]***			
	Listed equity securities (Singapore)(b)	4,204	-	-
	Unquoted equity security (b)	4,752	-	-
		14,999	12,557	12,404
	Current	8,996	4,700	4,628
	Non-current	6,003	7,857	7,776
		14,999	12,557	12,404

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 7.7

21. Other financial assets (cont'd)

(a) The SGD government bond bears interest of 1.2% per annum payable every six months, and mature in October 2019.

SFRS(I) 7.35G
SFRS(I) 7.35H
SFRS(I) 7.35M
SFRS(I) 7.35G(c)

As at 31 December 2018, the investment in SGD government bond is considered to have low credit risk as the issuer (i.e. the Singapore Government) to this instrument has AAA credit rating. Accordingly, for the purpose of impairment assessment for this debt instrument, the loss allowance is measured at an amount equal to 12-month expected credit losses. There was no impairment loss[4] in relation to the debt instrument. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for this financial asset.

SFRS(I) 12.9(d)

(b) Listed equity securities includes 20% equity interest in Freeflow Limited, a company involved in the refining and distribution of oil products. The directors of the Group do not consider that the Group is able to exert significant influence over Freeflow Limited as the other 80% of the ordinary share capital is controlled by one shareholder, who also manages the day-to-day operations of that Company.

The investments in unquoted equity securities represent a 10% equity interest in Solutions Pte Ltd, a company that is engaged in research and development activities. The directors of the Group has considered the recoverability[5] of these investments is uncertain and dependent on the outcome of these activities, which cannot presently be determined.

SFRS(I) 7.11A(b)
SFRS(I) 7.42J(a)

As per the Group's investment policy, these investments in equity instruments are not held for trading. Instead, they are held mainly for long-term strategic purposes. Accordingly, these investments are designated at FVOCI as the management believes that recognising short-term fluctuations in these investments' FVPL would not be consistent with the group's strategy of holding these investments for long-term purposes.

SFRS(I) 7.11B

The Group has not disposed[3] its investment in equity investments measured at FVOCI during the current reporting period.

Information about the Group's and Company's exposure to credit and market risks is included in Note 39 and fair value measurement is included in Note 43.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

SFRS(I) 7.7

21. Other financial assets (cont'd)

Guidance Notes

Investments pledged as security

SFRS(I) 7.14

1) In this illustration, none of the financial assets are pledged as collateral for liabilities or contingent liabilities. The following disclosure should be considered for financial asset that are pledged:

"The Group's investment in government bonds amounting to S$ XXX (2017: S$ XXX) has been pledged as security for a bank loan (Note X to the financial statements). Under the terms and conditions of the loan, the Group is prohibited from disposing of this investment or subjecting it to further charges without furnishing a replacement security of similar value."

SFRS(I) 7.11A

Equity investments designated as at Fair Value through Other Comprehensive Income (FVOCI)

2) If an entity has designated equity investment as at FVOCI, it discloses:

a. which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.
b. the reasons for using this presentation alternative.
c. the fair value of each such investment at the end of the reporting period.
d. dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.
b) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

Disposal of equity investment designated at FVOCI

SFRS(I) 7.11B

3) If an entity derecognised an equity investment measured at FVOCI during the financial year, it discloses:
- the reasons for disposing of the investments;
- the fair value of the investments at the date of derecognition; and
- the cumulative gain or loss on disposal.

An illustrative wordings is provided as below:

"During the financial year ended 31 December 2018, the Group disposed listed equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of $xxx at the date of disposal, and the cumulative gain on disposal amounted to $xxx, net of tax. The cumulative gain on disposal was reclassified from fair value adjustments reserve to retained earnings."

Impairment recognised for financial instruments measured at amortised cost

4) If the Group recognised impairment gain or loss on financial instruments measured at amortised cost, the following illustrative format should be disclosed as follow:

SFRS(I) 9.5.5.2
SFRS(I) 7.35H

The movement in 12-month ECL that has been recognised for the debt instrument at amortised costs in accordance with the SFRS(I) 9 is presented as below:

SFRS(I) 7.35B(b)
SFRS(I) 7.35I

	Group
	S$'000
At 1 January 2018	*XXX*
Net increase in loss allowance arising from new financial instruments recognised in current year, net of those derecognised upon settlement	*XXX*
Changes in credit risk parameters	*XXX*
At 31 December 2018	*XXX*

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 7.7

21. Other financial assets (cont'd)

Guidance Notes

Impairment assessment on investments in equity instruments under SFRS(I) 9

SFRS(I) 9

5) Investments in equity instruments are not subject to impairment assessment, because these investments are now only measured at FVPL or FVOCI without recycling of fair value changes to profit or loss.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

SFRS(I) 1-1.77
SFRS(I) 7.6, 7.7

22. Derivatives

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Derivatives financial instruments			
Cash flow hedges			
Interest rate swaps (Note 39(f))	280	174	152
SFRS(I) 7.8(a) Foreign currency forward contracts	240	226	198
	520	400	350
Non-Current	312	263	230
Current	208	137	120
	520	400	350

Currency forwards are transacted to hedge certain currency exposures of the Group. Please refer to Note 39(e) for details.

23. Inventories

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
SFRS(I) 1-2.37 Raw materials, at cost	10,713	10,322	12,877
SFRS(I) 1-2.37 Work in progress, at cost	4,490	4,354	5,545
SFRS(I) 1-2.37 Finished trading goods, at cost or net realisable value	15,491	14,306	18,252
	30,694	28,982	36,674

SFRS(I) 1-2.36(d)
SFRS(I) 1-2.38

The cost of inventories recognised as an expense and included in "cost of sales" in respect of continuing operations amounted to S$87,897,000 (2017: S$91,840,000).

SFRS(I) 1-2.36(f)
SFRS(I) 1-2.36(g)

The cost of inventories recognised as an expense includes S$2,340,000 (2017: S$1,860,000) in respect of write-downs of inventory to net realisable value, and has been reduced by S$500,000 (2017: S$400,000) in respect of the reversal of such write-downs. Previous write-downs have been reversed as the inventories were sold above the carrying amounts in 2018.

Guidance Notes

SFRS(I) 1-2.36(h)

1) If an entity has pledged its inventory as security for its banking facilities, the following should be disclosed:

"Inventories of S$ XXX (2017: S$ XXX) of the Group and S$ XXX (2017: S$ XXX) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note X to the financial statements)".

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

24. Trade and other receivables

		Group			Company		
		2018	2017	1 January 2017	2018	2017	1 January 2017
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Trade receivables[2]	18,044	16,880	14,535	14,002	12,003	11,200
SFRS(I) 1-1.77	Loss allowance	(852)	(838)	(628)	(100)	-	-
		17,192	16,042	13,907	13,902	12,003	11,200
	Other receivables						
	Deferred sale proceeds from bag operations (Note 18(b))	960	-	-	-	-	-
SFRS(I) 1-24.18(b)	Loan to related parties	5,254	3,647	3,647	-	-	-
SFRS(I) 1-24.18(b)	Loan to an associate	59	25	25	-	-	-
		23,465	19,714	17,579	13,902	12,003	11,200

SFRS(I) 9.5.1.3
SFRS(I) 9.4.1.2
SFRS(I) 9.5.4.1

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are non-interest bearing and generally due for settlement within 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

SFRS(I) 1-24.18(b), (c)

The loan to an associate is unsecured, interest bearing at SIBOR plus 1.5% and will be repayable in full on 31 December 2018. Loan to related parties is unsecured, interest-free and repayable on demand.

SFRS(I) 7.35G
SFRS(I) 7.35H
SFRS(I) 7.35M
SFRS(I) 7.35G(c)

For purpose of impairment assessment, the deferred sale proceeds and other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There is no allowance for doubtful debts arising from these outstanding balances as the expected credit losses are not material. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for deferred sale proceeds and other receivables.

SFRS(I) 7.35G
SFRS(I) 7.35F(e)
SFRS(I) 7.35L

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy note 3(p)(ii). The group has recognised a loss allowance of 100% against all receivables over 180 days past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

SFRS(I) 7.35M
SFRS(I) 7.35N
SFRS(I) 7.B8I
SFRS(I) 9.B5.5.35

The Group's and Company's credit risk exposure[3] in relation to trade receivables from contracts with customers under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as presented below. The group's provision for loss allowance is based on past due as the group's historical credit loss experience does not show significantly different loss patterns for different customer segments[4].

		Trade receivables past due (days)					
	Current	< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group							
Expected credit loss rate	0.5%	2%	5%	15%	20%	100%	
Trade receivables – gross carrying amount at default	11,354	3,555	552	1,900	338	345	18,044
Loss allowance – lifetime ECL	(56)	(71)	(27)	(285)	(68)	(345)	(852)
							17,192

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

24. Trade and other receivables (cont'd)

SFRS(I) 7.35M
SFRS(I) 7.35N
SFRS(I) 7.B8I
SFRS(I) 9.B5.5.35

		Trade receivables past due (days)					
	Current	< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company							
Expected credit loss rate	0.5%	2%	5%	15%	20%	100%	
Trade receivables – gross carrying amount at default	12,001	2,001	-	-	-	-	14,002
Loss allowance – lifetime ECL	(60)	(40)	-	-	-	-	(100)
							13,902

SFRS(I) 9.5.5.2
SFRS(I) 7.35H

The movements[5] in credit loss allowance for impairment of trade receivables during the year are as follows

	Group Lifetime ECL S$'000	Company Lifetime ECL S$'000
At 1 January 2018 per SFRS 39	838	-
Adjustment on initial application of SFRS(I) 9	54	-
At 1 January 2018 per SFRS(I) 9	892	-
Impairment loss recognised profit or loss during the year		
SFRS(I) 7.35I(a) - Assets acquired/originated	63	100
- Reversal of unutilised amounts	(103)	-
- Changes in credit risk	-	-
	40	100
SFRS(I) 7.35I(c) Receivables written off as uncollectible[6]	-	-
As 31 December 2018 per SFRS(I) 9	852	100

24. Trade and other receivables (cont'd)

Previous accounting policy for impairment of trade receivables

SFRS 107.37

As at 31 December 2017, trade receivables disclosed above include amounts which are past due at the end of the reporting period but for which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral[1] or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

	Group	
	2017	1 January 2017
Ageing of past due but not impaired	S$'000	S$'000
60 - 90 days	688	556
90 - 180 days	345	339
Total	1,033	895
Average age (days)	82	82

SFRS 107.16

Movement in the loss allowance

	Group
	2017
	S$'000
Balance at beginning of the year	628
Impairment losses recognised on receivables (SFRS 107.20(e))	430
Amounts written off during the year	(196)
Impairment losses reversed	(24)
Balance at end of the year	838

SFRS 107.33(a)-(b)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

SFRS 107.37(b)

As at 31 December 2017, included in the loss allowance are individually impaired trade receivables with a balance of S$430,000) due to the respective trade debtors going into liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances[1].

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

24. Trade and other receivables (cont'd)

Receivables subject to an enforceable master netting arrangement

SFRS(I) 7.13E
SFRS 107.13E

The Group has arrangements with certain counterparties whereby the Group both purchases electronic raw materials from and sells electronic equipment to the same counterparty. Some of these arrangements require both parties to settle the net amount due to or from each other on a monthly basis. For such arrangements, the receivables and payables from each counterparty are presented on a net basis. Other arrangements do not permit the Group or the counterparty to settle the amount due to or from each other on a net basis, however a master netting arrangement provides both parties with the right to set-off in the case of default, insolvency or bankruptcy of the other party. For such arrangements, the related receivables and payables are not set off in the statement of financial position.

SFRS(I) 7.13C, B46, SFRS 107.13C, B46

	Related amounts set off in the statement of financial position		Net amounts - financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
	Gross amounts – financial assets (a)	Gross amounts – financial liabilities (b)	(c) = (a)-(b)	Financial assets/ (liabilities) (di)	Cash collateral received (dii)	Net amount e = (c)+(d)
Financial Assets	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2018						
Trade receivables	4,500	(3,300)	1,200	-	-	1,200
At 31 December 2017						
Trade receivables	3,800	(2,500)	1,300	-	-	1,300
At 1 January 2017						
Trade receivables	-	-	-	-	-	-

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Gross amounts – financial liabilities (a)	Gross amounts – financial assets (b)	(c) = (a)-(b)	Financial assets/ (liabilities) (di)	Cash collateral pledged (dii)	Net amount e = (c)+(d)
Financial Liabilities	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2018						
Trade payables	3,300	(3,300)	-	-	-	-
At 31 December 2017						
Trade payables	2,500	(2,500)	-	-	-	-
At 1 January 2017						
Trade payables	-	-	-	-	-	-

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

24. Trade and other receivables (cont'd)

Guidance Notes

Collateral and other credit enhancements obtained

SFRS(I) 7.36(b)

1) SFRS(I) 7 requires an entity to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (i.e. a quantification of the extent to which collateral and other credit enhancement mitigate the credit risk). This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.

SFRS(I) 7.38

When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements, and such assets meet the recognition criteria in other Standards, the following disclosure can be considered:

i. the nature and carrying amount of the assets; and

ii. when the assets are not readily convertible to cash, its policies for disposing of such assets or for using them in its operations.

Illustrative disclosure:

"During the financial year, the Group obtained assets by taking possession of collateral held as security as follows:

Nature of assets	*Carrying amount*
Inventories	*S$ XXX*
Property, plant and equipment	*S$ XXX*

Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the statements of financial position".

Transfers of financial assets

2) SFRS(I) 7 requires disclosure for transactions involving transfers of financial assets, where an asset is transferred but is not derecognised or where an asset is derecognised but the entity continues to have a continuing involvement to the asset after the sale.

SFRS(I) 7.B30A

The above disclosures may be required even if the continuing involvement arises only because of servicing contracts (e.g. the Company continues to act as intermediary between factoring bank and debtor customers). Specifically, if the servicing contracts give the entity an interest in the future performance of the transferred asset, such disclosures will be required.

Illustrative disclosure for a transferred asset but is not derecognised - factored receivables (with recourse)

SFRS(I) 7.42D(a)-(c).(e)
SFRS(I) 9.B4.1.3

"During the period, the Group has transferred $xxx (2017: $xxx) of trade receivables which are subject to a factoring arrangement Under this arrangement, the Group has transferred the receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. As part of the transfer, the Group has retained late payment and credit risks over those receivables. Accordingly, the group continues to recognise the full carrying amount of the transferred receivables and has recognised the cash received on the transfer as a secured borrowing (Note x). At the end of the reporting period, the carrying amount of the transferred short-term receivables is $xxx. The carrying amount of the associated liability is $xxx. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The fair values of the transferred receivables and the associated liabilities as at 31 December 2018 are as follows:

	2018	*2017*	*1 January 2017*
	S$'000	*S$'000*	*S$'000*
Transferred trade receivables – at fair value	*xxx*	*xxx*	*xxx*
Secured borrowings (Note X) – at fair value	*(xxx)*	*(xxx)*	*xxx*
Net position	*xxx*	*xxx*	*xxx*

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

24. Trade and other receivables (cont'd)

Guidance Notes

Credit risk exposure

SFRS(I) 7.35M
SFRS(I) 7.B8I

3) The number of credit risk rating grades used to disclose the information in accordance with paragraph 35M shall be consistent with the number that the entity reports to key management personnel for credit risk management purposes. If past due information is the only borrower-specific information available and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 5.5.11 of SFRS(I) 9, an entity shall provide an analysis by past due status for those financial assets.

Segregation by customer base

SFRS(I) 9.B5.5.35

4) A provision matrix might, for example, specify fixed provision rates depending on the number of days that a trade receivable is past due (for example, 1 per cent if not past due, 2 per cent if less than 30 days past due, 3 per cent if more than 30 days but less than 90 days past due, 20 per cent if 90–180 days past due etc.). Depending on the diversity of its customer base, the entity would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).

Reconciliation of impairment allowances

SFRS(I) 7.35H-35L

5) On initial application of SFRS(I) 9, entities must disclose information that would permit the reconciliation of closing impairment allowances in accordance with SFRS 39 to the opening impairment allowance determined in accordance with SFRS(I) 9. In future periods, the entity will only need to provide the details of movements in the SFRS(I) 9 loan loss allowance required by paragraphs 35H-35L of SFRS(I) 7. In addition, SFRS(I) 7.35H requires an entity to disclose the reasons for the changes in the impairment allowance during the period. It may be necessary to provide an analysis of the reasons for changes in the loss allowance during the period, including:
   (a) the portfolio composition;
   (b) the volume of financial instruments purchased or originated; and
   (c) the severity of the expected credit losses.

SFRS(I) 7.35L

6) An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity. In this illustration, a trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. If an receivable was written off as uncollectible and is still subject to enforcement activities, the following illustrative wording may be considered:

   "Trade receivables with a contractual amount of S$XXX written off during 2018 are still subject to enforcement activity."

25. Finance lease receivables

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Current finance lease receivables	208	198	175
Non-current finance lease receivables	820	707	729
	1,028	905	904

SFRS(I) 1-17.47(f)
SFRS(I) 7.7

The Group enters into finance leasing arrangements which is denominated in S$ for its electronic equipment. The average term of finance leases entered into is 5 years.

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
SFRS(I) 1-17.47(a) Minimum lease payments due			
- Not later than one year	280	273	274
- Later than one year but not later than five years	1,076	915	916
	1,356	1,188	1,190
SFRS(I) 1-17.47(b) Less unearned finance income	(328)	(283)	(286)
Present value of minimum lease payments receivable	1,028	905	904

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

- Not later than one year	208	198	175
- Later than one year but not later than five years	820	707	729
Present value of minimum lease payments	1,028	905	904

SFRS(I) 1-17.47(c)

Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at S$35,000 (2017: S$40,000; 1 January 2017: S$40,000).

SFRS(I) 7.7

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 9% (2017: 10%; 1 January 2017: 10%) per annum.

SFRS(I) 7.15

Finance lease receivable balances are secured over the electronic equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

SFRS 107.35

As at 31 December 2017 and 1 January 2017, the finance lease receivables were neither past due nor impaired.

SFRS(I) 7.34(a)

The loss allowance on finance lease receivables as at the reporting period is estimated at an amount equal to lifetime expected credit losses. As at 31 December 2018, none of the finance lease receivables is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collaterals held over these finance lease receivables, the group considers that no finance lease receivables is impaired.

SFRS(I) 7.35G(c)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. Cash and cash equivalents[2]

		Group			Company		
		2018	2017	1 January 2017	2018	2017	1 January 2017
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Cash on hand	580	450	50	430	300	48
SFRS(I) 1-7.45	Cash at bank	4,562	14,550	711	8,097	8,612	503
	Short-term bank deposit[1]	3,429	4,778	-	-	-	-
		8,571	19,778	761	8,527	8,912	551

For the purposes of the consolidated cash flow statement/statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Cash and short-term bank deposit	8,571	19,778	761
Bank overdraft (Note 31)	(538)	(378)	-
	8,033	19,400	761
Cash and bank balances included in a disposal group held for sale (Note 11)	175	-	-
	8,208	19,400	761

Guidance Notes

Cash equivalents for the purpose of presenting statement of cash flows/cash flow statements

SFRS(I) 1-7.7

1) Under SFRS(I) 1-7, cash equivalents are defined as "short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an **insignificant risk of changes in value**. An investment normally qualifies as a cash equivalent when it has a short maturity of, say, **three months or less from the date of acquisition**.

Cash not available for use

SFRS(I) 1-7.49

2) There may be circumstances in which cash and bank balances held by an entity are not subject to restrictions. An example is when a subsidiary that operates in a country where exchange controls or other legal restrictions apply. When this occurs, the following disclosure can be considered:

SFRS(I) 1-7.48

"Included in cash and cash equivalents are bank deposits amounting to S$ XXX (2017: S$ XXX) which are not freely remissible for use by the Group because of currency exchange restrictions."

27. Issued capital

		Group and Company					
		2018	2017	1 January 2017	2018	2017	1 January 2017
					S$'000	S$'000	S$'000
SFRS(I) 1-1.79	**Fully paid ordinary shares**						
SFRS(I) 1-1.79(iv)	Balance at beginning of year	23,730	23,730	23,730	48,672	48,672	48,672
	Issue of shares under employee share option plan (Note 40)	314	-	-	314	-	-
	Issue of shares	108	-	-	108	-	-
	Share buy-back	(6,752)	-	-	(16,697)	-	-
	Share buy-back costs	-	-	-	(277)	-	-
	Income tax relating to share buy-back costs	-	-	-	84	-	-
	Share issue costs	-	-	-	(6)	-	-
	Balance at end of year	17,400	23,730	23,730	32,198	48,672	48,672

SFRS(I) 1-1.79(a)(v) Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

The shares bought back in the current year were purchased out of capital and cancelled immediately.

SFRS(I) 1-1.106(d)

28. Reserves

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
General	807	807	807
Revaluation of property, plant and equipment	1,198	1,201	51
Fair value adjustment	672	527	470
Equity-settled employee benefits	230	338	-
Cash flow hedging	317	278	258
Foreign currency translation	122	85	-
Option premium on convertible bond	592	-	-
	3,938	3,236	1,586

(a) General reserve

The general reserve comprises of amounts transferred from retained earnings.

SFRS(I) 1-1.91

(b) Revaluation reserve

		Group	
		2018	2017
		S$'000	S$'000
	Balance at beginning of year	1,201	51
SFRS(I) 1-16.77(f)	Increase arising on revaluation of properties	-	1,643
SFRS(I) 1-1.90	Deferred tax liability arising on revaluation	-	(493)
	Transferred to retained earnings	(3)	-
	Balance at end of year	1,198	1,201

The revaluation reserve arises on the revaluation of land and buildings.

(c) Fair value adjustment

		Group	
		2018	2017
		S$'000	S$'000
	Balance at beginning of year	527	470
	Adjustment on initial application of SFRS(I) 9	79	-
	Adjusted balance at beginning of year	606	470
SFRS(I) 7.20(a)(vii)	Net gain arising on revaluation of FVOCI (2017: available-for-sale financial assets)	94	81
SFRS(I) 1-1.90	Income tax relating to gain arising on revaluation of FVOCI (2017: available-for-sale financial assets)	(28)	(24)
		672	527

SFRS(I) 1-1.79(b)
SFRS(I) 1-1.82A

The fair value adjustment represents cumulative gains and losses arising on the revaluation of equity investments at FVOCI (2017: available-for-sale financial assets, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired) that have been recognised in other comprehensive income.

28. Reserves (cont'd)

(d) Equity-settled employee benefits reserve

		Group	
		2018	2017
		S$'000	S$'000
SFRS(I) 1-1.106(d)	Balance at beginning of year	338	-
	Arising on share-based payments	206	338
	Issue of ordinary shares	(314)	-
	Balance at end of year	230	338

SFRS(I) 1-1.79(b) The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan. Please refer to Note 40 for information about share-based payments to employees.

(e) Cash flow hedging reserve

		Group	
		2018	2017
		S$'000	S$'000
	Balance at beginning of year	278	258
SFRS(I) 7.24C(b)(i)	Gain/(loss) recognised on cash flow hedges:		
	- Forward foreign exchange contracts	209	(41)
	- Interest rate swaps	227	357
SFRS(I) 1-1.90	Income tax related to gains/losses recognised in other comprehensive income	(131)	(95)
SFRS(I) 7.24C(b)(iv)	Reclassified to profit or loss:		
	- Forward foreign exchange contracts (reclassified to other expenses)	(3)	-
	- Interest rate swaps (reclassified to finance costs)	(120)	(86)
	Income tax related to amounts reclassified to profit or loss	37	26
SFRS(I) 7.24E(a)	Transferred to initial carrying amount of hedged item:		
	- Forward foreign exchange contracts	(257)	(201)
SFRS(I) 1-1.90	Income tax related to amounts transferred to initial carrying amount of hedged item	77	60
	Balance at end of year	317	278

SFRS(I) 1-1.79(b) The cash flow hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Reserves (cont'd)

(f) Foreign currency translation reserve

		Group	
		2018	2017
		S$'000	S$'000
	Balance at beginning of year	85	-
SFRS(I) 1-1.7(c)	Exchange differences arising on translating the net assets of foreign operations	75	121
SFRS(I) 1-1.90	Deferred tax relating to gains arising on translating the net assets of foreign operations	(22)	(36)
SFRS 39.102(a)	Loss on hedging instrument designated as a hedge of the net assets of foreign operations	(12)	-
SFRS(I) 1-1.90	Deferred tax relating to loss on hedge of the net assets of foreign operations	4	-
	Gain/loss reclassified to profit or loss on disposal of foreign operation	(56)	-
SFRS(I) 1-1.90	Income tax related to gain reclassified on disposal of foreign operation	17	-
SFRS 39.102	Gain/loss on hedging instrument reclassified to profit or loss on disposal of foreign operation	46	-
SFRS(I) 1-1.90	Income tax related to gain/loss on hedging instruments reclassified on disposal of foreign operation	(15)	-
		122	85

SFRS(I) 1-1.79(b)
SFRS(I) 1-1.82A

Exchange differences relating to the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. S$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

(g) Option premium on convertible bond

		Group	
		2018	2017
		S$'000	S$'000
SFRS(I) 1-1.106(d)	Balance at beginning of year	-	-
	Recognition of option premium on issue of convertible bond	834	-
	Related income tax	(242)	-
	Balance at end of year	592	-

SFRS(I) 1-1.79(b)

The option premium on convertible bond of S$ 592,000 (net of income tax of S$ 242,000) represents the equity component (conversion rights) of convertible bond issued during the year (see Note 32 Convertible Bond).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Dividends[1]

		Group and Company	
		2018	2017
		S$'000	S$'000
	Ordinary dividends paid		
SFRS(I) 1-1.107	Final dividend paid in respect of the previous financial year of 29 cents (2017: 27 cents) per share	5,560	6,479

SFRS(I) 1-1.137
SFRS(I) 1-10.13

At the Annual General Meeting on 21 April 2019, a final dividend of 20 cents per share amounting to a total of S$3.8 million will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019. The payment of this dividend will not have any tax consequences for the Group.

Guidance Notes

Non-cash dividends

SFRS(I) INT 17.11, 14, 15, 16

1) If an entity distribute non-cash assets as a dividend to its owners, it shall measure a liability to distribute non-cash assets at fair value of the assets to be distributed. When an entity settles the dividend payable, it shall recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. An illustrative wording may be considered as follows:

"On 30 October 20x8, the Company transferred all of the shares held in its subsidiary, MS Pte Ltd, to its holding company as a non-cash dividend. The dividend of S$ 1,200,000 was recognised, representing the fair value of the subsidiary. Accordingly, an amount of S$ 900,000 (i.e. the difference between the fair value of the shares held in its subsidiary and their carrying amount) is presented in profit or loss as other income."

30. Non-controlling interests

	Group	
	2018	2017
	S$'000	S$'000
Balance at beginning of year	20,005	17,242
Share of profit for the year[1]	4,000	2,763
Partial disposal of interests in subsidiaries to non-controlling interests, without loss of control (Note 18)	179	-
Acquisition of non-controlling interests (Note 18)	(731)	-
Balance at end of year	23,453	20,005

Guidance Notes

Unrecognised share of losses of a subsidiary

1) Losses incurred by a subsidiary should be allocated to non-controlling interests in full, even if the non-controlling interests turn into deficit.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

31. Borrowings[1,2]

	Group 2018	Group 2017	Group 1 January 2017
	S$'000	S$'000	S$'000
Unsecured			
Bank overdrafts	515	309	308
Loans from related parties	19,619	38,563	38,563
Convertible bond (Note 32)	4,116	-	-
	24,250	38,872	38,871
Secured			
Bank overdrafts	23	69	68
Bank loans	15,959	17,415	13,816
Loan from a finance company	562	633	633
Finance lease liabilities (Note 37)	14	89	101
	16,558	18,206	14,618
SFRS(I) 1-1.60,69 Current	20,541	25,554	19,380
SFRS(I) 1-1.60,69 Non-current	20,267	31,524	34,109
	40,808	57,078	53,489

(a) Loan from related parties bear interest of 8.0% - 8.2% per annum (2017: 8.0% - 8.2% per annum). The loan will mature in 31 December 2019.

SFRS(I) 7.7

(b) The Group has obtained fixed rate loans from a finance company with remaining maturity periods not exceeding 2 years (2017: 3 years). The weighted average effective interest rate on the loans is 7.5% per annum (2017: 8% per annum).

(c) Bank loans are secured by a mortgage over the Group's freehold land and buildings (see Note 14 Property, plant and equipment). The weighted average effective interest rate on the bank loans is 8.30% per annum (2017: 8.32% per annum).

SFRS(I) 1-7.44A, 44C-44E

(d) The reconciliation of movements of liabilities to cash flows arising from financing activities[3] is presented below:

	1 January 2018	**Cash flows**		**Non-cash changes**		**Other change**	**31 December 2018**
		Proceeds	Repayments	Equity portion	Acquisition of subsidiary		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank borrowings	18,426	8,651	(10,018)	-	-	-	17,059
Finance lease liabilities	89	-	(75)	-	-	-	14
Loan from related parties	38,563	-	(18,944)	-	-	-	19,619
Convertible loans	-	4,839	-	(834)	-	111	4,116
Contingent consideration	-	-	-	-	75	-	75
	57,078	13,490	(29,037)	(834)	75	111	40,883

31. Borrowings[1,2](cont'd)

SFRS(I) 1-7.44A, 44C-44E

(a) The reconciliation of movements of liabilities to cash flows arising from financing activities[3] is presented below: (cont'd)

	1 January 2017	Cash flows		Non-cash changes		Other change	31 December 2017
		Proceeds	Repayments	Equity portion	Acquisition of subsidiary		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank borrowings	14,825	26,798	(23,197)	-	-	-	18,426
Finance lease liabilities	101	-	(12)	-	-	-	89
Loan from related parties	38,563	-	-	-	-	-	38,563
Convertible loans	-	-	-	-	-	-	-
Contingent consideration	-	-	-	-	-	-	-
	53,489	26,798	(23,209)	-	-	-	57,078

Guidance Notes

Classification of loan as "current" debt at the reporting date

1) Illustrative Note disclosure for breach of loan covenant is provided below:

(a) *"During the current financial year, the Company has breached a covenant of a bank loan. The Company did not fulfill the requirement to maintain debt to capital ratio at X.XX for a credit line of S$ XXX. The credit line is fully drawn down and presented as current liability at the reporting date. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.*

Bank A had not requested for immediate repayment of the outstanding loan amount as at the date when these financial statements are authorised for issue. Management commenced renegotiation of the loan agreement terms in December 2018. As of the date the financial statements are authorised for issue, the renegotiation is still in progress."

(b) *"During the current financial year, the Company has breached a covenant of a bank loan. The Company did not fulfill the requirement to maintain debt to capital ratio at X.XX for a credit line of S$ XXX. The credit line is fully drawn down and presented as current liability at the reporting date. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.*

In January 2018, the Company settled the loan with Bank A out of the proceeds of a new loan from Bank B, which has a maturity period of three years. The loan with Bank A is presented as current liability as at 31 December 2018. Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward."

31. Borrowings[1,2] (cont'd)

Guidance Notes

SFRS(I) 1-1.75

Classification of loan as "non-current" debt at the reporting date (cont'd)

2) Illustrative Note disclosure is provided below:

"During the current financial year, the Company breached a loan covenant as it did not maintain a debt to capital ratio of xx in relation to a loan of S$ XXX. The credit line is fully drawn down and presented as current liability at the reporting date. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.

In December 2018, Bank A agreed to provide a rectification period up to 30 June 2019 for the entity to rectify the breach. Bank A agreed not to demand repayment during this period. As a result, the Company continued to present the loan as a non-current liability as at 31 December 2018. Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward."

Changes in liabilities arising from financing activities

SFRS(I) 1-7.44C

3) The disclosure requirement also applies to changes in financial assets (for example, assets (such as interest rate swaps) that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. The illustrative disclosure is provided below:

".....

	1 January 2018	**Cash flows**	**Non-cash changes** Fair value changes	**31 December 2018**
	S$'000	S$'000	S$'000	S$'000
Interest rate swaps fair value hedging	-	-	XX	XX

....."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

32. Convertible bond

	2018
	S$'000
Proceeds of issue	4,839
Liability component at date of issue	(4,005)
Equity component (Note 28)	834

SFRS(I) 7.17
SFRS(I) 1-1.79(a)

The Company issued S$ denominated convertible bond on 1 October 2018 for S$4,839,000 with coupon payments of 1% payable annually The bond can be converted to 4,839,000 ordinary shares on 31 August 2020. If the bond is not converted, it will be redeemed on 31 August 2020 at S$4,839,000.

The interest expense for the year (S$111,000) is calculated by applying an effective interest rate of 11.6% to the liability component for the 3-month period since the bond was issued.

33. Other financial liabilities

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Financial guarantee contracts	36	18	18
Contingent consideration (Note 18)	75	-	-
	111	18	18

The contingent consideration related to the acquisition of a subsidiary (Note 18). There has been no change in the fair value of the contingent consideration since the acquisition date.

SFRS(I) 7.8(g)

34. Derivatives

	Group	
	2018	2017
	S$'000	S$'000
<u>Cash flow hedge</u>		
Interest rate swaps (i)	5	-
Foreign currency forward contracts (ii)	75	-
	80	-

(i) Interest rate swaps

The Group entered into interest rate swaps to hedge floating quarterly interest payments on borrowings that will mature on 31 December 2019. The fair value gains and losses on the interest rate swaps are disclosed in Note 28.

(ii) Currency forwards

The Group entered into hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within three months from the reporting date. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. The fair value gains and losses on the currency forwards are disclosed in Note 28.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

35. Provisions

		Group		
Other provisions			Onerous	
		Warranties	leases	Total
		S$'000	S$'000	S$'000
SFRS(I) 1-37.84(a)	Balance at 1 January 2018	677	361	1,038
SFRS(I) 1-37.84(b)	Additional provisions recognised	555	152	707
SFRS(I) 1-37.84(c)	Reductions arising from payments	(210)	(190)	(400)
SFRS(I) 1-37.84(d)	Unused amounts reversed	(10)	(105)	(115)
SFRS(I) 1-37.84(e)	Unwinding of discount and effect of changes in the discount rate	10	18	28
SFRS(I) 1-37.84(a)	Balance at 31 December 2018	1,022	236	1,258
SFRS(I) 1-37.84(a)	Balance at 1 January 2017	989	990	1,979
SFRS(I) 1-37.84(b)	Additional provisions recognised	677	301	978
SFRS(I) 1-37.84(c)	Reductions arising from payments	(950)	(889)	(1,839)
SFRS(I) 1-37.84(d)	Unused amounts reversed	(50)	(60)	(110)
SFRS(I) 1-37.84(e)	Unwinding of discount and effect of changes in the discount rate	11	19	30
SFRS(I) 1-37.84(a)	Balance at 31 December 2017	677	361	1,038

		Group		
		2018	2017	1 January 2017
		S$'000	S$'000	S$'000
SFRS(I) 1-1.61,69	Current	747	611	1,165
	Non-current	511	427	814
		1,258	1,038	1,979

SFRS(I) 1-37.85

(a) A provision is recognised for expected warranty claims on certain electronic components sold during the last two years, based on past experience of the level of repairs and returns. It is expected that these costs will be incurred in the next three financial years. Assumptions used to calculate the provision for maintenance warranties were based on the current sales levels and current information available about returns based on the three-year warranty period for the relevant electronic components sold.

SFRS(I) 1-1.98(g)

During the financial year, based on the earlier mentioned statistics and warranty claims experience, management concluded that the provision for maintenance warranties exceeded the amount necessary to cover warranty claims on products sold during the last three years. Accordingly, S$10,000 (2017: Nil) of the warranty provision has been reversed.

SFRS(I) 1-37.85

(b) The provision for onerous lease contracts represents the Group's present obligation under non-cancellable onerous operating lease contracts. The unexpired term of the leases range from 2 to 4 years.

SFRS(I) 1-1.77

36. Trade and other payables

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	S$'000	S$'000	S$'000	S$'00 0	S$'000	S$'000
Trade payables	20,513	17,580	46,978	3,553	3,084	3,050
Other payables and accruals	2,896	7,400	10,152	480	450	400
	23,409	24,980	57,130	4,033	3,534	3,450

Trade and other payables are non-interest bearing. Trade payables are normally settled on a 60-day terms.

37. Obligations under finance leases

Leasing arrangements

SFRS(I) 1-17.31(e)

SFRS(I) 7.7

Finance leases relate to manufacturing equipment with lease terms of 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities

SFRS(I) 1-

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Minimum lease payments due			
- Not later than one year	6	58	59
- Later than one year but not later than five years	12	50	60
	18	108	119
Less future finance charges	(4)	(19)	(18)
Present value of minimum lease payments	14	89	101

SFRS(I) 1-17.31(b)

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

SFRS(I) 1-17.31(b)

	2018	2017	1 January 2017
- Not later than one year	5	50	60
- Later than one year but not later than five years	9	39	41
Present value of minimum lease payments	14	89	101

SFRS(I) 1-1.61,69

	2018	2017	1 January 2017
Current	5	50	60
Non-current	9	39	41
	14	89	101

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

38. Employee benefits

Employee benefits expense

	Group	
	2018	2017
	S$'000	S$'000
Salaries and bonuses	8,001	10,400
Other short-term benefits	204	190
Share-based payments (Note 40)	206	338
Post-employment benefits		
- Defined contribution plans	160	148
- Defined benefit plans	1,232	579
	9,803	11,655

(a) Defined contribution plans

The Group makes contribution to Central Provident Fund in respect of its Singapore employees.

SFRS(I) 1-19.43

The employees of the Group's subsidiaries that operate in People's Republic of China (PRC) are members of a state-managed retirement benefit plan operated by the government of PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

SFRS(I) 1-19.53

The total expense recognised in the consolidated statement of comprehensive income is S$160,000 (2017: S$148,000) which represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2018, contributions of S$8,000 (2017: S$8,000) due in respect of the 2018 (2017) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

(b) Defined benefit plans

SFRS(I) 1-19.139

The Group operates a funded defined benefit plans for qualifying employees of its subsidiaries in PRC. Under the plans, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Mr. Chen Feng, Fellow of the Institute of Actuaries of PRC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

SFRS(I) 1-19.144

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at		
	2018	2017	1 January 2017
	%	%	%
Discount rate(s)	5.52	5.20	5.10
Expected return on plan assets	12.08	10.97	10.50
Expected rate(s) of salary increase	5.00	5.00	5.00

38. Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

SFRS(I) 1-19.120
SFRS(I) 1-19.135

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	Group	
	2018	2017
	S$'000	S$'000
Service cost:		
SFRS(I) 1-19.141 Current service cost	1,068	442
Net interest expense	164	137
Components of defined benefit costs recognised in profit or loss	1,232	579
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(206)	(203)
Actuarial gains and losses arising from changes in demographic assumptions	(25)	5
Actuarial gains and losses arising from changes in financial assumptions	(302)	198
Actuarial gains and losses arising from experience adjustments	(43)	(23)
Components of defined benefit costs recognised in other comprehensive income	(576)	(23)
Total	656	556

SFRS(I) 1-19.140

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Present value of funded defined benefit obligation	5,905	5,808	5,814
Fair value of plan assets	(4,202)	(4,326)	(4,788)
	1,703	1,482	1,026

38. Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

SFRS(I) 1-19.141

Movements in the present value of the defined benefit obligation in the current year were as follows:

	Group	
	2018	2017
	S$'000	S$'000
Opening defined benefit obligation	5,808	5,814
Current service cost	1,068	442
Interest cost	302	323
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(25)	5
Actuarial gains and losses arising from changes in financial assumptions	(302)	198
Actuarial gains and losses arising from experience adjustments	(43)	23
Exchange differences on foreign plans	(303)	(387)
Benefits paid	(620)	(610)
Closing defined benefit obligation	5,905	5,808

SFRS(I) 1-19.141

Movements in the fair value of the plan assets in the current year were as follows:

	2018	2017
Opening fair value of plan assets	4,326	4,788
Interest income	138	186
Remeasurement gain/(loss):		
Return on plan assets (excluding amounts included in net interest expense)	206	203
Exchange differences on foreign plans	152	(241)
Benefits paid	(620)	(610)
Closing fair value of plan assets	4,202	4,326

SFRS(I) 1-19.142

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	Fair value of plan assets		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Equity investments in consumer industry	1,033	1,008	1,012
Debt instruments AAA	2,073	1,846	2,411
Residential properties in China	1,096	1,472	1,365
	4,202	4,326	4,788

SFRS(I) 1-19.142

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

38. Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

SFRS(I) 1-19.145(a)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and life expectancy. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate increases/(decreases) by 1%, the defined benefit obligation would decrease by S$740,000/(increase by S$730,000).

- If the expected salary growth increases/(decreases) by 1%, the defined benefit obligation would increase by S$130,000/(decrease by S$120,000).

- If the life expectancy increases/(decreases) by one year, the defined benefit obligation would increase by S$155,000/(decrease by S$160,000).

SFRS(I) 1-19.145(b)

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation liability recognised within the statement of financial position.

SFRS(I) 1-19.145(c)

There has been no changed in the methods and types of assumptions used in preparing the sensitivity analysis from the previous year.

SFRS(I) 1-19.146

At each reporting date, an Asset-Liability Matching (ALM) study is performed by the pension fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a targeted strategic asset mix comprising 30% equity securities, 45% government bond and 25% other investments; and

- interest rate risk is managed with the objective of reducing the cash flow interest rate risk by 25% through the use of debt instruments (government bonds) and interest rate swaps.

There has been no change in the process used by the Group to manage its risk from prior periods.

SFRS(I) 1-19.147 (a) – (c)

The fund is fully funded by the Group's subsidiaries. The funding requirements are based on the funds' and actuarial measurement framework set out in the funding policies of the plan. In this framework, the funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

The average duration of the benefit obligation of members at 31 December 2018 is 15.8 years (2017: 15.2 years; 1 January 2017: 15.1). The Group expects to pay of S$0.88 million in contributions (2017: S$0.75 million, 1 January 2017: S$ 0.75million) to its defined benefit plans in 2018.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Financial instruments

SFRS(I) 1-1.134, 135, 136

(a) Capital risk management[1,2,3]

The primary objective of the Group's capital management is to ensure it maintains healthy capital ratios in order to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group and makes adjustment to it, in light of changes in economic conditions. The committee considers the cost of capital and the risks associated with each class of capital. The Group monitors capital using gearing ratio and keeps the ratio between 18% - 40%. The net debt to capital ratio as at 31 December 2018 of 19% (see below) was at the lower end of the target range. The Group's debt includes long- and short-term borrowings. Capital includes all capital and reserves of the Group that are managed as capital.

	Group		
	2018	2017	1 January 2017
	S$'000	S$'000	S$'000
Debt	40,808	57,078	53,489
Cash and bank balances	(8,571)	(19,778)	(761)
Net debt	32,237	37,300	52,728
Total capital	171,797	167,012	141,464
Net debt to capital	19%	22%	37%

Guidance Notes

Capital risk management

1) This illustration illustrates the capital risk disclosure for a reporting entity that monitors its capital using a net debt to capital ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose. For instance, some entities may monitor capital based on Return on Capital Employed, Economic Value Added, or dividend pay-out ratio.

SFRS(I) 1-1 .136

2) An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject.

3) The word "capital" denotes the Company's overall funding, it does not mean "equity capital".
If an entity has a capital deficit, it should not define capital as total issued capital and fully paid up ordinary shares less accumulate losses. Other cash flows which the entity has treated as capital for managing the entity should be disclosed. If an entity has material borrowings which were considered part of capital management, qualitative and quantitative terms such as gearing ratios should be presented to enable the reader to evaluate the entity's objectives, policies and processes for managing capital.

39. Financial instruments (cont'd)

SFRS(I) 7.6, 8

(b) Categories of financial instruments

Reference		Group 2018 S$'000	Group 2017 S$'000	Company 2018 S$'000	Company 2017 S$'000
	Financial assets				
SFRS(I) 7.8(a) SFRS 107.8(a)	Financial assets at Fair Value through Profit or Loss ("FVPL")				
SFRS 107.8(a)	- Held for trading	543	1,250	-	-
	- Derivative instruments in designated hedge accounting relationships	520	400	-	-
SFRS 107.8(b)	Held-to-maturity investments	-	3,450	-	-
SFRS 107.8(d)	Available-for-sale financial assets	-	7,857	-	-
SFRS(I) 7.8(h)	Financial assets measured at Fair Value though Other Comprehensive Income (FVOCI)				
	- Equity instruments	8,956	-	-	-
SFRS(I) 7.8(f)	Financial assets at amortised cost				
	- Cash and bank balances (including cash and bank balances in a disposal group held for sale)	8,746	-	8,527	-
	- Contract assets	234	225	-	-
	- Trade and other receivables	23,465	-	13,902	-
	- Trade receivables associated with assets held for sale	1,872	-	-	-
	- Finance lease receivables	1,028	-	-	-
	- Debt instrument	5,500	-	-	-
SFRS 107.8(c)	Loans and receivables				
	- Cash and bank balances (including cash and bank balances in a disposal group held for sale)	-	19,778	-	8,912
	- Trade and other receivables	-	19,714	-	12,003
	- Trade receivables associated with assets held for sale	-	-	-	-
	- Finance lease receivables	-	905	-	-
	Financial liabilities				
	Financial liabilities at FVPL				
SFRS(I) 7.8(e)	- Derivative instruments in designated hedge accounting relationships	80	-	-	-
	Contingent consideration	75	-	-	-
	Financial guarantee contracts	36	18	-	
SFRS(I) 7.8(g)	Financial liabilities at amortised cost				
	- Trade and other payables	23,409	24,890	4,033	3,534
	- Borrowings	40,808	57,078	-	-
	- Convertible Bond	834	-	-	-
	- Liabilities associated with assets held for sale	2,059	-	-	-

39. Financial instruments (cont'd)

SFRS(I) 7.6, 8

(b) Categories of financial instruments (cont'd)

		Group	Company
		1 January 2017	
		S$'000	S$'000
	Financial assets		
SFRS 107.8(a)	Financial assets at Fair Value through Profit or Loss ("FVPL")		
SFRS 107.8(a)	- Held for trading	1,178	-
	- Derivative instruments in designated hedge accounting relationships	350	-
SFRS 107.8(b)	Held-to-maturity investments	3,450	-
SFRS 107.8(d)	Available-for-sale financial assets	7,776	-
SFRS 107.8(c)	Loans and receivables		
	- Cash and bank balances (including cash and bank balances in a disposal group held for sale)	761	551
	- Contract assets	255	-
	- Trade and other receivables	17,579	11,200
	- Finance lease receivables	904	-
	Financial liabilities		
	Financial guarantee contracts	18	-
SFRS 107.8(f)	Amortised cost		
	- Trade and other payables	57,130	3,459
	- Borrowings	53,489	-
	- Liabilities associated with assets held for sale	-	-

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

39. Financial instruments (cont'd)

(c) Financial risk management objectives

SFRS(I) 7.31-33

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. These risks[1] include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest risk.

SFRS(I) 7.21A(a)

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

SFRS(I) 7.33(c)
SFRS(I) 7.40(c)

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

Guidance Notes

Nature and extent of risks arising from financial instruments

SFRS(I) 7.33
SFRS(I) 7.34
SFRS(I) 7.IG17

1) The disclosures in response to SFRS(I) 7 illustrated in this Note are based on assumed circumstances of MS Singapore Limited and may not be applicable or relevant to other entities. Each entity should customise the information disclosed according to the specific circumstances, financial risk exposures, and risk management policies and procedures relevant to the entity.

(d) Market risk

SFRS(I) 7.33(a)
SFRS(I) 7.33(b)

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price arising from its investment in equity securities. The Group diversifies its investment portfolio within limits set by the Group. Any deviation from the policy is required to be approved by the Investment portfolio committee.

SFRS(I) 7.(40) and B25-B28

<u>Sensitivity analysis</u>
The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period.

All of the Group's equity investments other than the unquoted equity investment are listed on the Singapore Exchange (SGX). If quoted equity prices for the SGX listed equities classified as financial assets measured at FVOCI (2017: available-for-sale financial assets), had increased/(decreased) by 5% with all other variables including tax rate being held constant, the group's net profit for the year would have been unaffected as the equity instruments are classified as FVOCI; and the Group's other comprehensive income would have increased/(decreased) by S$450,000 (2017: S$390,000).

For equity instruments measured at FVPL, if the equity prices had been 5% higher/lower, the group's net profit for the year would decrease/increase by $ 27,000 (2017: S$ 62,000).

SFRS(I) 7.33(c)

There has been no change to the Group's exposure to equity prices or the manner in which these risks are managed and measured.

39. Financial instruments (cont'd)

(e) Foreign currency risk

SFRS(I) 7.33

The Group has transactional currency exposures arising from sales and purchases that are denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

SFRS(I) 7.34

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (other than the respective group entities' functional currencies) based on the information provided to key management[1] the end of the reporting period are as follows:

Group	Liabilities			Assets		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
RMB	5,200	6,140	6,130	1,450	1,560	1,530
USD	1,505	1,200	1,189	1,150	1,048	1,000
MYR	2,548	1,615	1,600	1,688	1,556	1,450

Company	Liabilities			Assets		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
USD	1,300	1,750	1,719	4,500	3,600	3,580

Sensitivity analysis for foreign currency risk[2,3,4]

SFRS(I) 7.40, AG B18, AG B23

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

		Group	
		2018	2017[5,6]
		S$'000	S$'000
		Profit after tax/Equity	Profit after tax/Equity
USD/SGD	- Strengthened by 8% (2017: 3%)	(28)	(5)
	- Weakened by 8% (2017: 3%)	28	5
RMB/SGD	- Strengthened by 3% (2017: 3%)	(113)	(137)
	- Weakened by 3% (2017: 3%)	113	137
MYR/SGD	- Strengthened by 11% (2017: 2%)	(95)	(1)
	- Weakened by 11% (2017: 2%)	95	1

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Financial instruments (cont'd)

(e) Foreign currency risk (cont'd)

Forward foreign exchange contracts

SFRS(I) 7.33
SFRS(I) 7.34
SFRS(I) 7.22B

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 60% to 70% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 30% to 40% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place. For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the forward foreign exchange contracts and their corresponding hedged items are the same, the group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

In the current year, the Group has designated certain forward contracts as a hedge of its net investment in E (PRC) Co. Ltd., which has RMB as its functional currency. The Group's policy has been reviewed and, due to the increased volatility in RMB, it was decided to hedge up to 45% of the net assets of the E (PRC) Co. Ltd. for forward foreign currency risk arising on translation of the foreign operation. The Group utilises a rollover hedging strategy, using contracts with terms of up to 6 months. Upon the maturity of a forward contract, the Group enters into a new contract designated as a separate hedging relationship.

SFRS(I) 7.23B, 24A(b)

The following tables detail the notional principal amounts and remaining terms of forward foreign currency contracts outstanding at the end of the reporting period. Forward foreign currency contract assets and liabilities are included in the "derivative" line item in the consolidated statement of financial position:

Cash flow hedges

SFRS(I) 7.24A(a), (c), (d)

Outstanding contracts	Average exchange rate		Notional principal value		Assets fair value	
	2018	2017	2018	2017	2018	2017
			S$'000	S$'000	S$'000	S$'000
Sell USD - Less than 3 months	1.35	1.25	2,500	2,045	109	102
Buy RMB - Less than 3 months	4.50	4.00	1,500	1,225	64	62
Sell MYR - Less than 3 months	0.36	0.38	1,500	1,230	67	62
			5,500	4,500	240	226

Outstanding contracts	Average exchange rate 1 January 2017	Notional principal value 1 January 2017	Assets fair value 1 January 2017
		S$'000	S$'000
Sell USD - Less than 3 months	1.24	2,035	93
Buy RMB - Less than 3 months	3.99	1,200	52
Sell MYR - Less than 3 months	0.38	1,230	53
		4,500	198

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Financial instruments (cont'd)

(e) Foreign currency risk (cont'd)

Forward foreign exchange contracts (cont'd)

Outstanding contracts	Average exchange rate		Notional principal value		Liabilities fair value	
	2018	2017	2018	2017	2018	2017
			S$'000	S$'000	S$'000	S$'000
Buy USD - Less than 1 year	1.33	-	1,950	-	(75)	-

SFRS(I) 7.23(b)

At the start of the third quarter of 2018, the Group reduced its forecasts on sales of electronic equipment to People's Republic of China due to increased local competition and higher shipping costs. The Group had previously hedged S$1.079 million of future sales of which S$97,000 are no longer expected to occur, and S$982,000 remain highly probable. Accordingly, the Group has reclassified S$3,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the cash flow hedging reserve to profit or loss.

SFRS(I) 7.24(c)

At 31 December 2018, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in E (PRC) Co. Ltd.

Guidance Notes

Currency risk information

SFRS(I) 7.34(a)

1) A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. The disclosure of quantitative data about its exposure to currency risk at the reporting date are based on the information provided internally to key management personnel as defined in SFRS(I) 1-24 Related Party Disclosures, e.g. board of directors or chief executive officer.

Sensitivity analysis – narrative text or tabular form

SFRS(I) 7.IG36

2) Instead of using a table format, the entity may disclose as follows:

"At 31 December 2018, if the USD has strengthened/(weakened) by X% (2017: X%) against the SGD with all other variables including tax rate being held constant, the Group's and Company's equity will be S$ XXX (2017: S$ XXX) higher/(lower) and S$ XXX (2017: S$ XXX) higher/(lower) respectively as a result of currency translation gains/losses on securities classified as available-for-sale. The Group's and Company's profit after tax will be S$ XXX (2017: S$ XXX) higher/(lower) and S$ XXX (2017: S$ XXX) higher/(lower), as a result of currency translation gains/losses on the remaining USD denominated financial instruments……"

Where the impacts to profit after tax and/or equity are different even though the exchange rates may have strengthened or weakened by the same percentage, the table format disclosure will likely be more useful. For example, if the reporting entity holds option-based financial instruments, the upside and downside impacts may be different.

39. Financial instruments (cont'd)

(e) Foreign currency risk (cont'd)

Guidance Notes

Foreign currency inter-company receivables and payables

3) Foreign currency inter-company receivables and payables should be included in the sensitivity analyses. This is because even though the intra-group receivables and payables are eliminated in the consolidated statements of financial position, the effect on profit or loss on their revaluation under SFRS(I) 1-21 *The Effect of Changes in Foreign Exchange Rates* is not fully eliminated. However it must be noted that the foreign exchange revaluation effects of a foreign currency inter-company loan which is part of the net investment in a foreign operation are deferred in equity until disposal (or partial disposal) of the foreign operation. Such foreign currency revaluation effects should not be included in the sensitivity analysis for foreign currency risks as they represent a translation risk rather than a transaction risk.

Equity investments that are denominated in foreign currencies

SFRS(I) 7.B23

4) Currency risk is not considered separately for financial instruments that are non-monetary. The foreign currency exposure arising from investing in non-monetary financial instruments would be considered and reflected in the other price risk disclosures as part of the fair value gains and losses.

Disclosure at reporting date needs to be representative for the period

SFRS(I) 7.35
SFRS(I) 7.IG20

SFRS(I) 7.42
SFRS(I) 7.IG37
SFRS(I) 7.IG38
SFRS(I) 7.IG39
SFRS(I) 7.IG40

5) If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures. Similarly, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

Changes in financial risk management/exposure from the previous period

SFRS(I) 7.33

6) An entity needs to include disclosures on the following if there are changes from the previous period:
   (a) the exposures to each type of risk arising from financial instruments; and/or
   (b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk.

   For instance, if there has been a change in the hedging policy, this should be disclosed accordingly.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Financial instruments (cont'd)

SFRS(I) 7.33

(f) Interest rate risk

SFRS(I) 7.33(a-b) and IG16

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

SFRS(I) 7.34

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the Liquidity risk section.

SFRS(I) 7.40(b)
SFRS(I) 7.34(a)

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

SFRS(I) 7.40(a)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by S$45,000 (2017: decrease/increase by S$63,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

SFRS(I) 7.33(c)

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps to swap floating rate debt to fixed rate.

Interest rate swap contracts

SFRS(I) 7.22
SFRS(I) 7.33
SFRS(I) 7.34

The Group uses interest rate swaps to hedge variable quarterly interest payments on borrowings that will mature on 31 December 2019. Fair value gains and losses on the interest rate swaps recognised in other comprehensive income reclassified to profit or loss as part of interest expense over the period of the borrowings.

SFRS(I) 7.23D
SFRS(I) 7.23E
SFRS(I) 7.23B
SFRS(I) 7.24A(b)

The following tables[1] detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

SFRS(I) 7.24A(a),(c), (d)

Cash flow hedges

Outstanding receive floating for fixed contracts	Average contracted fixed interest rate		Notional principal value		Assets fair value	
	2018	2017	2018	2017	2018	2017
	%	%	S$'000	S$'000	S$'000	S$'000
Less than 1 year	6.45	6.30	1,000	900	72	37
1 to 2 years	6.15	6.05	3,500	2,900	208	137

39. Financial instruments (cont'd)

SFRS(I) 7.33

(f) Interest rate risk (cont'd)

The following tables[1] detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period: (cont'd)

Outstanding receive floating for fixed contracts	Average contracted fixed interest rate 1 January 2017	Notional principal value 1 January 2017	Assets fair value 1 January 2017
	%	S$'000	S$'000
Less than 1 year	6.35	850	27
1 to 2 years	6.15	2,750	125
		3,600	152

Outstanding receive floating for fixed contracts	Average contracted fixed interest rate		Notional principal value		Liabilities fair value	
	2018	2017	2018	2017	2018	2017
	%	%	S$'000	S$'000	S$'000	S$'000
Less than 1 year	6.50	-	1,500	-	(5)	-

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of People's Republic of China. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Guidance Notes

Source of interest rate risk

SFRS(I) 7.B22

1) Interest rate risk arises on interest-bearing financial instruments recognised in the reporting date (i.e. loans and receivables and debt instruments issued) and on some financial instruments not recognised in the statements of financial position (i.e. some loan commitments).

39. Financial instruments (cont'd)

(g) Credit risk[1,3,4,5]

SFRS(I) 7.33 and 34,
SFRS(I) 7.35B
SFRS(I) 7.35F(a)(i)
SFRS 107.31,33

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or buying credit insurance, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with high credit quality counterparties of at least an "A" rating by external credit rating companies and investments in these instruments as disclosed in Note 21, where the counterparty has AAA-credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

SFRS(I) 7.34(c)

Before accepting new customers, the Group's dedicated risk management team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and other reliable references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the risk management team; these limits are reviewed quarterly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for individual and corporate customers respectively. Furthermore, the Group reviews the recoverable amount of each trade receivable and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

SFRS(I) 7.B8
SFRS(I) 7.34(c)
SFRS(I) 7.35B(c)

About 80% of the Group's customers have been transacting with the Group for over three years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. Of the trade receivables balance at the end of the year, S$0.9 million (2017: S$0.9 million, 1 January 2017: S$0.8 million) is due from a customer, the Group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables. Other than a major customer and the largest customer of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

SFRS(I) 7.B10(b)
SFRS(I) 7.35K(a)
SFRS(I) 7.35M
SFRS(I) 7.B10(c)

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount of the respective recognised financial assets as presented on the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure[2] in this respect is the maximum amount the Group could have pay if the guarantees are called on. As at 31 December 2018, an amount of S$36,000 (2017: S$18,000, 1 January 2017: S$18,000) has been recognised in the consolidated financial position as financial liabilities (Note 33). The Company also provided corporate guarantees to banks on subsidiaries' borrowings.

SFRS(I) 7.35K(b)
SFRS(I) 7.36(a)-(b)

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements[6] to cover its credit risks associated with its financial assets (including trade receivables), except that the credit risk associated with the finance lease receivables is mitigated because the finance lease receivables are secured over the electronics equipment. The carrying amount of the finance lease receivables amounts to S$1.02 million (31 December 2017: S$0.9 million, 1 January 2017: S$0.9 million) and the fair value of the leased assets is estimated to be approximately S$1 million (31 December 2017: S$0.9 million, 1 January 2017: S$0.9 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

39. Financial instruments (cont'd)

(g) Credit risk[1,3,4,5] (cont'd)

Trade receivables and contract assets

SFRS(I) 9.B5.5.35
SFRS(I) 7.35F(c)
SFRS(I) 7.35(G)

As disclosed in Note 3(p)(ii), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to contract assets and trade receivables is disclosed in Notes 5 and 24 respectively.

Derivatives, cash and cash equivalents and other financial assets

SFRS(I) 7.33(a)-(b), 34(a)

The derivatives and cash and cash equivalents are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings. As disclosed in notes 21, debt instruments measured at amortised costs are considered low credit risks as the instrument is of AAA credit rating.

SFRS(I) 7.35F(a)
SFRS(I) 7.35G and 35M

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

Credit risk grading guideline

The Group's dedicated risk management team management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

SFRS(I) 7.35F(b), (d),(e), 35G(a).

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due)	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than 90 days past due)	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 180 days past due.)	Asset is written off

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

39. Financial instruments (cont'd)

(g) Credit risk[1,3,4,5] (cont'd)

SFRS(I) 7.35M(iii), 35N
SFRS(I) 7.35G(a)

Credit risk exposure and significant credit risk concentration

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

Group 31 December 2018	Equivalent external credit rating	Internal credit rating	ECL	Gross carrying amount	Loss allowance	Net carrying amount
				S$'000	S$'000	S$'000
Contract Assets (Note 5)	-	Note 1	Lifetime ECL (Simplified)	235	(1)	234
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	18,044	(852)	17,192
Other receivables (Note 24)	-	Performing	12-month ECL	6,273	-	6,273
Finance lease receivables (Note 25)	-	Note 1	Lifetime ECL (Simplified)	1,028	-	1,028
SGD Government bond (Note 21)	AAA	Performing	12-month ECL	5,500	-	5,500
31 December 2017						
Contract Assets (Note 5)	-	Note 1	Lifetime ECL (Simplified)	225	-	225
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	16,880	(838)	16,042
Other receivables (Note 24)	-	Performing	12-month ECL	3,672	-	3,672
Finance lease receivables (Note 25)	-	Note 1	Lifetime ECL (Simplified)	905	-	905
1 January 2017						
Contract Assets (Note 5)	-	Note 1	Lifetime ECL (Simplified)	255	-	255
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	14,535	(628)	13,907
Other receivables (Note 24)	-	Performing	12-month ECL	3,672	-	3,672
Finance lease receivables (Note 25)	-	Note 1	Lifetime ECL (Simplified)	904	-	904

For Note 1 - The Group have applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5, 24 and 25.

39. Financial instruments (cont'd)

(g) Credit risk[1,3,4,5] (cont'd)

SFRS(I) 7.35M(iii), 35N
SFRS(I) 7.35G(a)

Credit risk exposure and significant credit risk concentration (cont'd)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

Company 31 December 2018	Equivalent external credit rating	Internal credit rating	ECL	Gross carrying amount	Loss allowance	Net carrying amount
				S$'000	S$'000	S$'000
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	14,002	(100)	13,902
31 December 2017						
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	12,003	-	12,003
1 January 2017						
Trade receivables (Note 24)	-	Note 1	Lifetime ECL (Simplified)	11,200	-	11,200

For Note 1 - The Company has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5, 24 and 25.

SFRS(I) 7.36(a),(b)
SFRS(I) 7.B10(b)

The carrying amount of the Group's financial assets at FVPL best represents their respective maximum exposure[2] to credit risk. The group holds no collateral over any of these balances.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses[5] arising from these guarantees.

39. Financial instruments (cont'd)

(g) Credit risk[1,3,4,5] (cont'd)

SFRS 39 - financial assets that are neither past due nor impaired

SFRS 107.36(c)

As at 31 December 2017 and 1 January 2017, trade and other receivables that are neither past due nor impaired are with credit-worthy debtors. Cash at banks and short-term deposits, other financial assets and derivatives are placed or entered into with reputable financial institutions.

Guidance Notes

Quantitative disclosures on credit risk

SFRS(I) 7.34

1) The quantitative disclosures on credit risk exposure shall be based on information provided internally to key management personnel of the entity. An entity may consider the disclosure where

   (a) management monitors the credit risk exposures only on the major classes of financial assets, which are bank deposits and trade receivables; and

   (b) the credit risk exposures on trade receivables are analysed and reported to key management by geographical areas and by types of customers.

   Other measures such as industry sector, credit rating and group of closely related counterparties might be used by another reporting entity.

SFRS(I) 7.36

2) A disclosure of amount that best represents maximum exposure to credit risk is not required when this amount is represented by the carrying amount of the financial instrument. The disclosure of fair value is replaced by a description of financial effect of collateral and other credit enhancements.

SFRS(I) 7.36(a)

For all financial instruments within the scope of SFRS(I) 7, but to which the impairment requirements in SFRS(I) 9 are not applied, it requires an entity to disclose by class of financial instrument the amount that best represents the entity's maximum credit risk exposure at the end of the reporting period, excluding the effect of any collateral and other amounts that do not qualify for offset in accordance with SFRS(I) 1-32. Examples of financial instruments that are within the scope of SFRS(I) 7 but that are not subject to the SFRS(I) 9 impairment requirements include:
- Financial assets and derivatives measured at FVPL;
- Financial guarantee contracts issued measured at FVPL; and
- Loan commitments issued measured at FVPL.

Equity investments, regardless of whether they are measured at FVPL or FVOCI, are also in the scope of SFRS(I) 7 but not subject to the SFRS(I) 9 impairment requirements; however, they do not give rise to an exposure to credit risk and therefore are not subject to the SFRS(I) 7 credit risk disclosures.

39. Financial instruments (cont'd)

Guidance Notes

Credit risk relating to financial assets or financial liabilities at fair value through profit or loss

SFRS(I) 7.9
SFRS(I) 7.10
SFRS(I) 7.11

3) In this illustration, no financial instrument has been designated as financial assets or financial liabilities at fair value through profit or loss. If an entity has designated a loan or receivable or financial liability as at fair value through profit or loss, further disclosures are required in SFRS(I) 7 paragraphs 9 to 11.

Credit risk exposure

SFRS(I) 7.35M

4) An entity is required to disclose information about an entity's credit risk exposure and significant concentrations of credit risk by credit risk grading at the reporting date. The number of credit risk rating grades used to disclose such information should be consistent with the number that the entity reports to key management personnel for credit risk management purposes. However, in some cases, delinquency and past due information may be the only borrower-specific information available without undue cost or effort, which is used to assess whether credit risk has increased significantly since initial recognition. In such cases, an entity should provide an analysis of those financial assets by past due status.

   Entities which elect the practical expedient under paragraph 5.5.15 of SFRS(I) 9 to measure the loss allowance of trade receivables, contract assets or lease receivables using a provision matrix may provide the above disclosure based on the provision matrix.

Loss allowance of financial guarantee contracts

SFRS(I) 7.B10(c)

5) If the Group provided loss allowance on financial guarantee contracts, the following illustrative disclosure is required:

   "As at December 31, 2018, a loss allowance of S$XXX (2017: S$XXX) for the financial guarantee contracts has been recognised in the consolidated statement of financial position as loss allowance for the financial year (Note xx)."

Collateral and other credit enhancements

SFRS(I) 7.35K

6) An entity is required to disclose by class of financial instrument at the reporting date:
   - the amount that best represents its maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with SFRS(I) 1-32).
   - description of collateral held as security and other credit enhancements
   - quantitative information about the collateral held as security and other credit enhancements.

SFRS(I) 7.38

   When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other SFRS(I)s, an entity shall disclose for such assets held at the reporting date the nature and carrying amount of the assets; and when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations. An illustrative wordings may be considered as follows:

   "The Group obtained inventories by taking possession of collateral held as security. The carrying amount of the inventories as at 31 December 2018 is S$ XXX. Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the statement of financial position."

SFRS(I) 7.15

   When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:
   (a) the fair value of the collateral held;
   (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
   (c) the terms and conditions associated with its use of the collateral.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

39. Financial instruments (cont'd)

(h) Liquidity risk

SFRS(I) 7.33(a-b)
SFRS(I) 7.39 and IG5

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting the financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

SFRS(I) 7.34(a)

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

Non-derivative financial liabilities

SFRS(I) 7.39(a-b) and AG B11B

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

	1 year or less	1 to 5 years	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000
Group				
31 December 2018				
Financial liabilities				
Trade and other payables	23,409	-	23,409	23,409
Finance lease liabilities	6	12	18	14
Borrowings	25,773	25,430	51,203	40,808
Financial guarantee contracts	2,500	-	2,500	36
	51,688	25,442	77,130	64,267

	1 year or less	1 to 5 years	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000
Group				
31 December 2017				
Financial liabilities				
Trade and other payables	24,980	-	24,980	24,980
Finance lease liabilities	58	50	108	89
Borrowings	30,344	37,432	67,776	57,078
Financial guarantee contracts	1,500	-	1,500	18
	56,882	37,482	94,364	82,165

	1 year or less	1 to 5 years	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000
Group				
1 January 2017				
Financial liabilities				
Trade and other payables	57,130	-	57,130	57,130
Finance lease liabilities	59	60	119	101
Borrowings	22,969	31,531	54,500	53,489
Financial guarantee contracts	1,500	-	1,500	18
	81,658	31,591	113,249	110,738

The carrying amounts of the Company's financial liabilities with a maturity of less than one year are approximate to the contractual undiscounted cash flow amounts.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Financial instruments (cont'd)

(h) Liquidity risk (cont'd)

SFRS(I) 7.39(b)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflow) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

Group

	S$'000
2018	
Net settled:	
Interest rate swaps	275
Gross settled:	
Foreign exchange forward contract	
Gross inflow	7,450
Gross outflow	(7,285)
	165
2017	
Net settled:	
Interest rate swaps	174
Gross settled:	
Foreign exchange forward contract	
Gross inflow	4,500
Gross outflow	(4,274)
	226
1 January 2017	
Net settled:	
Interest rate swaps	169
Gross settled:	
Foreign exchange forward contract	
Gross inflow	4,450
Gross outflow	(4,224)
	226

SFRS(I) 7.B11C

The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

SFRS(I) 7.B11(c)

The amounts for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

40. Share-based payments

SFRS(I) 2.44
SFRS(I) 2.45

The Group has established a share option scheme for executive and senior employees to purchase shares in the Company. The scheme was approved by members of the Company at a previous annual general meeting. Under the scheme, executives and senior employees with more than five years of service to the Group may be granted options to purchase ordinary shares at an exercise price of S$1 per ordinary share.

Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

The share options were granted during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				S$	S$
• Issued 31 March 2017	290,000	31/03/17	30/03/18	1.00	1.16
• Issued 30 September 2018	220,000	30/09/18	29/09/19	1.00	0.94

All options vested on their date of issue and expire within twelve months of their issue, or upon the resignation of the executive or senior employee, whichever is the earlier.

SFRS(I) 2.46
SFRS(I) 2.47(a)

The weighted average fair value of the share options granted during the financial year is S$0.94 (2017: S$1.16). Options were priced using a binomial option pricing model. The significant inputs into the model were as follows:

<u>Inputs into the model</u>

	Issued 31/3/16	Issued 30/9/17
Grant date share price	2.41	2.16
Exercise price	1.00	1.00
Expected volatility	15.30%	13.31%
Option life	1 year	1 year
Dividend yield	13.20%	13.40%
Risk-free interest rate	5.13%	5.45%

Expected volatility is based on the historical share price volatility over the past 5 years.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

40. Share-based payments (cont'd)

SFRS(I) 2.45(b)

The following reconciles the share options outstanding at the beginning and end of the year:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		S$		S$
Balance at beginning of year	290,000	1.00	-	-
Granted during the year	220,000	1.00	290,000	1.00
Exercised during the year	(314,000)	1.00	-	-
Balance at end of year	196,000	1.00	290,000	1.00

SFRS(I) 2.45(c)

The following share options were exercised during the year:

Options	Number exercised	Exercise date	Share price at exercise date
			S$
• Issued 31 March 2017	290,000	10/02/2018	2.50
• Issued 30 September 2018	24,000	19/12/2018	3.20
	314,000		

SFRS(I) 2.45(d)

The share options outstanding at the end of the year had a weighted average exercise price of S$1 (2017: S$1), and a weighted average remaining contractual life of 272 days (2017: 89 days).

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

41. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and other related parties at terms agreed between the parties.

	2018	2017
	S$'000	S$'000
(a) Sales and purchases of goods (SFRS(I) 1-24.18, SFRS(I) 1-24.21)		
Sales of goods to:		
- holding company	550	440
- related companies	1,350	1,020
- associates	344	151
Purchases of goods from:		
- holding company	330	288
- related companies	410	350
- associates	100	-
	3,084	2,249

	2018	2017
(b) Compensation of key management personnel (SFRS(I) 1-24.17)		
Short-term employee benefits	1,725	1,545
Share-based payment	141	293
Other short-term benefits	195	83
	2,061	1,921
Comprise amounts paid to:		
Directors of the Company	1,100	1,095
Other key management personnel	961	826
	2,061	1,921

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

42. Operating lease arrangements

The Group as lessee

Leasing arrangements

SFRS(I) 1-17.35(d)

The Group entered into lease of land and certain equipment. These leases have average tenure of between 3 to 20 years. There is no renewal option or contingent rental.

SFRS(I) 1-17.35(a)

Future minimum rental payable under non-cancellable operating leases as at the end of the reporting periods are as follows:

	2018	2017
	S$'000	S$'000
Not later than 1 year	1,560	1,670
Later than 1 year but not later than 5 years	2,800	3,568
Later than 5 years	3,500	4,800
	7,860	10,038

The Group as lessor

Leasing arrangements

SFRS(I) 1-17.56(c)

The Group leased out its investment properties under operating leases with lease terms of between 4 to 5 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

SFRS(I) 1-17.56(a)

Future minimum rental receivables under non-cancellable operating leases as at the end of the reporting period are as follows:

	Year Ended 2018	Year Ended 2017
	S$'000	S$'000
Not later than 1 year	17	17
Later than 1 year but not later than 5 years	51	68
	68	85

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

43. Fair value measurement

Fair value of financial instruments[1,3]

A. Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

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

SFRS(I) 13.76
- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

SFRS(I) 13.81
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived form prices); and

SFRS(I) 13.86
- Level 3 – Unobservable inputs for the asset or liability.

SFRS(I) 13.73

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.

SFRS(I) 13.93(a)
SFRS(I) 13.93(b)
SFRS(I) 13.93(d)

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Group			
	Fair value measurements at the end of the reporting period using			
2018	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets:				
Held for trading non-derivative financial assets	543	-	-	543
Financial assets at FVOCI:				
Quoted equity securities	4,204	-	-	4,204
Unquoted equity securities (a)	-	-	4,752	4,752
Total financial assets at FVOCI	4,204	-	4,752	8,956
Derivatives				
Forward currency forward contracts	-	240	-	240
Interest rate swaps	-	280	-	280
Total derivatives	-	520	-	520
Financial assets as at 31 December 2018	4,747	520	4,752	10,019
Financial liabilities:				
Derivatives				
Forward currency forward contracts	-	(75)	-	(75)
Interest rate swaps	-	(5)	-	(5)
Total derivatives	-	(80)	-	(80)
Contingent consideration (b)	-	-	(75)	(75)
Financial liabilities as at 31 December 2018	-	(80)	(75)	(155)

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

A. Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (cont'd)

	Group			
	Fair value measurements at the end of the reporting period using			
2017	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets:				
Held for trading non-derivative financial assets	1,250	-	-	1,250
Available-for-sale financial assets:				
Equity securities:				
Quoted equity securities	3,105	-	-	3,105
Unquoted equity securities (a)	-	-	4,752	4,752
Total available-for-sale financial assets	3,105	-	4,752	7,857
Derivatives				
Forward currency forward contracts	-	226	-	226
Interest rate swaps	-	174	-	174
Total derivatives	-	400	-	400
Financial assets as at 31 December 2017	4,355	400	4,752	9,507
Financial assets:				
Held for trading non-derivative financial assets	1,178	-	-	1,178
Available-for-sale financial assets:				
Equity securities:				
Quoted equity securities	3,026	-	-	3,026
Unquoted equity securities (a)	-	-	4,750	4,750
Total available-for-sale financial assets	3,026	-	4,750	7,776
Derivatives				
Forward currency forward contracts	-	226	-	226
Interest rate swaps	-	152	-	152
Total derivatives	-	378	-	378
Financial assets as at 1 January 2017	4,204	378	4,750	9,332

Level 1 fair value measurements

The fair value of available-for-sale securities traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2 fair value measurements

Derivatives
Forward currency contracts and interest rate swaps are valued using Discounted cash flow. The models incorporates various inputs including the foreign exchange spot and forward rates, interest rate curves and forward rate curves, and credit quality of the counterparties.

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

A. Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (cont'd)

Level 3[2,5] fair value measurements

SFRS(I) 13.93(d)
SFRS(I) 13.93(h)(i)

Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(a) Discounted cash flow (Note 1)	- Long-term revenue growth rates 4% (2017: 4.5%, 1 January 2017: 4.4%).	The higher the revenue growth rate, the higher the fair value.
	- Long-term pre-tax operating margin 5% (2017: 4%, 1 January 2017: 3.9%).	The higher the per-tax operating margin, the higher the fair value.
	- Weighted average cost of capital, determined using a Capital Asset Pricing Model 10.5% (2017: 10.8%, 1 January 2017: 10.7%).	The higher the weighted average cost of capital, the lower the fair value.
	- Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries 5% (2017 and 1 January 2017: 5%)	The higher the discount, the lower the fair value.
(b) Discounted cash flow (Note 2)	Discount rate of 18%	The higher the discount rate, the lower the fair value.
	Probability-adjusted revenue and profits, with a range from S$120,000 to S$180,000 and a range from S$58,000 to S$85,000 respectively.	The higher the amounts of revenue and profit, the higher the fair value.

SFRS(I) 13.93(h)(ii)

Note 1: If the above unobservable inputs to the valuation models were 5% (2017 and 1 January 2017: 5%) higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by S$300,000 (2017: decrease/increase by S$238,000, 1 January 2017: S$237,000).

Note 2: If the discount rate was 9% higher/lower while all other variables were held constant, the carrying amount of the contingent consideration payable would decrease/increase by S$7,000 (2017: S$ Nil). If the estimates of probability – adjusted revenues and profits were to be increased/decreased by 9%, the carrying amount of the contingent consideration payable would increase/decrease by S$7,000 (2017: S$ Nil).

SFRS(I) 13.93(c)

There were no transfers[4] between Level 1 and 2 in the period.

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

SFRS(I) 7.25
SFRS(I) 7.29(a)

Except as detailed in the following table (Fair value hierarchy), the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Group					
	2018		2017		1 January 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Finance lease receivables	820	815	707	699	729	725
Held-to-maturity investments	5,500	5,420	3,450	3,100	3,450	3,100
Financial liabilities						
Financial guarantee contracts	36	30	18	10	18	10
Financial liabilities held at amortised cost:						
Convertible bond	4,116	4,150	-	-	-	-
Fixed rate loans	562	610	633	629	633	628

SFRS(I) 13.97
SFRS(I) 13.93(b)

Fair value hierarchy

	Group			
	2018			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Finance lease receivables	-	815	-	815
Financial assets at amortised costs	-	-	5,420	5,420
Total	**-**	**815**	**5,420**	**6,235**
Financial liabilities				
Financial guarantee contracts	-	-	30	30
Financial liabilities held at amortised cost:				
- Convertible bond	-	-	4,150	4,150
- Fixed rate loans	-	-	610	610
Total	**-**	**-**	**4,790**	**4,790**

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

B. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (cont'd)

SFRS(I) 13.97
SFRS(I) 13.93(b)

Fair value hierarchy (cont'd)

	Group 2017			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Finance lease receivables	-	699	-	699
Held-to-maturity investment	-	-	3,100	3,100
Total	**-**	**699**	**3,100**	**3,799**
Financial liabilities				
Financial guarantee contracts	-	-	10	10
Financial liabilities held at amortised cost:				
- Fixed rate loans	-	-	629	629
Total	**-**	**-**	**639**	**639**

	1 January 2017			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Finance lease receivables	-	725	-	725
Held-to-maturity investments	-	-	3,450	3,450
Total	**-**	**725**	**3,450**	**4,175**
Financial liabilities				
Financial guarantee contracts	-	-	10	10
Financial liabilities held at amortised cost:				
- Convertible bond	-	-	-	-
- Fixed rate loans	-	-	628	628
Total	**-**	**-**	**638**	**638**

SFRS(I) 13.97
SFRS(I) 13.93(d)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3[6] categories above have been determined by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at reporting date.

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

SFRS(I) 13.93(e)
SFRS(I) 7.27B(c)

C. Reconciliation of Level 3 fair value measurements[5]

Movements in the financial assets during the financial year are as follows:

31 December 2018

		Financial assets at FVOCI
	Group	
		S$'000
	Opening balance	4,752
SFRS(I) 13.93(e)(ii)	Total gains or losses in other comprehensive income recognised in fair value adjustments	-
	Closing balance	4,752

31 December 2017
Group

		Available-for-sale financial assets
		S$'000
	Opening balance	4,750
SFRS(I) 13.93(e)(ii)	Total gains or losses in other comprehensive income	2
	Closing balance	4,752

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

SFRS(I) 13.93(g)

D. Valuation policies and procedures[7]

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Group Audit Committee.

Guidance Notes

Fair value of financial assets and liabilities

SFRS(I) 7.6
SFRS(I) 7.25
SFRS(I) 7.29

1) SFRS(I) 7.25 requires the fair value of each class of financial assets and liabilities to be disclosed in a way that permits it to be compared with its carrying amount. However, disclosures of fair value are not required:

   - When the carrying amount is a reasonable approximation of fair value (i.e. short-term trade and other receivables and payables, and long-term loans that are re-priced to market rate);
   - For a contract containing a discretionary participation feature (as described in SFRS(I) 4) if the fair value of that feature cannot be measured reliably.

SFRS(I) 13.93(h)(ii)

2) For financial assets and financial liabilities whose recurring fair value measurements are categorised within Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value determined **significantly**, an entity should state that fact and disclose the effect of those changes. The entity should also disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair values are recognised in other comprehensive income, total equity.

SFRS(I) 13.94

3) An entity shall determine appropriate classes of assets and liabilities on the basis of the following:

   a. The nature, characteristics and risks of asset or liability; and

   b. The level of the fair value hierarchy within which the fair value measurement is categorised.

   The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statements of financial position. If another SFRS(I) specifies the class for an asset or a liability, an entity may use that class in providing the disclosures required in SFRS(I) 13 if that class meets the requirements in this paragraph.

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

Guidance Notes

Fair value of financial assets and liabilities (cont'd)

SFRS(I) 13.93(c)

4) Transfers between Level 1 and Level 2

SFRS(I) 13 requires disclosures of the amount of any transfers between Level 1 and Level 2 of the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

In this illustration, there were no assets or liabilities transferred between Level 1 and Level 2.

Illustrative disclosure if an entity has transfers of assets or liabilities between Level 1 and Level 2.

"The following table shows transfers from Level 1 to Level 2 of the fair value hierarchy for assets and liabilities which are recorded at fair value.

	Group
	2018
	S$'000
Financial assets held-for-trading	
- *Equity securities*	*XXX*

The above financial assets were transferred from Level 1 to Level 2 as they were delisted from the stock exchange and therefore ceased to be actively traded during the year and fair values were consequently measured using valuation techniques and using observable market inputs."

SFRS(I) 13.93(e)(iv)

5) Transfers into or out of Level 3

SFRS(I) 13 requires disclosures of the amount of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfer between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from the transfers out of Level 3.

In this illustration, there were no assets or liabilities transferred from Level 1 and Level 2 to Level 3 during the financial period ended 31 December 2018.

Illustrative disclosure if there were transfers of assets and liabilities into Level 3.

During the financial year ended 31 December 2018, the Group transferred certain financial instruments from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the total financial assets transferred was S$ XXX. The reason for the transfers from Level 2 to Level 3 is that inputs to the valuation models for the other debt securities ceased to be observable. Prior to transfer, the fair value of the instruments was determined using observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant non market-observable inputs.

Illustrative disclosure if there were transfers of assets and liabilities out Level 3.

"The Group also transferred an unquoted equity security from Level 3 to Level 1 of the fair value hierarchy. The carrying amount of the total financial assets transferred was S$ XXX.

The security was transferred from Level 3 into Level 1 as it was listed on stock exchange during the financial year. Prior to the transfer, the fair value of the security was determined using valuation model incorporating significant non market-observable inputs. Since the transfer, the fair value of the security is determined based on market price quoted in the stock exchange."

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

43. Fair value measurement (cont'd)

Fair value of financial instruments[1,3] (cont'd)

Guidance Notes

Fair value of financial assets and liabilities (cont'd)

SFRS(I) 13.93(d)

6) In this illustration, there has been no change in valuation technique for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it.

SFRS(I) 13.93(g)

7) For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of valuation processes used by the entity including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period.

SFRS(I) 13.IE65

An entity might disclose the following:

(a) for the group within the entity that decides the entity's valuation policies and procedures:

i. its description;

ii. to whom that group reports; and

iii. the internal reporting procedures in place (e.g. whether and, if so, how pricing, risk management or audit committees discuss and assess the fair value measurements;

(b) the frequency and methods for calibration, back testing and other testing procedures of pricing models;

(c) the process for analysing changes in fair value measurements from period to period;

(d) how the entity determined the third-party information, such as broker quotes or pricing services, used in the fair value measurement was developed in accordance with SFRS(I) 13; and

(e) the methods used to develop and substantiate the unobservable inputs used in a fair value measurement.

Financial instruments whose fair value cannot be reliably measured

SFRS(I) 7.30(d)

8) SFRS(I) 7 requires the disclosure of fair value information for financial instruments whose fair value cannot be reliably measured to include disclosure of whether and how the entity intends to dispose of such financial instruments.

SFRS(I) 7.30(e)

If financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amounts at the time of derecognition, and the amount of gain or loss recognised shall be disclosed.

SFRS(I) 1-1.112
SFRS(I) 1-1.113
SFRS(I) 1-1.10(e)
SFRS(I) 1-1.51(b)(c)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Capital commitment

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

		2018 S$'000	2017 S$'000
SFRS(I) 1-16.74(c)	Commitments in respect of property, plant and equipment	1,888	2,989

45. Contingent liabilities

Legal claim

SFRS(I) 1-37

On 30 November 2018, a customer has commenced an action against the Group in respect of construction works claimed to be sub-standard. The estimated payout is S$250,000 should the action be successful. A trial date has not yet been set and therefore it is not practicable to state the timing of any payment. The Group has been advised by its legal counsel that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in these financial statements.

46. Events occurring after the reporting period

SFRS(I) 1-10.21
SFRS(I) 1-10.22(a)
SFRS(I) 3 App B66

On 15 March 2019[1], the Group acquired 100% of Wonderful Ltd, a company incorporated in Hong Kong which is engaged in electronics manufacturing, for a cash consideration of S$2,500,000. The fair value of the identifiable net assets of Wonderful Ltd at the date of acquisition has been provisionally determined to be S$2,250,000. Acquisition-related costs of S$100,000 have been incurred and will be included in administrative expenses in the statement of comprehensive income for the year ending 31 December 2019. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of Wonderful Ltd and the effect of the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time that these financial statements have been authorised for issue. Wonderful Ltd will be consolidated with effect from 15 March 2019.

Guidance Notes

Business Combinations occurring after reporting date but before the financial statements are authorised for issue

1) SFRS(I) 3 (revised) requires an acquirer to disclose the same information for business combinations occurring after reporting date but before the financial statements are authorised for issue as what is disclosed for business combinations occurring during the reporting period. The only exception is if the accounting for such business combination is incomplete at the time the financial statements are authorised for issue, in which case the acquirer shall describe which disclosures could not be made and the reasons why.

47. Approval of financial statements

SFRS(I) 1-10.17

The financial statements were approved by the board of directors and authorised for issue on 15 March 2019.

Appendix I – Presentation of profit or loss and other comprehensive Income – Two statements

For the year ended 31 December 2018

This illustrative report illustrates the presentation of profit or loss and other comprehensive income in **two statements** and the classification of expenses within profit or loss by function.

	Consolidated Income Statement **For the year ended 31 December 2018**	Notes	2018 S$'000	2017 S$'000
SFRS(I) 1-1.51(d)(e)				
	Continuing operations			
SFRS(I) 1-1.82(a)	Revenue	[·]	xxx	xxx
SFRS(I) 1-1.99	Cost of sales		(xxx)	(xxx)
SFRS(I) 1-1.85	Gross profit		xxx	xxx
SFRS(I) 1-1.85	Other income	[·]	xxx	xxx
SFRS(I) 1-1.99	Distribution expenses		(xxx)	(xxx)
SFRS(I) 1-1.99	Administration expenses		(xxx)	(xxx)
SFRS(I) 1-1.82(b)	Finance costs	[·]	(xxx)	(xxx)
SFRS(I) 1-1.99	Other operating expenses		(xxx)	(xxx)
SFRS(I) 1-1.82(c)	Share of profits of associates	[·]	xxx	xxx
SFRS(I) 1-1.85	Profit before tax		xxx	xxx
SFRS(I) 1-1.82(d)	Income tax expense	[·]	(xxx)	(xxx)
SFRS(I) 1-1.85	Profit for the year from continuing operations	[·]	xxx	xxx
	Discontinued operations			
SFRS(I) 1-1.82(ea)	Profit for the year from discontinued operations	[·]	**xxx**	**xxx**
SFRS(I) 1-1.81A(a)	**TOTAL PROFIT FOR THE YEAR**		**xxx**	**xxx**
	Profit for the year attributable to:			
SFRS(I) 1-1.81B(b)(ii)	Owners of the Company		xxx	xxx
SFRS(I) 1-1.81B(b)(i)	Non-controlling interests		xxx	xxx
			xxx	**xxx**
	Earnings per share			
	From continuing and discontinued operations			
SFRS(I) 1-33.66	Basic (cents per share)		x.x	x.x
SFRS(I) 1-33.66	Diluted (cents per share)		x.x	x.x
	From continuing operations			
SFRS(I) 1-33.66	Basic (cents per share)		x.x	x.x
SFRS(I) 1-33.66	Diluted (cents per share)		x.x	x.x

Appendix I – Presentation of profit or loss and other comprehensive Income – Two statements

For the year ended 31 December 2018

This illustrative report illustrates the presentation of profit or loss and other comprehensive income in **two statements** and the classification of expenses within profit or loss by function.

	Consolidated statement of comprehensive income **For the year ended 31 December 2018**	Notes	2018	2017
SFRS(I) 1-1.51(d)(e)			S$'000	S$'000
SFRS(I) 1-1.81A(a)	**PROFIT FOR THE YEAR**		**xxx**	**xxx**
SFRS(I) 1-1.81A(b)	**Other comprehensive income, net of income tax**			
SFRS(I) 1-1.82A	**Items that will not be reclassified subsequently to profit or loss:**			
	Gains on revaluation of property, plant and equipment	[·]	xxx	xxx
	Remeasurement of defined benefit obligation	[·]	xxx	xxx
SFRS(I) 7.20(a)(ii)	Net gain on fair value changes of equity instruments at FVOCI	[·]	xxx	-
			xxx	xxx
SFRS(I) 1-1.82A	**Items that will be reclassified subsequently to profit or loss:**			
	Exchange differences on translating foreign operations	[·]	(xxx)	xxx
	Net gain on fair value changes of available-for-sale financial assets		-	xxx
SFRS(I) 7.20(a)(viii)	Debt investments at FVOCI	[·]		
	- Fair value gain on effective hedges		xxx	xxx
	- Reclassification		(xxx)	(xxx)
SFRS(I) 7.20(a)(ii)	Cash flow hedges	[·]		
	- Fair value gain on effective hedges		xxx	xxx
	- Reclassification		(xxx)	(xxx)
	Exchange differences on translating foreign operations	[·]		
	- Gains on translation of foreign operations		xxx	xxx
	- Reclassification		xxx	xxx
SFRS(I) 1-1.81A(b)	Other comprehensive income for the year, net of tax		xxx	xxx
SFRS(I) 1-1.81A(c)	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		**xxx**	**xxx**
	Profit for the year attributable to:			
SFRS(I) 1-1.81B(a)(ii)	Owners of the Company		xxx	xxx
SFRS(I) 1-1.81B(a)(i)	Non-controlling interests		xxx	xxx
			xxx	**xxx**

Appendix II – Effect of adopting new or amended SFRS(I)

Illustrative Disclosure:

The effect of adopting FRS xx on the Group's financial position, profit or loss and cash flows is summarised below. The changes in accounting policies had an immaterial impact on earnings per share for the current and comparative periods.

Consolidated Statement of financial position	*As previously reported*	*Effect of adopting of SFRS(I) xx*	*As restated*	*As previously reported*	*Effect of adopting of SFRS(I) xx*	*As restated*
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	Year ended 1 January 2017			**Year end 31 December 2017**		
Non-current assets						
Property, plant and equipment	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Investment property	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Goodwill	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Other intangible assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Investments in subsidiaries	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Investment in associates	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Investment in joint venture	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Finance lease receivables	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Other financial assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total non-current assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Current assets						
Inventories	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Trade and other receivables	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Finance lease receivables	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Other financial assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Current tax assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Derivatives	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Cash and bank balances	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total current assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total assets	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Current liabilities						
Trade and other payables	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Borrowings	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Other financial liabilities	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Derivatives	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Current tax liabilities	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total current liabilities	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Capital and reserves						
Issued capital	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Reserves	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Retained earnings	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Non-controlling interests	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]
Total equity	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]	[xxx]

Appendix II – Effect of adopting new or amended SFRS(I)

<u>Illustrative Disclosure:</u> (cont'd)

Consolidated statement of comprehensive income	*As previously reported*	*Effect of adopting of SFRS(I) xx*	*As restated*
	S$'000	S$'000	S$'000
Year ended 31 December 2017			
Revenue	[xxx]	[xxx]	[xxx]
Cost of sales	[xxx]	[xxx]	[xxx]
Other income	[xxx]	[xxx]	[xxx]
Administrative expenses	[xxx]	[xxx]	[xxx]
Other operating expenses	[xxx]	[xxx]	[xxx]
Finance costs	[xxx]	[xxx]	[xxx]
Share of results of associates	[xxx]	[xxx]	[xxx]
Tax expense	[xxx]	[xxx]	[xxx]
Profit for the year	[xxx]	[xxx]	[xxx]
Non-controlling interests	[xxx]	[xxx]	[xxx]
Profit attributable to owners of the company	[xxx]	[xxx]	[xxx]

Consolidated statement of cash flows	*As previously reported*	*Effect of adopting of SFRS(I) xx*	*As restated*
	S$'000	S$'000	S$'000
Year ended 31 December 2017			
Net cash generated from/used in operating activities	[xxx]	[xxx]	[xxx]
Net cash generated from/used in investing activities	[xxx]	[xxx]	[xxx]
Net cash generated from/used in financing activities	[xxx]	[xxx]	[xxx]

Appendix III – Other Disclosures to Notes to the Financial Statements

The following Other disclosures to Notes to the financial statements do not form part of the illustrative financial statements:

a) Development Properties

List of development properties

SGX 1207.11

1) Where the aggregate value for all properties for development, sale or for investment purposes held by the entity represent more than XX% of the value of the consolidated net tangible assets, or contribute more than XX% of the consolidated pre-tax operating profit, entities listed on the SGX-ST are required to disclose further information regarding development properties.

Illustrative disclosure pursuant to requirements of SGX 1207.11:

"Description and location	*% owned*	*Site area (sqm)*	*Gross floor area (sqm)*	*Stage of completion as at date of annual report (expected year of completion)*
A 30-storey integrated developments with residential apartments, offices and retail components along Farrer Road, Singapore	*XX%*	*XX*	*XX*	*XX% (XX year)*
A 15-storey luxurious condominium (High Edge Tower) along Orchard Road, Singapore	*XX%*	*XX*	*XX*	*XX% (XX year)*
A 10-storey luxurious condominium (Royal Palace) development along Cheng Road, Beijing, People's Republic of China	*XX%*	*XX*	*XX*	*XX% (XX year)"*

Appendix III – Other Disclosures to Notes to the Financial Statements

The following Other disclosures to Notes to the financial statements do not form part of the illustrative financial statements:

b) *Service concession arrangements*

"The Group entered into a service concession arrangement with the People's Republic of China ("PRC") government to construct a road, complete construction within two years and operate the road and maintain it to a specified standard for eight years. The terms of the arrangement also require the Group to resurface the road when the original surface has deteriorated below a specified condition. The Group estimates that it will have to undertake the resurfacing at the end of year 8.

SFRS(I) INT 1-29.6

The terms of the arrangement allows the Group to collect tolls from drivers using the road. The toll fees are determined by the PRC government annually based on the projected volume of traffic. In addition, the PRC government guarantees the Group minimum amount of S$ XXX and interest at a specified rate of X% to reflect the timing of cash receipts. The Group forecasts that vehicle numbers will remain constant over the duration of the contract and that it will receive tolls of S$ XXX in each of the years during which it operates the tolls.

SFRS(I) INT 1-29.6A

The amount of revenue and profits recognised during the financial year for the construction services provided under the arrangement amounts to S$ XXX (201x: S$ XXX) and S$ XXX (201x: S$ XXX) respectively."

SFRS(I) INT 1-29.6
SFRS(I) INT 1-29.7

All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the Notes to the financial statements. The operator and grantor shall disclose the following in each period individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature.

(a) A description of the arrangement;

(b) Significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (i.e. the period of concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined);

(c) The nature and extent (i.e. quantity, time period or amount as appropriate) of:

- (i) Rights to use specified assets;
- (ii) Obligations to provide or rights to expect provision of services;
- (iii) Obligations to acquire or build items of property, plant and equipment;
- (iv) Obligations to deliver or rights to receive specified assets at the end of the concession period;
- (v) Renewal and termination options; and
- (vi) Other rights and obligations (i.e. major overhauls);

(d) Changes in the arrangement occurring during the period; and

(e) How the service arrangement has been classified.

Appendix III – Other Disclosures to Notes to the Financial Statements

The following Other disclosures to Notes to the financial statements do not form part of the illustrative financial statements:

c) *Biological assets*

The following disclosure illustrates when an entity carries out agricultural activities such as sale of livestock.

SFRS(I) 1-41.43

Entities are encouraged, but not required, to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets. The basis for making such distinctions should be disclosed in that case.

"**Note X Biological assets**

Reconciliation of carrying value

SFRS(I) 1-41.50 - 51
SFRS(I) 13.93(e)

	Group	
	2018 *$'000*	*2017* *$'000*
At 1 January	*xx*	*xx*
Purchases	*xx*	*xx*
Sales	*(xx)*	*(xx)*
Net increase/(decrease) due to births/deaths	*xx*	*(xx)*
Gain/(loss) arising from changes in fair value less costs to sell	*(xx)*	*(xx)*
Effect of movements in exchange rates	*xx*	*xx*
At 31 December	*xx*	*xx*
Non-current	*xx*	*xx*
Current	*xx*	*xx*
	xx	*xx*

At 31 December 2018, livestock comprised xx cattle (2017: xx cattle). During the year, the Group sold xx cattle (2017: xx cattle).

SFRS(I) 1-41.41, 43, 46(b)(i)-(ii)

(i) Fair value hierarchy

The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data.

(ii) Valuation techniques

SFRS(I) 13.93(d), SFRS(I) 13.99

The Group's valuation techniques used in measuring Level 2 fair values are presented below.

Livestock

Livestock comprises cattle, characterised as commercial or breeders.

Market comparison technique: The fair values are based on the market price of livestock of similar age, weight, breed and genetic make-up."

Appendix III – Other Disclosures to Notes to the Financial Statements

The following Other disclosures to Notes to the financial statements do not form part of the illustrative financial statements:

d) Distributions of non-cash assets to owners

The following disclosure illustrates when an entity applies SFRS(I) INT 17 *Distributions of Non-cash Assets to Owners* in accounting for distributions of non-cash assets to owners of the Company.

"***Accounting policy***

Note X Share capital

"……………………

Distribution of non-cash assets to owners of the company

SFRS(I) INT 17.11, 13

SFRS(I) INT 17.14

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. At the end of each reporting date and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised directly in equity as adjustments to the amount of the distribution. On settlement of the dividend payable, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in the profit or loss."

"Note X Non-current assets and non-current liabilities distributed to owners

SFRS(I) INT 17.16(a)

On xx, the Company's shareholders approved the distribution of all the shares in MS Pte Ltd, one of the Group's wholly-owned subsidiaries, to the Company's shareholders. The operation of MS Pte Ltd comprise the Group's electronics activities. The Group and the Company recognised a dividend payable of $xxx, being the fair value of the net assets to be distributed. On xxx, the shares were distributed. As at 31 December 20x1, the disposal group (MS Pte Ltd) comprised assets of $xxx and liabilities of $xxx.

	Group and the Company
	20x6
	$'000
Assets classified as held for distribution to owners	
Property, plant and equipment	*xx*
Intangible assets	*xx*
Trade and other receivables	*xx*
Inventories	*xx*
	xx
Liabilities classified as held for distribution to owners	
Trade and other payables	*(xx)*
Loans and borrowings	*(xx)*
	(xx)

SFRS(I) INT 17.16(b)

There was no change in the fair value of the assets to be distributed between the date the distribution was approved and the date that the dividend was settled."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position of the entity.

(a) Judgements made in applying accounting policies

Sale and installation of energy-saving system equipment

"The sale of hardware equipment and rendering of installation service are sold in bundled packages where discounts are provided to customers. The Group determined that both the equipment and installation are capable of being distinct because:

- *The Group regularly sells both equipment and installation on a stand-alone basis which indicates that the customer can benefit from both products on their own.*
- *The promises to transfer the equipment and to provide installation are distinct within the context of the contract. The equipment and installation are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the equipment and installation together in this contract do not result in any additional or combined functionality and neither the equipment nor the installation modify or customise the other.*
- *In addition, the equipment and installation are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation and would be able to provide installation in relation to products sold by other distributors.*

Accordingly, the Group allocates the transaction price to the sale of the equipment and installation service based on their relative stand-alone selling prices.

For discount provided to customers for the sale of the bundled packages, the Group allocates the discount proportionately to each performance obligation when allocating the transaction price. The revenue for the installation of the energy-saving equipment is recognised over time, based on the actual labour hours spent relative to the total expected labour hours. The Group has determined that such an input method provides a faithful depiction of the Group's performance in transferring control of the installation service to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred. "

Significant financing component in a contract with customer

"The Group enters into contracts with its customers to manufacture specialised energy-saving equipment which has lead time of two years. Under this contract, the Group offers two alternative payment options for the customer, i.e., payment of the transaction price equal to the cash selling price upon delivery of the equipment or payment of a lower transaction price when the contract is signed. The Group assessed that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of equipment to the customer, as well as the prevailing interest rates in the market. The Group determined that the interest to be applied to the amount of consideration (i.e., the interest rate that discounts the cash selling price of the equipment to the amount paid in advance) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(a) Judgements made in applying accounting policies (cont'd)

Determination of functional currency

"The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices."

Operating lease commitments – as lessor

"The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts the contracts as operating leases. The carrying value of the operating leases as of 31 December 201x amounted to S$ XXX (201x: S$ XXX). Further details are given in Note X to the financial statements."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Judgements made in applying accounting policies (cont'd)

Disposal Group Held for Sale

"On 1 October 201x, the Board of Directors announced its decision to dispose of the rubber segment consisting of MS Co. Ltd. and, therefore classified it as disposal group for sale. The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- *MS Co. Ltd. is available for immediate sale and can be sold to a potential buyer in its current condition.*
- *The Board had a plan to sell MS Co. Ltd. and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified.*
- *The Board expects negotiations to be finalised and the sale to be completed within 12 months.*

The carrying value of the disposal group held for sale as of 31 December 201x amounted to S$ XXX (201x: S$ XXX). Further details are given in Note X to the financial statements."

Deferred taxation on investment properties

"For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under the business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal."

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

"The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(c) Key sources of estimation uncertainty

MS Loyalty programme – stand-alone selling price

"The Group estimates the stand-alone selling price of the loyalty points issued by multiplying the estimated redemption rate and the monetary value assigned to each MS loyalty point. The Group applies statistical projection methods to estimate the redemption rate based on historical redemption patterns. The redemption rate is revised regularly and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for the loyalty points and customers' preferences.

Under the MS loyalty programme, the loyalty points have no expiry date. Hence, the assessment of the stand-alone selling price is a significant estimate due to its significant uncertainty. As at 31 December 2018, the estimated liability for the unredeemed loyalty points was S$ XXX (2017: S$ XXX). If the estimated redemption rate used had been higher/lower by X% than management's estimate, the carrying amount of the estimated liability at 31 December 2018 would have been higher/lower by S$ XXX (2017: S$ XXX)."

Deferred tax assets

"Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has tax loss carry forwards amounting to S$ XXX (201x: S$ XXX). These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary has no temporary taxable differences which could partly support the recognition of deferred tax assets. Also, there is no tax planning opportunity available that would further provide a basis for recognition. If the Group was able to recognise all unrecognised deferred tax assets profit would increase by S$ XXX.

If deferred tax assets increased/decreased by X% from management's estimates, the Group's profit would increase/decrease by S$ XXX and S$ XXX respectively."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Uncertain tax positions

"The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with one tax authority at the reporting date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions is S$ XXX."

Revaluation of investment property under construction ("IPUC")

"IPUC is measured at fair value if it can be reliably determined. If fair value cannot be reliably determined, then IPUC is recorded at cost. The fair value of IPUC is determined using either the Discounted Cash Flow Method or the Residual method. However, using either method to value IPUC also requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

Key judgements and assumptions used for valuing IPUC are set out in Note X to the financial statements. The carrying amount of the investment property under construction at the end of the reporting period is disclosed in Note X to the financial statements. If fair value increase/decrease by X% from management's estimates, the Group's profit will decrease/increase by S$ XXX and S$ XXX respectively."

Fair Value of Biological Assets

"Biological assets are measured on initial recognition and at each reporting date at their fair value less cost of disposal. The fair value calculation is based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the biological assets. Estimated cost of disposal include harvest costs, transportation cost and other related costs, measured at their appropriate market prices to be used as reference point in the relevant locations.

The Group has recognised a fair value gain (loss) of S$ XXX (201x: S$ XXX) arising from changes in fair value less estimated costs to sell of its biological assets during the financial year. A X% difference in the fair value of these assets from management's estimates would result in approximately X% (201x: X%) variance in the Group's profit before tax."

Provision for decommissioning

"As part of the purchase price allocation for the acquisition of xx Limited in 201x, the Group has recognised a provision for decommissioning obligations associated with a factory owned by xx Limited. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove all plant from the site and the expected timing of those costs.

The carrying amount of the provision as at 31 December 201x is S$ XXX (201x: S$ XXX).
If the estimated pre-tax discount rate used in the calculation had been X% higher than management's estimate, the carrying amount of the provision would have been S$ XXX lower."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Provision for Litigation

"The Group has recognised provision for litigation which will be settled after twelve months from the financial year of the Group as disclosed in Note X to the financial statements. In determining the amount of provision, assumptions and estimates are made in relation to discount rates, estimated cost to settle the litigation and expected timing of settlement. The Group has recognised provision of S$ XXX (201x: S$ XXX) for litigation during the financial year.

If the provision increases/decreases by X% from management's estimates, the Group's profit will decrease/increase by S$ XXX and S$ XXX respectively."

Provision for Warranty

"The Group provides five-year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Management estimates that related provision for future warranty claims based on historical warranty claim information, as well as the recent trends that suggest the past cost information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs. As at 31 December 201x, the carrying amount of the warranties was S$ XXX (201x: S$ XXX) as disclosed in Note xx Provisions.

If the provision increases/decreases by X% from management's estimates, the Group's provision for warranties would be an estimated S$XXX (201x: S$ XXX) higher or lower and profit will decrease/increase by S$ XXX (201x: S$ XXX) respectively."

Provision for Onerous Contracts

"The Group has entered into a non-cancellable operating lease contract which has become onerous. Management estimates that the provision on the onerous lease contract is based on the present value of the future lease payments that the Group is presently obliged to make." As at 31 December 201x, the carrying amount of onerous contract was S$ XXX (201x: S$ XXX) as disclosed in Note xx Provisions. If the provision increases/decreases by X% from management's estimates, the Group's profit will decrease/increase by S$ XXX and S$ XXX respectively.

Provision for waste electrical and electronic equipment ("PWEEE")

"The Group recognises a provision for liabilities associated with the participation in the market for PWEEE in accordance with the accounting policy stated in Note X to the financial statements. The Group has made assumptions in relation to historical waste, regarding the level of market participation, the quantity of products disposed of and the expected cost of disposal. In relation to future waste, the Group has made assumptions about the age profile of products in the market and the cost of disposal.

At 31 December 201x, the carrying amount of the provision PWEEE is S$ XXX (201x: S$ XXX).

If the provision increases/decreases by X% from management's estimates, the Group's profit will decrease/increase by S$ XXX and S$ XXX respectively."

Appendix IV – Illustrative critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Estimating variable consideration for returns

"The Group estimates variable considerations to be included in the transaction price for the sale of electronics and appliance equipment and sale of health and beauty goods with rights of return. The Group applied a statistical model for forecasting sales returns. The statistical model is based on the historical return data of each product to estimate the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. The Group expected that any significant changes in experience as compared to historical return pattern will impact the estimated return percentages. The assessment of expected returns is a significant estimate which is sensitive to changes in circumstances and historical experience regarding the expected returns. The Group revises its assessment of expected returns regularly and the refund liabilities are adjusted accordingly. As at 31 December 2018, the refund liabilities for the expected returns are disclosed in Note xx. If the estimated return had been higher/lower by X% than management's estimate, the carrying amount of the estimated liability at 31 December 2018 would have been higher/lower by S$ XXX (2017: S$ XXX)."

Appendix V – Illustrative disclosures of new and revised SFRS(I)s

The following illustrative disclosures summarise the key amendments to the revised financial reporting standards issued by the Accounting Standards Council (ASC) as at 30 September 2018.

Revised Singapore Financial Reporting Standards (International) effective for annual periods beginning on or after 1 January 2018

Amendments to SFRS(I) 2 Classification and Measurement of Share-based Payment Transactions
The amendments clarify that the measurement of cash-settled share-based payment transactions that include vesting or non-vesting conditions should follow the same measurement principles used for measuring equity-settled share-based payments. Where a share-based payment is net-settled by withholding a specified portion of the shares to meet a statutory withholding obligation, the transaction should be accounted for as equity-settled in its entirety if it would have been classified as equity-settled if it had not included the net settlement feature.

The amendments also address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. As the modification date, the liability for the original cash-settled share-based payment would be derecognised, and the equity-settled share-based payment would be measured at its fair value as at the modification date and recognised to the extent that the services have been rendered up to that date; and the difference between the carrying amount of the liability as at the modification date, and the amount recognised in equity as at that date, would be recognised in profit or loss immediately.

Amendments to SFRS(I) 1-40 Investment Property
The amendment clarifies that transfers to and from investment properties are made only when there is evidence of a change in use, and cannot be solely based on intention. The amendment re-characterises the list of evidence in paragraphs 57(a) – (d) as a non-exhaustive list of examples, thereby permitting transfers on other circumstances. The amendment is prospectively applicable for annual periods beginning on or after 1 January 2018. Retrospective application is also allowed if possible without hindsight.

SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
The interpretation prescribed the exchange rate that should be applied to the recognition of an asset, expense or income transacted in a foreign currency, in situations when a related non-monetary asset or liability arising from the payment or receipt of advance consideration was recognised prior to the recognition of the asset, expense or income. With limited exceptions, the Interpretation requires such exchange rates be based on the date of initial recognition of the related non-monetary asset or liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Interpretation is applicable, either retrospectively or prospectively, for annual periods beginning on or after 1 January 2018.

Amendments to SFRS(I) 4 Insurance Contracts
The amended SFRS(I) 4 will (a) provide entities that implement SFRS(I) 9 with the option to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from the accounting mismatches and temporary volatility that could occur when SFRS(I) 9 is applied; and (b) provide entities with an optional temporary exemption from applying SFRS(I) 9 until 2021 if their activities are predominantly connected with insurance.

Improvements to SFRS(I)s (December 2016)
SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards
The amendment removes certain short-term exemptions relating to financial instruments, employee benefits and investment entities that are only relevant for past reporting periods. The amendment is applicable for annual periods beginning on or after 1 January 2018.

SFRS(I) 1-28 Investments in Associates and Joint Ventures
The amendment clarifies that the following elections should be made separately for each investment in associate or joint venture:
- *(a) Election by venture capital organisations, mutual funds, unit trusts and similar entities, to measure investments in associates and joint ventures at fair value through profit or loss at initial recognition; and*
- *(b) Election by investors that are not investment entities, when applying the equity method, to retain the fair value measurements applied by their investment entity associates and joint ventures to the subsidiaries of those associates and joint ventures.*

The amendment is retrospectively applicable for annual periods beginning on or after 1 January 2018.

Appendix V – Illustrative disclosures of new and revised SFRS(I)s

The following illustrative disclosures summarise the key amendments to the revised financial reporting standards issued by the Accounting Standards Council (ASC) as at 30 September 2018.

Revised Singapore Financial Reporting Standards (International) not yet effective

SFRS(I) INT 23 Uncertainty over Income Tax Treatments
The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a group. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. SFRS(I) INT 23 provides the following guidance on determining an entity's accounting tax positions:

- *If it is probable that taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filings.*
- *If it is not probable, an entity should estimate the effect of uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.*

The interpretation is effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation and modifications of financial liabilities
The amendments provide an exception for entities to measure particular financial assets with prepayment features that could result in negative compensation (i.e. prepayment amount that is substantially less than unpaid amounts of principal and interest) at amortised cost or fair value through other comprehensive income, subject to an assessment of the business model. Such financial assets with prepayment features pass the solely payments of principal and interest criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. It clarifies that an entity should recognise a gain or loss in profit or loss immediately at the date of such modification or exchange. The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
The amendments clarify that SFRS(I) 9 Financial Instruments, including its impairment requirements, applies to long-term interests in an associate or joint venture to which the equity method is not applied but, in substance, form part of the net investment in an associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Amendments to SFRS(I) 1-19 Employee Benefits – Plan amendment, curtailment or settlement
These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability/asset. The amendments also clarified that an entity disregards the effect of the asset ceiling when calculating past service cost, or a gain or loss on settlement. The impact on the asset ceiling is recognised in other comprehensive income, and is not reclassified to profit or loss. This amendments are applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early application is permitted.

Appendix V – Illustrative disclosures of new and revised SFRS(I)s

The following illustrative disclosures summarise the key amendments to the revised financial reporting standards issued by the Accounting Standards Council (ASC) as at 30 September 2018.

Revised Singapore Financial Reporting Standards (International) not yet effective

Annual Improvements to SFRS(I)S 2015-2017 Cycle
SFRS(I) 3 Business Combinations
This amendment prescribes the accounting requirements when an entity obtains control of a business that met the definition of a joint operation immediately before the date at which control is obtained. In such a situation, the entity should apply the accounting requirements applicable to business combinations achieved in stages, which includes remeasuring in accordance with SFRS(I) 3 the entire interest in the joint operation that was held prior to the date at which control is obtained. This amendment is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

SFRS(I) 11 Joint Arrangements
This amendment prescribes that previously-held interests are not remeasured when an entity obtains joint control over a business that it previously participated in but did not have joint control.
This amendment is applicable to transactions in which joint control is obtained on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

SFRS(I) 1-12 Income Taxes
This amendment requires an entity to recognise the income tax consequences of dividends paid (as defined SFRS(I) 9) in profit or loss, other comprehensive income, or equity, according to where the entity originally recognised those past transactions or events. The tax consequences should be recognised when the liability to pay the dividend is recognised.

This amendment is effective for annual periods beginning on or after 1 January 2019, and is applicable to dividends recognised on or after the beginning of the earliest comparative period presented in the first year of application. Earlier application is permitted.

SFRS(I) 1-23 Borrowing Costs
This amendment clarifies that after a qualifying asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that qualifying asset should be included within the pool of general borrowings used to calculate capitalised borrowing costs.

This amendment is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in SFRS(I) 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Appendix VI – Differences between Singapore Financial Reporting Standards ("SFRSs") and Singapore Financial Reporting Standards(International) ("SFRS(I)s")

As at 30 September 2018

FINANCIAL REPORTING STANDARDS ("SFRSs")			
SFRSs	**DESCRIPTION**	**SFRS(I)s**	**DESCRIPTION**
SFRS 16 *Property, Plant and Equipment*	FRS 16 has a transitional provision which exempts an entity, which had: - revalued its property, plant and equipment before 1 January 1984; or - performed any one-off revaluation on its property, plant and equipment between 1 January 1984 and 31 December 1996 (both dates inclusive), from complying with the requirement to keep the revaluation current by periodic valuation.	SFRS(I) 1-16 *Property, Plant and Equipment*	SFRS(I) 1-16 does not have such a transitional provision and therefore all property, plant and equipment that had been revalued prior to adoption of SFRS(I) 1-16 would have to be revalued on a periodic basis.
SFRS 27 *Consolidated and Separate Financial Statements* SFRS 28 *Investments in Associates* SFRS 31 *Interests in Joint Ventures*	The requirement that the consolidated financial statements comply with SFRS(I)/IFRS is not required under FRS 27, FRS 28 and FRS 31.	SFRS(I) 1-27 *Consolidated and Separate Financial Statements* SFRS(I) 1-28 *Investments in Associates* SFRS(I) 1-31 *Interests in Joint Ventures*	One of the conditions for exemption from preparing: – consolidated financial statements; – equity accounting; or – proportional consolidation, under SFRS(I) 1-27, SFRS(I) 1-28 and SFRS(I) 1-31 is "the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with **SFRS(I) or IFRSs**."

Appendix VI – Differences between Singapore Financial Reporting Standards ("SFRSs") and Singapore Financial Reporting Standards(International) ("SFRS(I)s")

As at 30 September 2018

FINANCIAL REPORTING STANDARDS ("SFRSs") (cont'd)			
SFRSs	**DESCRIPTION**	**SFRS(I)s**	**DESCRIPTION**
SFRS 102 *Share-based Payment*	(i) FRS 102 replaces "7 November 2002" with "22 November 2002". (ii) For non-listed companies, FRS 102 is effective only for annual periods beginning from 1 January 2006.	SFRS(I) 2 *Share-based Payment*	SFRS(I) 2 applies to: (a) grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the effective date of IFRS 2. (b) grants of shares, share options or other equity instruments that were made before 7 November 2002, which were subsequently modified. SFRS(I) 2 applies to all companies for financial periods beginning from 1 January 2005.
SFRS 103 *Business Combinations*	Effective for annual periods on or after 1 July 2004.	SFRS(I) 3 *Business Combinations*	SFRS(I) 3 applies to the accounting for business combinations for which the agreement date is on or after 31 March 2004.
SFRS 110 *Consolidated Financial Statements* SFRS 111 *Joint Arrangements* SFRS 112 *Disclosure of Interest in Other Entities* SFRS 27 *Separate Financial Statements* SFRS 28 *Investments in Associates and Joint Ventures* (Collectively known as the Relevant Standards)	The mandatory effective date of the Relevant Standards has been revised from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2014. Earlier application of these standards continues to be permitted subject to the requirements of earlier application as set out in these standards.	SFRS(I) 10 *Consolidated Financial Statements* SFRS(I) 11 *Joint Arrangements* SFRS(I) 12 *Disclosure of Interest in Other Entities* SFRS(I) 1-27 *Separate Financial Statements* SFRS(I) 1-28 *Investments in Associates and Joint Ventures* (Collectively known as the Relevant Standards)	The effective date of these Relevant Standards is effective for annual periods beginning on or after 1 January 2013.

Appendix VI – Differences between Singapore Financial Reporting Standards ("SFRSs") and Singapore Financial Reporting Standards(International) ("SFRS(I)s")

As at 30 September 2018

FINANCIAL REPORTING STANDARDS ("SFRSs") (cont'd)			
SFRSs	**DESCRIPTION**	**SFRS(I)s**	**DESCRIPTION**
SFRS 109 *Financial Instruments*	Effective for annual periods on or after 1 January 2018.	SFRS(I) 9 *Financial Instruments*	IFRS 9 was issued by the International Accounting Standards Board (IASB) in July 2014 as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. The IASB developed IFRS 9 in phases – classification and measurement, impairment and hedge accounting. Before IFRS 9 was issued, three earlier versions of the standard had been issued by the IASB. With all of the phases now completed, IFRS 9 permits the application of any of the earlier versions, but only if the date of initial application is before 1 February 2015. Notwithstanding so, the ASC concluded that the application of an earlier version of the standard should not be permitted.
Not applicable	This interpretation has not yet been adopted in Singapore yet.	SFRS(I) INT 2 *Members' Shares in Co-operative Entities and Similar Instruments*	This Interpretation applies to financial instruments within the scope of SFRS(I) 1-32, including financial instruments issued to members of co-operative entities that evidence the members' ownership interest in the entity. This Interpretation does not apply to financial instruments that will or may be settled in the entity's own equity instruments. An entity shall apply this Interpretation for annual periods beginning on or after 1 January 2005.

Appendix VI – Differences between Singapore Financial Reporting Standards ("SFRSs") and Singapore Financial Reporting Standards(International) ("SFRS(I)s")

As at 30 September 2018

FINANCIAL REPORTING STANDARDS ("SFRSs") (cont'd)			
SFRSs	**DESCRIPTION**	**SFRS(I)s**	**DESCRIPTION**
SFRS 12 Income Taxes	Accounting for unremitted foreign income Under Recommended Accounting Practice (RAP) 8 issued by the Institute of Chartered Accountants (ISCA), no deferred tax is accounted for temporary difference arising from foreign income not yet remitted to Singapore if: a) the entity is able to control the timing of the reversal of the temporary difference; and b) it is probable that the temporary difference will not reverse in the foreseeable future. RAP 8 was repealed with effect from 1 January 2018.	SFRS(I) 1-12 Income Taxes	Under paragraph 39 of SFRS(I) 1-12, an entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied: a) the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and b) it is probable that the temporary difference will not reverse in the foreseeable future.

Appendix VII – Corporate Governance Changes Effective for Financial Years Beginning On or After 1 January 2019

Key amendments to the Code of Corporate Governance (CCG or Code) and the SGX Listing Rules (Main Board) and SGX Listing Rules (Catalist) (collectively, "SGX LR") are summarised below:

Guidance Notes

1. "Comply or Explain" Regime

SGX Mainboard Rule 710/Catalist Rule 710

SGX LR is amended to clarify the "comply or explain" approach. SGX LR clarifies that it is mandatory to:

- comply with Principles in the Code;
- disclosure deviations from Provisions of the Code, together with reason for variation and how the listed company's practices remain consistent with underlying Principle.

2. Director independence rule

SGX Mainboard Rule 210(5)(d)(i),(ii)/Catalist Rule 406(3)(d)(i),(ii)

(a) Key tests of director independence made mandatory by shifting them to SGX LR. Directors are not independent if:
   i. employed by listed company or related companies in current or any of past 3 years; or
   ii. have immediate family members in such employment whose remuneration is determined by the Remuneration Committee (RC) of the listed company.

SGX Mainboard Rule 210(5)(d)(iii)/Catalist Rule 406(3)(d)(iii)

(b) From 2022, SGX LR also stipulates that directors are not independent if they have been directors exceeding nine years, unless their appointment is approved in both:
   i. resolution by all shareholders; and
   ii. resolution by all shareholders excluding those who also serve as directors or Chief Executive Officer (CEO), and their associates.

Revised CCG Provision 2.1

(c) Shareholding threshold for director independence lowered from 10% to 5%, which aligns with the "substantial shareholder" threshold in Companies Act and Securities and Future Act.

Revised CCG Provision 4.4

(d) Onus placed on Nominating Committee (NC) to determine if a director is independent based on overarching definition in provision 2.1 of the Code, i.e.

"...one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company."

3. Board composition

Revised CCG Provisions 2.2, 2.3, 2.4

(a) Where Chairman is not independent, the Board should comprise a majority of independent directors, increased from current requirement for "at least half" to be independent.

Note: The Chairman is not independent when (i) he or she is not an independent director, (ii) he or she is also the CEO, (iii) he or she and the CEO are immediate family members as defined in the Listing Manual of the Singapore Exchange (i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent), (iv) he or she and the CEO have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the Nominating Committee, or (v) he or she is part of the Management team.

(b) The Board must comprise a majority of non-executive directors.

(c) Enhanced disclosures in annual report on Board diversity policy (including objectives) and progress made in achieving this policy.

SGX Mainboard Rule 210(5)(c)/Catalist Rule 406(3)(c)

(d) Requirement for at least one-third of Board to be independent is shifted to the SGX LR and becomes mandatory in the SGX LR from 2022 onwards. If an Independent Director retires or resigns and the company is unable to meet the new requirement, the company should endeavour to fill the vacancy within two months, but in any case not later than three months.

4. Remuneration disclosures

New Provisions to disclose in annual report regarding:

Revised CCG Principle 8
Revised CCG Provision 8.2

i. Relationship between remuneration, performance and value creation; and
ii. Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year (revised from S$50,000 currently), in bands no wider than S$100,000 (revised from S$50,000 currently), stating clearly the employee's relationship with the director/CEO/substantial shareholder.

Appendix VII – Corporate Governance Changes Effective for Financial Years Beginning On or After 1 January 2019

Key amendments to the Code of Corporate Governance (CCG or Code) and the SGX Listing Rules (Main Board) and SGX Listing Rules (Catalist) (collectively, "SGX LR") are summarised below:

Guidance Notes

5. Audit Committee

Revised CCG Provision 10.3

New provision is introduced that a former partner or a director of the company's existing auditing firm or auditing corporation should not serve in the audit committee:

i. within a period of two years (revised from 12 months currently) commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case,

ii. for as long as they have any financial interest in the auditing firm or auditing corporation.

6. Stakeholders engagement

Revised CCG Principle 13, Provisions 13.1 to 13.3

New Principle for companies to consider and balance the needs and interests of material stakeholders, with accompanying Provisions to establish arrangements to identify such stakeholders and disclose stakeholder relationships in annual report.

SGX Mainboard Rule/Catalist Rule

7. Other changes to SGX LR

The following additional requirements are shifted/incorporated into SGX LR and made mandatory:

719(3)/719(3)

(a) Establishment and maintenance of an effective internal audit function on an ongoing basis, that is adequately resourced and independent.

210(5)(e)/406(3)(e)

(b) Establishment of NC, RC and Audit Committee (AC), with written terms of reference which clearly sets out the authority and duties.

210(5)(a)/406(3)(a)

(c) Prescribed training for a director with no prior experience as director of a listed company. If the NC views that training is not required because the director has other relevant experience, the basis of this assessment should be disclosed.

720(5)/720(4)

(d) Submission of directors for re-nomination and re-election at least once every three years.

720(6)/720(5)

(e) Prescribed information of directors submitted for the first-time appointment or re-appointment at a general meeting should be provided in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting. The outcome of the shareholder vote must be announced.

704(24)/704(23)

(f) Disclosure of reasons where directors decide not to declare or recommend a dividend.

(g) Disclosures in the annual report:

1207(10A)/1204(10A)

i. Relationship between Chairman and CEO if they are immediate family members.

1207(10B)/1204(10B)

ii. Identification of each director considered to be independent.

610(5)/407(4)(b) 1207(10)/1204(10)

iii. Board's comment on the adequacy and effectiveness of internal controls (including financial, operational, compliance and IT controls) and risk management systems, with a statement on whether AC concurs with the above comment. Material weaknesses identified by board or AC together with steps taken to address them.

1207(10C)/1204(10C)

iv. AC's comment on whether the internal audit function is independent, effective and adequately resourced.

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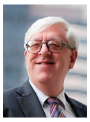

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