Jadason Enterprises Ltd

ANNUAL REPORT 2019

CONTENTS

CORPORATE PROFILE

The Group started its business in 1980 and has since become a leading supplier of equipment and supplies to the printed circuit board ("PCB") industry in Asia. The Group has a distribution network spanning China, Hong Kong, Japan, Malaysia, Singapore, Thailand and Taiwan. To support the equipment sales and to better service its customers, the Group has established a service network covering all the locations where it has marketing presence.

The Group also provides PCB drilling services in Dongguan and Suzhou. Through a subsidiary company in Dongguan, the Group provides mass lamination services to PCB manufacturers operating in China.

CHAIRMAN'S STATEMENT

Dear Shareholders

2019 has been a challenging year for the Group. For the most part of the year, the US-China trade war remained unresolved, and that uncertainty has continued to weigh on manufacturers and their business decisions. As the drawn-out trade war hit factory production in China, the Group incurred a loss after taxation of S$15.0 million for the year ended 31 December 2019. The results included non-cash charges such as an impairment loss of plant and equipment of S$5.4 million and a write-down in value of inventories of S$1.6 million.

In view of the uncertain operating environment, the Board has decided to remain prudent and is not recommending any dividend payment for the year ended 31 December 2019.

GROUP'S PERFORMANCE

Equipment and Supplies business revenue increased from S$19.4 million in 2018 to S$20.2 million in 2019 due mainly to higher sales of equipment to printed circuit board ("PCB") manufacturers outside of China, offset partially by weaker demand for materials and supplies from PCB manufacturers in China. This business segment reported a higher operating loss of S$1.6 million for 2019, compared with an operating loss of S$1.3 million for the previous year, due mainly to changes in sales mix.

Revenue of the Manufacturing and Support Services business for 2019 decreased by 32% to S$24.1 million compared with 2018. During the year under review, this business segment saw lower volume of PCB mass lamination and PCB drilling jobs flowing to its plants in China. As a result, this business segment incurred an operating loss of S$12.2 million for 2019, compared with an operating profit of S$0.8 million for 2018. The persistent weak demand from the drawn-out

CHAIRMAN'S STATEMENT

US-China trade war led to the recognition of an impairment loss of plant and equipment and a write-down in value of inventories as mentioned earlier.

Despite the difficult operating environment, we ended the year with cash and cash equivalents of S$11.2 million and a net cash of S$10.2 million, after accounting for loans and lease liabilities from financial institutions of S$1.0 million. At 31 December 2019, the net asset value per share of the Group was 4.6 cents.

As communicated on previous occasions, the Company has been placed on the watch-list under the minimum trading price ("MTP") criteria with effect from 5 June 2017, and should meet the exit requirements of Rule 1314(2) within 36 months from 5 June 2017. On 11 May 2020, the Singapore Exchange Regulation announced that the MTP rule will be removed with effect from 1 June 2020.

LOOKING AHEAD

After witnessing the pains of the trade wars and falling corporate investment in 2019, there were signs of improvement in Sino-US trade talks. China and the US signed a "phase one" agreement in January 2020 which would reduce some US tariffs on China's products. The thawing of China-US trade tensions was expected to improve factory activities and investment in China. The roll-out of fifth generation ("5G") cellular networks is likely to gather pace in China in the coming year. This optimism has waned with the outbreak of Covid-19. To control the spread of the virus, factories across China have extended their closures after the Lunar New Year holidays, following directives from the Chinese authorities. And with the transport of people and goods hampered, manufacturing activities and the demand for goods and services were negatively impacted in the first quarter of 2020.

Amid these exceptional circumstances, we remain positive on the growth prospects of the PCB market in the coming years. The increasing demand for greater digitalisation, automation, connected devices, high speed data transmission, miniaturization of devices, electronic content in automotives, usage of electric vehicles due to growing environmental concerns, biodegradable PCBs etc., is set to provide opportunities for growth in this industry.

We will continue to work on cost control and productivity measures. Whilst we streamline our businesses, we will invest to enhance our manufacturing services capabilities and ensure that we are able to meet the requirements of our customers. Despite the uncertainties, the Group invested in plant and equipment in prior year, mainly in upgrading its PCB drilling machines in Dongguan to support our customers in jobs related to the roll-out of 5G mobile technology. This year, we invested to expand the production capacity of our PCB mass lamination operation, to prepare for the upswing in business. We will continue to seek out businesses related to PCB for growth.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to express my heartfelt gratitude to our staff and management for their commitment, and our fellow directors for their contributions. On behalf of our directors, I would also like to thank our bankers, business associates and shareholders for their continued support.

QUEENY HO
Non-Executive Chairman
May 2020

FINANCIAL HIGHLIGHTS

Results for the years ended 31 December (S$'000)

	2019	2018	2017	2016	2015
Turnover	44,252	54,787	63,079	57,149	63,097
(Loss)/Profit before taxation	(14,931)	(778)	2,871	1,876	(31,947)
(Loss)/Profit after taxation	(15,004)	(1,344)	2,824	1,828	(32,101)
(Loss)/Earnings per share (¢)	(2.08)	(0.19)	0.39	0.25	(4.44)

Balance Sheets as at 31 December (S$'000)

	2019	2018	2017	2016	2015
Property, plant & equipment	10,367	17,344	18,172	19,479	19,492
Right-of-use assets - land use rights	404	431	464	490	531
Right-of-use assets	12,972	-	-	-	-
Current assets	37,286	47,069	52,670	58,201	68,899
	61,029	**64,844**	**71,306**	**78,170**	**88,922**
Current liabilities	16,320	15,811	19,319	26,683	34,737
Non-current liabilities	11,771	165	114	533	2,824
	28,091	**15,976**	**19,433**	**27,216**	**37,561**
Shareholders' equity	32,938	48,868	51,873	50,954	51,361
	61,029	**64,844**	**71,306**	**78,170**	**88,922**

OPERATIONS AND FINANCIAL REVIEW

GROUP PROFILE

Our core businesses are:

Equipment and Supplies

We commenced our business in 1980 and are a leading supplier in Asia for equipment and supplies to the printed circuit board ("PCB") industry. We have an extensive network, covering Singapore, Malaysia, Thailand, China, Hong Kong, Taiwan and Japan. We also fabricate some of the equipment used in the PCB manufacturing process.

Manufacturing and Support Services

To support the equipment sales and to better service our customers, we have established a service network covering all the locations where we have marketing presence.

We also provide PCB drilling services in Dongguan and Suzhou. Through a subsidiary company in Dongguan, we provide mass lamination services to PCB manufacturers operating in China.

CORPORATE OBJECTIVES

Faced with challenging conditions in the PCB industry, including the US-China trade conflict, we continue to position our 'Manufacturing and Support Services' operations and 'Equipment and Supplies' business for long-term growth. We will also explore new businesses or opportunities for growth, based on our existing competencies.

The Group is committed to providing quality and reliable PCB drilling services to its customers and has consistently demonstrated its technical competence in completing high-end PCB drilling jobs. Through the years, we have developed a high level of trust with many of our customers. During the year under review, this business worked on new initiatives to further streamline its operations.

Our PCB mass lamination operation complements the PCB drilling services, by offering a 'one-stop' shop to meet our customers' needs. We remain committed to maintaining stringent quality controls, and aim to move up the value chain. With a more stable management team in place, the operation invested in expanding its production capacity during the year, to position itself for a rebound in manufacturing activities.

Equipment and Supplies business continues to be an important business activity of the Group, as it allows us to better understand the needs and requirements of our customers. To remain relevant and stay competitive, the Group has, and will continue to broaden its product range. The Group will also develop and manufacture certain PCB equipment through technology collaboration with business partners.

The Group will continue to maintain a strong balance sheet and a healthy level of bank and cash balance. Despite a difficult year, we were able to increase our cash and cash equivalents during the year under review (see Section on Indebtedness / Cash and Cash Equivalents of this report).

OPERATIONS AND FINANCIAL REVIEW

As previously disclosed, the Company has been placed on the minimum trading price ("MTP") watch-list with effect from 5 June 2017. The MTP criteria requires the Company to have a volume weighted average price of not less than S$0.20 over the last 6 months and an average daily market capitalisation of not less than S$40 million over the last 6 months. The Company is given three years from 5 June 2017 to meet the MTP requirements. As announced by the Singapore Exchange Regulation on 11 May 2020, the requirement for companies to maintain a MTP would be scrapped on 1 June 2020, and the MTP watch-list will cease to exist on that date.

TURNOVER AND OPERATING RESULTS BY BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE

Revenue for FY2019 was S$44.3 million, a decrease of 19% compared with FY2018 revenue of S$54.8 million. Both business segments of the Group saw lower business activities in China during the year under review, and the Group posted a loss from operations of S$13.9 million for FY2019, compared with a loss of S$0.6 million for FY2018. The operating results for the year under review included an impairment loss of plant and equipment of S$5.4 million (FY2018: Nil) and a write-down of inventories of S$1.6 million (FY2018: Nil).

Following is a summary of the performance of our business segments during the year under review.

Business Segments:	Revenue		(Loss)/profit from Operations	
	FY2019 S$'000	FY2018 S$'000	FY2019 S$'000	FY2018 S$'000
Equipment and Supplies	20,191	19,381	(1,628)	(1,331)
Manufacturing and Support Services	24,061	35,406	(12,240)	777
Total	44,252	54,787	(13,868)	(554)

'Equipment and Supplies' Segment

Revenue of the Equipment and Supplies business for FY2019 increased by S$0.8 million, or 4%, compared with FY2018 on the back of higher sales of equipment to PCB manufacturers outside of China. Sales of equipment and supplies to PCB manufacturers in China continued to be weak, amidst the economic slowdown in China as well as the ongoing trade tensions between China and the United States. Due mainly to changes in sales mix, the business segment posted an operating loss of S$1.6 million for the year under review, compared with an operating loss of S$1.3 million for the previous year.

'Manufacturing and Support Services' Segment

The Group's Manufacturing and Support Services business saw a decrease in revenue of 32% to S$24.1 million in FY2019 compared with FY2018 due to weaker demand from customers for the Group's PCB mass lamination and PCB drilling services in China, and this business segment reported a loss from operations of S$12.2 million for the year under review, compared with a profit from operations of S$0.8 million for FY2018. Due to under-utilisation of capacity, absorption of overhead was impacted. The persistent weak demand led to the recognition of an impairment loss of plant and equipment of S$5.4 million as further explained under the heading 'Other Expenses' of this report. Also included in the operating loss of this business segment for FY2019 was a write-down in value of inventories of S$1.6 million.

OPERATIONS AND FINANCIAL REVIEW

Other Income

The decrease in other income in FY2019 was due mainly to lower income from the sales of scrap materials and the absence of an insurance claim.

Selling and Distribution / Administrative Expenses

The decreases in these expenses were related to the lower business activities in FY2019.

Finance Cost

The increase in finance cost was related to the recognition of lease liabilities and right-of-use assets following the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases.

Other Expenses

The increase in other expenses in FY2019 was due mainly to an impairment loss on plant and equipment of S$5.4 million, offset partially by a lower foreign exchange loss.

The impairment loss of plant and equipment arose from the Group's 'Manufacturing and Support Services' business, as weak demand persisted for PCB drilling and PCB mass lamination services in China. There is also a lack of visibility in business prospects in the near term, as the production activities of many factories in China have been negatively impacted by measures put in place to contain the spread of the Covid-19 virus.

The Group's mass lamination operation in China has incurred operating losses for 2 consecutive years. The recoverable amount of the plant and equipment for this operation has been determined based on their value-in-use derived from management's cash-flow projection, and an impairment loss of S$4.6 million was recognised.

In making the impairment loss of S$0.8 million for the other assets, the Group's management made an estimate of the machines' recoverable amounts, which were nil or minimal, as the machines were old and used and it is difficult to find buyers for such equipment under current market conditions.

Income Tax Expense

An income tax expense arose in FY2019 in spite of the loss before income tax as some subsidiaries within the Group were profitable, and that losses incurred by certain subsidiaries could not be offset against the profits of other subsidiaries for income tax purposes.

Selected Balance Sheet Items

Property, plant and equipment decreased due mainly to depreciation charge, impairment loss as described earlier in this report, and the effects of translating the financial statements of foreign subsidiaries into Singapore dollar, offset partially by the additions of equipment during the year under review.

Right-of-use assets related mainly to leases of factory and office premises occupied by various entities within the Group, and are recognised following the adoption of SFRS(I) 16 Leases. Correspondingly, there was an increase in the lease liabilities as at 31 December 2019.

The decrease in inventories was related to the lower level of business activities and a write-down of S$1.6 million recognised in light of lower demand experienced in the Group's Manufacturing and Support Services business segment.

OPERATIONS AND FINANCIAL REVIEW

The decreases in trade and bill receivables of the Group were due mainly to payments received and lower business activities during the year under review.

Trade payables of the Group decreased due mainly to payments made and lower business activities during the year under review.

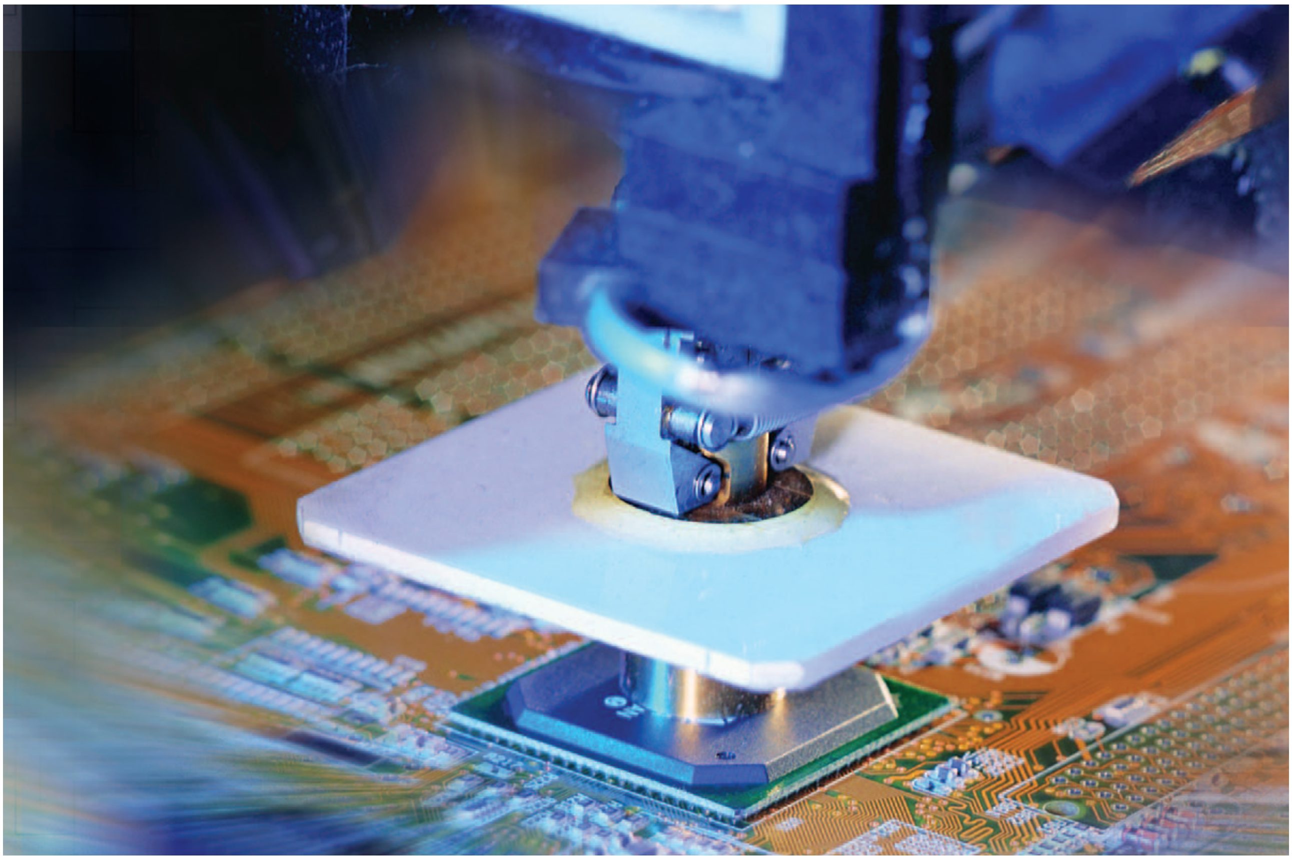
Indebtedness / Cash and Cash Equivalents

After accounting for loans and lease liabilities from financial institutions, the Group was net cash positive at S$10.2 million at the end of the year. The amount of the Group's borrowings from financial institutions, cash and cash equivalents and shareholders' equity is set out below:

	31 Dec 2019 S$'000	31 Dec 2018 S$'000
Due within 1 year:		
Lease liabilities with financial institutions (2018: Finance leases)	1	1
Bank loans	1,000	1,000
	1,001	**1,001**
Due after 1 year:		
Lease liabilities with financial institutions (2018: Finance leases)	2	3
	2	**3**
Total indebtedness with financial institutions	**1,003**	**1,004**
Cash and cash equivalents	**11,233**	**10,706**
Shareholders' equity	**32,938**	**48,868**

Information regarding the Group's borrowings from financial institutions can be found in the Notes to the Financial Statements.

OPERATIONS AND FINANCIAL REVIEW



RISK FACTORS / MANAGEMENT

Business Risk

The Group is a provider of equipment, supplies and manufacturing services to the PCB manufacturers and is therefore dependent on the overall electronics cycle. A downturn in the overall electronics sector would negatively impact the performance of the Group. The Group also derives a substantial portion of its revenue from China. Over the years, along with rapid development of its information communications technology, China has become the world's largest manufacturing center for electronic products.

Despite the disruptions to manufacturing operations throughout China brought about by the Covid-19 outbreak, the growth prospect of the PCB industry in China looks good. The Group believes that the adoption of 5G technology in mobile telecommunications in China, including the installation of 5G base stations across the country and the launch of 5G handsets, would have positive impact on the Group's businesses. Other growth drivers for the PCB market include advancement in automotive electronics, miniaturization of PCBs, and development of green PCBs.

OPERATIONS AND FINANCIAL REVIEW

Operation Risk

The Group seeks to diversify its revenue and earnings base, and recognise that our earnings will become more robust through the provision of manufacturing and support services. The Group has, over the past few years, expanded facilities and enhanced its capabilities in China to provide PCB drilling and mass lamination services to PCB manufacturers. The Group has a team of dedicated management and staff, who are familiar with the local market conditions and operating environment, to oversee the smooth running of these operations in China.

In recent years, the Group and many other factories in China have faced increasing labour cost and difficulties in retaining the workers. Turnover of workers at the Group's plants in China was high during the year under review. The Group continuously reviews its processes to reduce manpower requirement, and its incentive schemes to retain workers at its factories. Over the past few years, the Group has also progressively invested in automation equipment and processes to reduce manpower needs and enhance operational efficiency at its factories.

Financial Risk

The financial risks are described in the Notes to the Financial Statements. There are designated personnel within the Group responsible for compiling regularly the information relevant to managing those risks, and these reports are provided to management for review and taking actions if necessary.

Please also refer to the corporate governance report for further discussion on risk management and internal controls.

DIVIDENDS

The Group does not have a fixed dividend policy as it operates in a cyclical and volatile industry. This is described in greater detail in the first paragraph under the Section on 'Business Risk'. However, management is aware of the need to reward shareholders, and recommends the payment of dividends after considering the financial performance and cash flow needs of the Group.

In respect of FY2019, the Directors have decided to remain prudent in the face of challenging market conditions and do not recommend the payment of dividend.

GEOGRAPHICAL PRESENCE

BOARD OF DIRECTORS

QUEENY HO
Non-Executive Chairman

Ms Queeny Ho joined the board as a non-executive director on 29 May 2009, and assumed the role of chairman on 7 May 2011. She is a member of the nominating committee, remuneration committee and audit committee. Ms Queeny Ho was also a director of Jadason Enterprises (HK) Limited from July 1980 to January 2003. She is the largest shareholder of the Company.

FUNG CHI WAI
Chief Executive Officer

Mr Fung joined the Group in April 1983 as a sales manager. He was appointed as a director in August 1990 and the managing director of the Group in June 2000. On 3 March 2006, he was promoted to chief executive officer of the Group.

Mr Fung played a vital role in expanding the Group's business operations in China and South East Asia. He has more than 30 years of experience in the printed circuit board equipment business and is responsible for all the operational aspects of the Group activities.

CHUA KENG HIANG
Non-Executive Director

Mr Chua is a practicing member of the Institute of Singapore Chartered Accountants. He has more than 30 years of experience in public accounting, corporate finance and management. Mr Chua holds an honors degree in accountancy from the then University of Singapore and is a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua has been a director of the Company since June 2000. He also serves on the board of Ocean Sky International Limited.

BOARD OF DIRECTORS

TEO KIANG KOK
Non-Executive Director

Mr Teo Kiang Kok was appointed as our director on 3 September 2002. Mr Teo, a senior lawyer, was a partner of Shook Lin & Bok LLP, a firm of advocates and solicitors, from 1987 to 2011. He is currently the firm's senior consultant. Mr Teo has more than 30 years of experience in legal practice. His main areas of practice are corporate finance, international finance and securities. In the course of his legal practice, Mr Teo has advised listed companies extensively on corporate law and compliance requirements. He also serves on the board of Hyflux Ltd, IPC Corporation Ltd and Wilton Resources Corporation Limited.

LINNA HUI MIN
Executive Director

Ms Hui Min was appointed to the board on 26 March 2007. She is currently the general manager of Jadason Enterprises (HK) Limited, responsible for its day-to-day operations and marketing activities in Hong Kong and China. Ms Hui Min joined the Group in July 1988. In her career with the Group, she has also been responsible for setting up overseas offices and has experience in application and technical support. She holds a Bachelor degree in Science (Chemical Engineering) from the University of California.

KEY MANAGEMENT

PUNG WEE SENG

Mr Pung Wee Seng is the Director of Marketing of the Company, responsible for the overall sales and marketing activities and after-sales service to customers in the Asean region. He joined the Company in October 1991. Prior to joining the Company, he was a Senior Sales Engineer with Dynavest Pte Ltd from January 1987 to September 1991. He holds a Bachelor degree in Business Administration (RMIT) and two diplomas in other disciplines.

TAN KOK YONG

Mr Tan Kok Yong is the Chief Financial Officer and joined the Group in July 2002. Before joining the Group, he was a Finance Manager of a US multi-national company. From December 1993 to November 1999, he worked in the audit division of an international accounting firm. He holds a Bachelor degree in Accountancy from the National University of Singapore.

GROUP STRUCTURE

CORPORATE INFORMATION

BOARD OF DIRECTORS

Queeny Ho
(Non-Executive Chairman)
Fung Chi Wai
(Chief Executive Officer)
Linna Hui Min
(Executive Director)
Chua Keng Hiang
(Non-Executive and Lead Independent Director)
Teo Kiang Kok
(Non-Executive Director)

AUDIT COMMITTEE

Chua Keng Hiang
(Chairman)
Teo Kiang Kok
Queeny Ho

NOMINATING COMMITTEE

Teo Kiang Kok
(Chairman)
Chua Keng Hiang
Queeny Ho

REMUNERATION COMMITTEE

Teo Kiang Kok
(Chairman)
Chua Keng Hiang
Queeny Ho

COMPANY SECRETARY

Tan Kok Yong

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United Overseas Bank Limited

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Tel: 6535 7777
Partner-in-charge: Ho Shyan Yan
(Since FY2016)

INTERNAL AUDITOR

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Tel: 6222 9833

The Board of Directors and Management are committed to maintaining a high standard of corporate governance so as to ensure that the Group's activities are carried out in the best interests of its stakeholders.

This report describes the Company's corporate governance practices during the financial year ended 31 December 2019, with specific reference to the principles and provisions of the revised Code of Corporate Governance issued in August 2018 (the "2018 Code"). The Company has generally adhered to the principles and provisions of the 2018 Code. Where there are deviations from the Code, explanations or reasons are provided in the report.

A. BOARD MATTERS

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

Provision 1.1 (Board duties)

The Board is responsible for setting the corporate strategy and business direction of the Group, and ensures that the necessary financial and human resources are in place for the Group to meet its objectives. It also oversees that appropriate risk management policies and controls are established, reviews management performance, identifies the key stakeholder groups and recognises that their perceptions affect the Group's reputation, sets the Group's values and standards and ensures that obligations to shareholders and other stakeholders are understood and met, and considers sustainability issues as part of its strategic formulation.

All Directors exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Group. This is a performance criterion for the assessment of the Directors. Directors facing conflicts of interest shall recuse themselves from discussions and decisions involving the issues of conflict.

Provision 1.2 (Directors' training and orientation)

The NC (see Provision 1.4) reviews and makes recommendations on the training and professional development programs to the Board. On a periodic basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Chief Executive Officer ("CEO") updates the Board at each meeting on the business and strategic developments of the Group. As part of the Company's continuing education for Directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's business to keep Directors updated on current industry trends and issues. News releases issued by Singapore Exchange Limited and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are also circulated to the Board.

New Board members are briefed by the CEO and/or other senior management on the Group's business activities, strategic directions, business and governance practices, and their duties and responsibilities as Directors. No new director was appointed during the year under review. Non-executive Directors are also invited to the Group's factories in Dongguan and are briefed by the CEO and various factory general managers on the ongoing projects of the Group.

Provision 1.3 (Board approval)

Matters which require Board's approval include corporate restructuring, material investments and divestments, key operational initiatives, significant fund raising exercises, release of Group results, dividends proposal and material interested person transactions.

Provision 1.4 (Board committees)

The Board has established three committees, namely, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), to assist it in the execution of its responsibilities. These committees operate within clearly defined terms of reference and the effectiveness of each committee is reviewed on a regular basis. Further information on the activities of these committees can be found in the various provisions contained in this report.

The current members of the Board and their membership on the Board committees of the Company are as follows:

Name of Director	Board appointments				Board committees as Chairman or member		
	Executive Director	Non-executive Director	Independent Director	Non-independent Director	AC	NC	RC
Queeny Ho (Chairman)		√		√	Member	Member	Member
Fung Chi Wai	√			√			
Chua Keng Hiang		√	√		Chairman	Member	Member
Teo Kiang Kok		√	√		Member	Chairman	Chairman
Linna Hui Min	√			√			

Provision 1.5 (Board meetings and attendances)

The Board meets on a quarterly basis and when necessary, ad-hoc meetings may be held. The Company Secretary consults the Directors before fixing the dates of these meetings. The Company's constitution provides for telephonic and videoconference meetings. Timely communication among members of the Board can also be achieved through electronic means. The attendance of the Directors at meetings of the Board and Board committees during the financial year is as follows:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
No. of meetings attended:				
Queeny Ho	3 @	3 @	1	1
Fung Chi Wai	4	4 #	1 #	–
Chua Keng Hiang	4	4	1	1
Teo Kiang Kok	4	4	1	1
Linna Hui Min	4	4 #	1 #	–

Attendance by invitation of the Committee

@ Unable to attend one of the meetings due to the protest chaos in Hong Kong

Provision 1.6 (Access to information)

The Directors are regularly provided with information on the Group's business activities and developments by Management.

To ensure that the Board is able to fulfill its responsibilities, all Directors are provided with complete and timely information prior to meetings and on a regular basis. As a general rule, Board papers are sent to Directors three to five days before the Board meetings so that the Directors may better understand the matters before the Board meetings and discussion time may be focused on questions that the Board may have regarding the matters to be considered. Management is prepared to provide further information and explanation on materials given to Directors and shall meet to discuss any issue prior to a Board meeting, if required.

Provision 1.7 (Access to Management and Company Secretary)

At all times, the Directors have independent access to the Group's Management and the Company Secretary, who administers, attends and prepares minutes of Board meetings, and is responsible to the Board for ensuring that Board procedures are followed, and that applicable laws and regulations are complied with. The Company Secretary also assists the Chairman in ensuring good information flows within the Board and its Board committees and between Management and non-executive Directors.

The Company Secretary attends all Board meetings. The constitution of the Company provides that the appointment and removal of the Company Secretary is subject to the approval of the Board.

Where the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the CEO and/or Company Secretary will assist in appointing a professional advisor to render the advice, and the cost of such professional advice will be borne by the Company. The Board and AC will be kept informed of such advice.

Board composition and guidance
Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 (Board independence)
Provision 2.2 (Independent directors)

The Board consists of five Directors, of whom two are non-executive and independent. The Board is aware that Provision 2.2 of the 2018 Code requires the independent Directors to make up a majority of the Board where the Chairman is not independent with effect from 1 January 2022, and will take steps to comply with the provision in due course.

Taking into account the Chairman is non-executive, the Chairman and CEO are unrelated and that the Company has appointed a lead independent director, the Board is of the view that its current size is adequate to provide a diversity of views and facilitate effective decision-making. Each Board member is cognisant of his/her role to demonstrate objectivity in their deliberations in the interest of the Company and of the Group. Details of the Directors' qualifications and other appointments are set out on pages 12 and 13 of the Annual Report.

The independence of the independent non-executive directors is reviewed by the NC annually. The NC is of the view that the Board, with independent non-executive Directors making up two-fifths of the Board, has a significant independent element to enable objective judgment on corporate affairs to be exercised.

Please also refer to Provision 4.4 for further discussion on the independence of Directors.

Provision 2.3 (Non-executive directors)

The Board consists of five Directors, of whom three are non-executive.

Provision 2.4 (Board composition / Board diversity policy)

Please refer to pages 12 and 13 of the Annual Report for details regarding the Directors' qualifications and experience. There have been no changes in the directorships and chairmanships held by the Directors over the preceding five years in other listed companies and other principal commitments, except that Mr. Teo Kiang Kok was appointed as a director of IPC Corporation Ltd on 12 July 2017, and both Mr. Chua Keng Hiang and Mr. Teo Kiang Kok ceased to be directors of Memtech International Ltd in 2019.

The Board believes that it should have a diversity of skills, experiences and network of business contacts to perform competently. It recognises the importance of all aspects of diversity, including diversity of business and industry experience, background, gender and age. All Board appointments are made on merit, and each Director is appointed on the strength of his caliber, experience, background, business contacts and ability to contribute to the strategy and performance of the Group.

The Board currently has two female Directors, out of the five members.

The Board is of the view that its current size and composition meets the criteria of its diversity policy and facilitates effective decision-making, taking into consideration the scope and nature of the Group's operations, and in particular the challenges and demands of operating in China. The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses core competencies in areas such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge.

The Board, together with the NC, will review its size and composition from time to time, to ensure that it has the diversity of talents and experience to govern the Group effectively.

Provision 2.5 (Meeting of independent directors without Management)

When necessary, the independent non-executive Directors meet without the presence of Management to discuss and review any matters regarding the Group. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Chairman and CEO
Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 (Separation of Chairman and CEO roles)

There is a clear division of responsibilities between the Chairman, Ms. Queeny Ho, who is a non-executive Director, and the CEO, Mr. Fung Chi Wai. The Chairman and the CEO are not related to each other.

Provision 3.2 (Responsibilities of Chairman and CEO)

The CEO has executive responsibilities over the business directions and day-to-day operations of the Group while the responsibilities of the Chairman include the following:

- leading the Board and ensuring the overall effectiveness of the Board, Board committees and individual Directors;
- scheduling Board meetings, setting the meeting agendas and ensuring that sufficient time is allocated for thorough discussion of agenda items;
- ensuring that Board members are provided with complete, adequate and timely information;
- promoting an open environment for debates and ensuring that non-executive Directors are able to speak freely and contribute effectively;
- fostering constructive dialogue between shareholders, the Board and Management at annual general meetings and other shareholder meetings;
- encouraging constructive relations within the Board and between the Board and Management; and
- promoting high standards of corporate governance.

Provision 3.3 (Appointment of lead independent director)

The Board has appointed Mr. Chua Keng Hiang to act as the lead independent Director. Mr. Chua is also a member of the NC. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate. When necessary, all the independent Directors, including the lead independent Director, meet without the presence of other executive and non-independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

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

Provision 4.1 (Responsibilities of NC)

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The NC's other responsibilities include the following:

- reviews the skills required by the Board, the size and succession plans of the Board;

- determines annually, and as and when circumstances require, the independence of each Director and ensures that the Board has sufficient number of independent Directors;

- evaluates whether or not a Director is able to and has been adequately carrying his/her duties as Director of the Company, when he/she has multiple board representations;

- proposes a framework for assessing Board effectiveness and individual Director's contribution, and carry out such assessment; and

- reviews and recommends to the Board, the training and professional development programmes for the Directors.

The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The succession and leadership development plans for senior management are reviewed by the NC and considered by the Board.

All Directors submit themselves for re-nomination and re-election at least once every three years. Pursuant to the Company's constitution, one-third of the Directors retire from office at the Company's annual general meeting ("AGM"). The Company's constitution also provides that a newly appointed Director must submit himself/herself for re-election at the AGM following his/her appointment.

There is no alternate director on the Board.

The Directors who are retiring and who will offer themselves for re-election at the forthcoming AGM (as set out in the Notice of AGM) are named below:

Director	**Date of appointment**	**Date of last election**	**Due for re-election (√)**
Fung Chi Wai	10 August 2000	29 April 2019	
Chua Keng Hiang	16 June 2000	26 April 2018	
Teo Kiang Kok	3 September 2002	29 April 2019	
Linna Hui Min	26 March 2007	24 April 2017	√
Queeny Ho	29 May 2009	26 April 2018	√

The NC is satisfied that the Directors retiring at the forthcoming AGM are properly qualified for re-appointment by virtue of their business network, experience, skills and their contribution of guidance and time to the Board's deliberations. Further information regarding the Directors can be found on pages 103 – 106 (Additional Information on Directors seeking Re-election) of the Annual Report.

Provision 4.2 (Composition of NC)

The NC comprises Mr. Teo Kiang Kok as Chairman and Mr. Chua Keng Hiang and Ms. Queeny Ho as members. Mr. Teo Kiang Kok and Mr. Chua Keng Hiang are non-executive and independent Directors.

Provision 4.3 (Selection, appointment and re-appointment of directors)

The NC is responsible for re-appointment of Directors, and takes into consideration the Director's contribution and performance. The assessment criteria include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board committees, as well as the quality of intervention and special contribution.

Where the need for a new Director arises or an existing Director is required to retire from office, the NC will review the competencies and experience of the Board, identify its needs, and draw up a short-list of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the NC may seek advice from external search consultants. Upon appointment of the new Director, the Company will provide a formal letter of appointment to the Director, setting out the Director's duties and responsibilities.

Please also refer to the information provided under Provision 2.4.

Provision 4.4 (Determining the independence of directors)

The NC is aware that with effect from 1 January 2022, a director who has been a director for an aggregate period of more than nine years will not be considered independent unless his appointment as an independent director is approved by the majority in a two-tier voting process as follows:

- all shareholders; and
- all shareholders, excluding shareholders who also serve as directors or CEO of the Company and its associates.

In respect of FY2019, in carrying out the assessment of the independence of the non-executive independent Directors, namely Mr. Chua Keng Hiang and Mr. Teo Kiang Kok ("NEIDs"), the NC considered the following attributes and contributions of the NEIDs and concluded that the length of tenure does not impact their independence:

- the NEIDs provide their objective and constructive views to the Board and Management;
- the NEIDs speak up and offer practical solutions to issues and work towards increasing value to the Group and for the benefit of all shareholders;
- the NEIDs evaluate and assess the information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist Management in implementing the plans and policies.

The NC is of the view that the NEIDs' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

All the NEIDs have confirmed in writing of their independence in accordance with the 2018 Code.

Accordingly, the NC determines that the NEIDs are independent Directors notwithstanding that each of them has served on the Board for more than nine years from the dates of their respective appointment. The Board accepts the NC's view and affirms the independence of the NEIDs.

Provision 4.5 (Time commitments of directors)

The NC has ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

For Directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such Directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that the Directors have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board accepts and affirms the view of the NC.

Please refer to pages 12 and 13 for the listed company directorships and principal commitments of the Directors.

Please also refer to the information provided under Provisions 1.2, 5.1 and 5.2.

Board performance
Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2 (Evaluations of Board / Directors)

The Board has an established process to assess the performance and effectiveness of the Board as a whole and that of each of its Board committees. The appraisal process considered factors such as the size and composition of the Board, the expertise and experience of the Board, the Board's access to information, Board processes and accountability, risks management and internal controls, financial reporting and announcements and the Board's and Board committees' performance in relation to their principal functions.

In evaluating the performance of individual Directors, the NC considered performance criteria which included business network, individual skills, industry experience and business knowledge, attendance record, contributions to strategy development and quality of participation at Board and committee meetings.

For the year ended 31 December 2019, the Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board, Board committees and their individual performance and contributions. The NC has discussed with the Board the assessment of the Board, Board committees and individual Director's performance and effectiveness.

The Company did not engage any external facilitator for the above evaluations.

B. REMUNERATION MATTERS

Procedures for developing remuneration policies
Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director in involved in deciding his or her own remuneration.

Provision 6.1 (Roles of RC)
Provision 6.3 (Fairness of remuneration)
Provision 6.4 (Engagement of remuneration consultants)

The RC's principal responsibilities, as set out in its written terms of reference, are as follows:

- Review and recommend to the Board a framework of remuneration for the Board of Directors and key executives;

- Consider, review and approve and/or vary the specific remuneration packages for each executive Director;

- Consider whether Directors should be eligible for benefits under long-term incentive schemes;

- Review the Group's obligations in the event of termination of executive Directors' and key management personnel's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous.

The service agreements for the executive Directors have fixed appointment period and clauses relating to early termination. None of the service agreements has any onerous removal clauses. Notice periods are three months for executive Directors.

The RC has access to expert advice from appropriate external advisors as and when it deems necessary. The Company did not engage any remuneration consultant in FY2019.

Provision 6.2 (Composition of RC)

The RC comprises the following three non-executive Directors:

Mr. Teo Kiang Kok (Chairman);
Mr. Chua Keng Hiang; and
Ms. Queeny Ho.

As mentioned earlier, Mr. Teo Kiang Kok and Mr. Chua Keng Hiang are independent Directors.

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

Provision 7.1 (Linking rewards to corporate and individual performance)
Provision 7.3 (Appropriateness of remuneration)

The Group sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate the Directors and senior management to run the Group successfully. In setting remuneration packages for the Directors and executives of the Group, the pay and employment conditions within the industry and in comparable companies are taken into account. The overall Group performance and individual performance are factors considered in determining the annual bonus for employees.

The remuneration for the executive Directors comprises a basic salary component and a variable component (incentive bonus) that is based on the Group's profit before taxation after minority interests and excluding any non-recurring items for each financial year. The RC believes that this measure of determining the variable bonus, which is moderate and sustainable, is aligned with the interests of the shareholders. It is also a performance measure used by other companies in similar industry, which allows for comparability. For the year ended 31 December 2019, no incentive bonus was paid to the executive Directors and senior executives as the performance objective was not met.

Provision 7.2 (Remuneration of non-executive directors)

The remuneration of non-executive Director is in the form of a fixed fee. For non-executive Directors, the remuneration packages take into account the contribution and responsibilities of the Directors. Non-executive Directors are not over-compensated to the extent that their independence may be compromised. The remuneration of non-executive Directors is approved at the AGM.

Disclosure on remuneration
Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationship between remuneration, performance and value creation.

Provisions 8.1 and 8.3 (Remuneration of directors and key management personnel)

The remuneration of the Directors for the year ended 31 December 2019 was as follows:

Name	Below S$250,000	S$250,000 – S$499,999	S$500,000 – S$749,999
Executive Director			
Fung Chi Wai			√
Linna Hui Min		√	
Non-executive Director			
Chua Keng Hiang	√		
Teo Kiang Kok	√		
Queeny Ho	√		

As no bonus was paid to the Directors for FY2019, Mr. Fung Chi Wai's remuneration comprised 95% as fixed salary, 3% as CPF / MPF (Hong Kong) contribution and 2% as benefits in kind, and Ms Linna Hui Min's remuneration comprised 99% as fixed salary and 1% as MPF (Hong Kong) contribution.

The key management personnel (who are not Directors or the CEO) of the Group each earned below S$250,000 in FY2019, and the remuneration was in the form of fixed salary only.

The Company is not disclosing the remuneration of Directors and key management personnel (who are not Directors or the CEO) of the Group as it believes that such disclosure is disadvantageous to the retention of personnel and business interests of the Group. Instead, the Company discloses the remuneration in bands of S$250,000. For the same reason, the Company is also not disclosing the names and the aggregate remuneration of the Group's key management personnel (who are not Directors or the CEO) except for those as disclosed on page 14.

For FY2019, no termination, retirement or post-employment benefits have been granted to the Directors, the CEO and key management personnel (who are not Directors or the CEO) of the Group.

Details of the Company's Share Option Scheme can be found in the Directors' Statement under Share Options and in the Notes to the Financial Statements under Employee Benefits. All the share options lapsed during the year under review.

Provision 8.2 (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)

The Company and its subsidiary companies do not have any 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.

C. ACCOUNTABILITY AND AUDIT

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

Provision 9.1 (Determining the nature and extent of significant risks)

The Board recognises and is responsible for maintaining a system of risk management and internal controls to safeguard the Group's business and assets. It regularly reviews the Group's business and operational activities to identify areas of significant risks, as well as the adequacy of measures to control and mitigate these risks within the Group's policies and strategies.

The Group has established a risk management framework for the identification, assessment, monitoring and management of significant risks affecting the Group. Material risks, which include operational, financial, compliance and information technology risks, facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place.

In addition, the internal and external auditors perform reviews in accordance with their audit plans, and material non-compliance and recommendations, if any, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the auditors.

Provision 9.2 (Receipt of assurance from CEO / CFO)

The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable.

For FY2019, the Board has received written assurance from:

- the CEO and the CFO that the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and

- the CEO and the various business general managers that the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the risk management framework established and maintained by the Group, the audit findings of our internal and external auditors, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

Audit Committee
Principle 10: The Board has an Audit Committee which discharges its duties objectively.

<u>Provision 10.1 (Duties of the AC)</u>

The AC, which has written terms of reference, performs the following functions:

- Review quarterly, half-yearly and annual financial statements to be released before submission to the Board for approval;

- Review significant financial reporting and judgmental issues to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance before submission to the Board for approval;

- Review interested person transactions;

- Review with the external auditors their audit plan, audit report and any other matters which the external auditors wish to discuss;

- Review the assistance given by management to external auditors;

- Review the independence and objectivity of the external auditors;

- Review the nature and extent of non-audit services performed by external auditors;

- Consider the appointment / re-appointment of external auditors and the audit fees;

- Review with management the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management; and

- Appoint internal auditors and review the scope and results of internal audit procedures.

The AC has also reviewed the assurances given by the CEO and CFO on the financial records and financial statements (see Provision 9.2).

The AC also reviewed the adequacy of the Group's whistle blowing policy and procedures through which staff and external parties may raise concerns in confidence about possible improprieties in matters of financial reporting or other matters to the AC. Details of the whistle blowing policies and procedures have been communicated to employees of the Group.

The AC met four times in FY2019. Details regarding the members' attendance at these meetings are shown in page 18 of this report. The Directors and the Company Secretary were invited to these meetings. In addition to those described in other sections of this report, the principal activities of the AC during FY2019 are summarised below:

Financial reporting

The AC met quarterly and reviewed the quarterly and full-year financial results announcements before submitting them to the Board for approval. In the process, the AC reviewed the audit plan and audit results report presented by the external auditors.

The AC also reviewed the annual financial statements, and discussed with Management, the CFO and the external auditors the significant policies, judgment and estimates applied by Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External audit processes

On behalf of the Board, the AC manages the relationship with the Group's external auditors. During FY2019, the AC carried out its annual assessment of the auditor's audit approach and the cost effectiveness of the audit process, and concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective.

The Group has engaged Ernst & Young Hua Ming LLP Shenzhen Branch ("EYSZ") to audit its principal subsidiaries in China for the purpose of reporting the group accounts, although EYSZ is not the statutory auditor for these entities. The AC is of the opinion that the Group has complied with Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual in relation to its auditing firms.

The AC noted that Ernst & Young LLP has been the Company's external auditors since 2004, and is of the view that a change of auditors is timely. A change of auditors would also enable the Group to benefit from fresh perspectives and views. The AC took into consideration the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority ("ACRA") and the requirements under the Singapore Exchange Securities Trading Limited's Listing Manual. The scope of audit services to be provided by BDO LLP will be comparable to those currently provided by Ernst & Young LLP. The AC recommended BDO LLP for nomination as external auditors commencing the financial year ending 31 December 2020. The Board agreed with the AC's recommendation to table the proposed appointment for Shareholders' approval at the forthcoming AGM.

Auditor independence

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors and reviewing the non-audit fees awarded to them. The audit fee payable to auditors of the Company and their affiliates for FY2019 is S$185,000. There is no non-audit fee payable to auditors of the Company and their affiliates for the year, and the AC is satisfied with the independence of the external auditors.

Internal audit

During the year, the AC reviewed the internal audit plan developed by the internal auditors in consultation with, but independent of Management. The AC also reviewed the audit findings and recommendations of the internal auditor, and would ensure that the improvement measures to be undertaken by Management are implemented in due course.

The AC is satisfied that the internal audit function is performed by suitably qualified and experienced professionals. Please refer to Provision 10.4 for further details regarding the internal audit function.

Interested person transactions ("IPT")

The AC reviewed the Group's IPT to ensure that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders, and the rules under Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual are complied with. On a quarterly basis, Management reports to the AC the IPTs for the quarter under review. The Group does not have a general mandate from shareholders for interested party transactions pursuant to Rule 920 of the Singapore Exchange Securities Trading Limited's Listing Manual, and has not entered into any transaction with interested party of more than S$100,000 (as set out in the Singapore Exchange Securities Trading Limited's Listing Manual) in FY2019.

Provision 10.2 (Composition of AC)

The AC comprises Mr. Chua Keng Hiang as Chairman, and Mr. Teo Kiang Kok and Ms. Queeny Ho as members, all of whom are non-executive Directors. Mr. Chua Keng Hiang and Mr. Teo Kiang Kok are also independent Directors. Mr. Chua Keng Hiang is a practicing public accountant with more than 30 years of accounting and auditing experience. Mr. Teo Kiang Kok, a senior lawyer, was a partner of Shook Lin and Bok LLP ("SLB"), a firm of advocates and solicitors, from 1987 to 2011 and is currently SLB's senior consultant. His main areas of practice are corporate finance, international finance and securities. Mr. Teo was for many years the Finance Partner of SLB. Ms. Queeny Ho was a director of Jadason Enterprises (HK) Limited from July 1980 to January 2003. The Board is of the view that members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements by attending external seminars. The AC members are also briefed by the external auditors on such changes.

The AC discusses with Management regularly on the progress of major initiatives and significant financial reporting issues. It has power to investigate any matter within its terms of reference, having full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to discharge its functions properly.

Provision 10.3

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

Provision 10.4 (Internal audit function)

For FY2019, the internal audit function of the Group is outsourced to Yang Lee & Associates. The internal auditors report primarily to the AC, and has unrestricted access to the documents, records, properties and personnel of the Group.

Provision 10.5 (Meeting with external auditors and internal auditors)

The AC has met with the external auditors, Ernst & Young LLP, without the presence of the Company's Management, to review the results for FY2019 and the audit observations arising from the audit of the financial statements for FY2019. The AC has also met with the internal auditors (see Provision 10.4) without the presence of Management in February 2020, to review any matters which might be raised.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

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

Provisions 11.1 and 11.2 (Conduct of general meetings)

To encourage shareholder participation, the Company holds its AGM at a central location in Singapore. The rules, including voting procedures, that govern general meetings of shareholders, are explained by a representative from the independent scrutineer firm appointed at the general meeting.

All the resolutions at the AGM are single item resolutions and are put to vote by poll, conducted in the presence of independent scrutineers. The results showing the number of votes cast for and against each resolution and the respective percentages are announced immediately at the AGM and through SGXNET.

Provision 11.3 (Interaction with shareholders)

The AGM of the Company provides shareholders with the opportunity to air their views and ask Directors, chairpersons of each Board committees and Management questions regarding the Group. The Directors were all present at the last AGM. Subject to measures and travel restrictions implemented by various authorities to contain the Covid-19 pandemic, the Directors will endeavour to be present at the forthcoming FY2019 AGM.

The external auditors are also present at the AGM to address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

Provision 11.4 (Participation of shareholders)

All shareholders of the Company receive the annual report and notice of the AGM. The notice of the AGM is also published in the Business Times and posted onto the SGXNET.

The Company's constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in his place at general meetings. The Companies Act has been amended to allow 'relevant intermediaries' to appoint more than two proxies, so that shareholders who hold shares through these relevant intermediaries can attend and participate in general meetings as proxies. Relevant intermediaries include licensed corporations which provide nominee / custodial services and the Central Provident Fund ("CPF") Board. Hence, indirect investors, including CPF investors, can be appointed as proxies to participate in shareholders' meetings.

For the time being, the Company has decided not to allow for absentia voting at AGM due to concern over the authentication of shareholders' identity.

Provision 11.5 (Minutes of general meetings)

The Company prepares minutes of general meetings that include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

Provision 11.6 (Dividend policy)

The Group does not have a fixed dividend policy as the nature of its business is cyclical and volatile. A downturn in the overall electronics sector could negatively affect the performance of the Group. However, the Directors are aware of the need to reward shareholders, and will recommend payment of dividends after considering the financial performance and cash flow needs of the Group.

In view of the challenging market conditions, the Board has decided to remain prudent and does not recommend the payment of dividend for the year ended 31 December 2019.

Engagement with shareholders
Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3 (Communication with shareholders)

The Group is committed to providing shareholders with adequate, timely and sufficient information regarding changes to the Group's business which could have a material impact on the Company's share price.

For FY2019, the Group provides shareholders with an assessment of its performance, position and prospects on a quarterly basis via quarterly announcements of results and other ad hoc announcements. Information on the Group's major new initiatives is also disseminated via SGXNET, followed by news release if necessary. The Company does not practise selective disclosure.

During AGMs, shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters.

To enhance our engagement with the investment community, the Company participated in the SGX StockFacts Research Programme. However, this programme was wound down in November 2019. The Company remains keen on research coverage and will work with research firms when the opportunity arises. When necessary and appropriate, the CEO meets analysts and fund managers who would like to have a better understanding of the business and operations of the Group.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders
Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1 and 13.2 (Engagement with stakeholder groups)

The identification of key stakeholders of the Group and the forms of engagement with them can be found in the Sustainability Report.

The materiality issues, covering environmental, social and governance, which are important to these stakeholders have also been determined. The key areas of focus in relation to the management of stakeholder relationships are described in the Sustainability Report.

Provision 13.3 (Corporate website)

As mentioned earlier, material information on the financial results and business activities of the Group is disclosed through SGXNET, followed by press release if necessary. The Group's website, www.jadason.com, also contains information on the Group which stakeholders can visit or use.

F. OTHER CORPORATE GOVERNANCE MATTERS

Dealings in securities

The Company observes the best practices on dealings in securities as recommended in the Listing Manual of the Singapore Exchange Securities Trading Limited. It has issued a policy to its Directors and officers setting out the guidance on dealings in the securities of the Company. Directors and employees of the Group are not allowed to deal in the Company's shares during the period commencing two weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of the results. Directors and officers are also expected to observe insider trading laws at all times, and are discouraged from dealing in the Company's securities on short-term considerations.

During FY2019, the Group issued reminders every quarter to the Directors and employees, informing them of the dates of the release of quarterly and/or annual results and advising them not to deal in the Company's securities during the window periods. Directors of the Company are required to report to the Company Secretary whenever they deal in the Company's securities within two business days.

The Directors' interests in shares of the Company are found on pages 34 and 35 of the Annual Report.

Material contracts

Except as disclosed in this report and in the Directors' Statement pertaining to share options, there are no other material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO or any Director or substantial shareholder.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Jadason Enterprises Ltd (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the Directors

In the opinion of the Directors,

(a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance of the business, and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended on that date; and

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

Directors

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

Queeny Ho	(Non-Executive Chairman)
Fung Chi Wai	(Chief Executive Officer)
Chua Keng Hiang	
Teo Kiang Kok	
Linna Hui Min	

In accordance with Article 89 of the Company's Articles of Association, Queeny Ho and Linna Hui Min retire and being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following Directors, 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, Cap. 50, an interest in the shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
The Company				
Jadason Enterprises Ltd				
(Ordinary shares)				
Queeny Ho	236,000,000	236,000,000	–	–
Fung Chi Wai	32,700,000	32,700,000	–	–
Chua Keng Hiang	8,500,000	8,500,000	–	–
Linna Hui Min	8,380,000	8,380,000	–	–
(Options to subscribe for ordinary shares)				
Fung Chi Wai	3,000,000	–	–	–
Linna Hui Min	1,500,000	–	–	–
Chua Keng Hiang	1,000,000	–	–	–
Teo Kiang Kok	1,000,000	–	–	–

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

By virtue of Section 7 of the Singapore Companies Act, Queeny Ho is deemed to have interests in shares of the subsidiaries held by the Company.

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

Share options

The Company's employee share incentive plan, Jadason Share Option Scheme 2000 (the Scheme), was adopted in June 2000 for granting non-transferable options that were settled by physical delivery of the ordinary shares of the Company to eligible Directors and employees. Options were granted for a term of 10 years to purchase the Company's ordinary shares at not less than the market value of the shares at the date of grant.

The 10-year share option scheme expired in June 2010 and no options can be granted under the Scheme after June 2010. The expiration of the Scheme, however, did not affect the share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse. All employee share options lapsed during the year.

The committee administering the Jadason Share Option Scheme comprise three Directors, Queeny Ho, Fung Chi Wai and Chua Keng Hiang.

Share options (continued)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Jadason Share Option Scheme as at 31 December 2019 are as follows:

Date of grant	Balance at 1.1.2019	Granted	Exercised	Lapsed	Balance at 31.12.2019	Exercise price	Exercise period
16.09.2009	14,000,000	–	–	(14,000,000)	–	$0.10	16.09.2010 to 15.09.2019

Details of share options to subscribe for ordinary shares of the Company granted to Directors of the Group are as follows:

Name	Options granted during financial year	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options expired/ exercised since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Directors				
Queeny Ho #	–	3,700,000	(3,700,000)	–
Fung Chi Wai	–	6,700,000	(6,700,000)	–
Chua Keng Hiang	–	2,000,000	(2,000,000)	–
Teo Kiang Kok	–	1,000,000	(1,000,000)	–
Linna Hui Min	–	4,300,000	(4,300,000)	–

\# Ms Queeny Ho is a substantial shareholder of the Company.

Since the commencement of the Jadason Share Option Scheme till the end of the financial year:

- no options have been granted to the controlling shareholders of the Company and their associates, other than those mentioned above;
- no participant has received 5% or more of the total options available under the plans;
- no options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- no options have been granted at a discount.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and ensured the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's management to the external auditors;
- Reviewed the 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;

Audit Committee (continued)

- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management;
- Met with the internal and external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope, results and quality of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual.

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

The AC convened four meetings during the year with full attendance from all members except for Ms Queeny Ho who was absent at one of the meetings. The AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

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

Auditor

The independent auditor, Ernst & Young LLP, will not be seeking re-appointment and BDO LLP has been nominated to be the auditor for the ensuing year. The appointment of BDO LLP is subject to shareholders' approval at the forthcoming 2019 Annual General Meeting.

On behalf of the Board of Directors,

Fung Chi Wai
Director

Linna Hui Min
Director

Singapore
6 May 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jadason Enterprises Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the income statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company and consolidated cash flow statement 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, the balance sheet, income statement, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Expected credit losses for trade receivables

As at 31 December 2019, trade receivables amounted to $16,411,000 which represented 27% of the total assets on the consolidated balance sheet. The total allowance for expected credit loss ("ECL") and impairment of trade receivables amounted to $683,000 as at the end of the reporting period.

As trade receivables contribute a significant part of the Group's working capital, management assesses the collectability and impairment of trade debtors on an ongoing basis. The impairment assessment is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors or group of debtors and economic environment. In addition, the Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. Significant management judgement is required in the assessment on recoverability of the Group's outstanding receivables particularly in determining the credit impaired amount. In forming judgement, management takes into consideration historical payment trends, age of the outstanding balances, existence of disputes and other available information concerning trade debtors' creditworthiness. Given the significant management judgement involved, we determined this to be a key audit matter.

Key Audit Matters (continued)

Expected credit losses for trade receivables (continued)

Our audit procedures included, but were not limited to, the following procedures. We obtained an understanding of management's processes relating to the monitoring of trade receivables, including the process in determining whether a debtor is credit-impaired. We reviewed the aging of receivables to identify potential collectability issues and requested trade receivables confirmations. Where applicable, we reviewed management's reconciliations of confirmation replies and obtained evidence of receipts from selected trade debtors subsequent to financial year end. We reviewed the reasonableness of the management's assumptions used to develop the provision matrix, through analyses of ageing of trade receivables and historical credit loss experience, assessment of material overdue individual trade receivables, and comparison to forward-looking macroeconomic factors affecting the recoverability of the trade receivables. In addition, we assessed the adequacy of the Group's disclosures of trade receivables and the related credit risk in Note 15 and Note 28 to the financial statements.

Allowance for obsolete inventories

As at 31 December 2019, the Group's total inventories amounted to $3,919,000, representing 11% of total current assets on the consolidated balance sheet. During the current financial year, the Group recognised allowance for obsolete inventories of $1,570,000, wrote back allowance for obsolete inventories of $169,000 and wrote-off inventories of $14,000. The Group is exposed to risk of obsolete inventories and records allowances against items which are obsolete or expected to be sold below cost. In estimating the amount of allowances for obsolete inventories, management takes into consideration factors such as expected market demand, technological advancements, age of the inventory and competitive pricing. Due to the significant level of management judgement involved, we determined this to be a key audit matter.

As part of our audit procedures, we attended and observed management's inventory counts and condition of inventories at selected locations where the Group's inventories were held and considered management's processes to identify obsolete inventories. Our procedures included testing the net realisable values of selected inventories by comparing their carrying amounts to the sales prices. In addition, we reviewed the inventory ageing of inventories and assessed the adequacy of disclosures related to inventories in Note 14 to the financial statements.

Impairment of property, plant and equipment

The carrying amount of the Group's property, plant and equipment as at 31 December 2019 amounted to $10,367,000, which represented 17% of the total assets on the consolidated balance sheet. The Group assessed that there are indicators of impairment relating to property, plant and equipment held by certain subsidiaries and performed an impairment assessment for these property, plant and equipment. Arising from this assessment, the Group recorded impairment loss of $5,382,000 for property, plant and equipment. The impairment assessment involves significant judgements and estimates in the determination of their recoverable amount, in particular those relating to gross margin, growth rates as well as overall market and economic conditions of the industry. Due to the significance of the impairment loss amount recognised during the year and the judgement involved in the impairment assessment, we considered this to be a key audit matter.

Our audit procedures included, amongst others, assessing the appropriateness of management's assumptions applied in the value-in-use model, which included obtaining an understanding of management's planned strategy on revenue growth, gross profit margin and cost initiatives. In addition, given the complexity of the valuation, we involved our internal valuation specialists to assist us in reviewing the discount rate and terminal growth rate used by management. We further assessed the adequacy of the disclosures in the financial statements in Note 3.2 and Note 10 of the financial statements.

Key Audit Matters (continued)

Impairment of investments in China subsidiaries

As at 31 December 2019, the Company's investments in subsidiaries amounted to $33,666,000, which represented 91% of the total assets on the Company's balance sheet. Included in this amount is investments in China subsidiaries of $29,384,000, after recording an impairment loss of $21,855,000 during the current financial year. The carrying amounts of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and, if there are such indicators present, an estimate is made of the recoverable amounts of the investments.

In estimating the recoverable amounts of investment in subsidiaries, management prepares value-in-use calculations to determine the recoverable amount of the cash generating units ("CGUs") for comparison against the cost of investment. Any shortfall of the recoverable values against the carrying amounts will be recognised as impairment losses. Value-in-use calculations are based on cash flow forecasts of the CGUs, which requires management to make significant judgement and estimates relating to budgeted gross margin, revenue, terminal growth rate and discount rate. Thus, we determined this to be a key audit matter.

Our audit procedures included, amongst others, evaluating management's assumptions applied in preparing the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for the CGUs. Given the complexity of the valuation, we involved our internal valuation specialists to assist us in reviewing the reasonableness of the discount rate and terminal growth rate used by management. In addition, we reviewed management's calculation of the present value of cash flows in the value-in-use computations.

We also assessed the adequacy of the relevant note disclosures in the financial statements. The related disclosures are included in Note 13 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3.2 to the financial statements.

Other Information

Management is responsible for the other information. The other information 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.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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.

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.

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

6 May 2020

INCOME STATEMENTS

For the financial year ended 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Revenue	4	44,252	54,787	10,248	8,154
Cost of sales		(42,044)	(44,450)	(8,924)	(6,987)
Gross profit		2,208	10,337	1,324	1,167
Other income	5	439	1,482	105	57
Selling and distribution expenses		(1,635)	(1,891)	(186)	(272)
Administrative expenses		(9,314)	(9,875)	(2,457)	(2,381)
Impairment loss on financial assets		(105)	(223)	(4)	(26)
Finance costs	6	(1,063)	(224)	(134)	(110)
Other expenses	5	(5,461)	(384)	(22,052)	(675)
Loss before taxation	7	(14,931)	(778)	(23,404)	(2,240)
Income tax (expense)/credit	8	(73)	(566)	–	16
Loss for the year		(15,004)	(1,344)	(23,404)	(2,224)
Attributable to:					
Owners of the Company		(15,004)	(1,344)	(23,404)	(2,224)
Basic loss per share (cents)	9	(2.08)	(0.19)		
Diluted loss per share (cents)	9	(2.08)	(0.19)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Loss for the year	(15,004)	(1,344)	(23,404)	(2,224)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(926)	(1,538)	–	1
Other comprehensive income for the financial year, net of tax	(926)	(1,538)	–	1
Total comprehensive income for the financial year	(15,930)	(2,882)	(23,404)	(2,223)
Total comprehensive income attributable to:				
Owners of the Company	(15,930)	(2,882)	(23,404)	(2,223)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2019

	Note	Group 31.12.2019 $'000	Group 31.12.2018 $'000	Company 31.12.2019 $'000	Company 31.12.2018 $'000
Non-current assets					
Property, plant and equipment	10	10,367	17,344	31	81
Right-of-use assets - land use rights	11	404	431	–	–
Right-of-use assets	12(a)	12,972	–	93	–
Investments in subsidiaries	13	–	–	33,666	55,619
		23,743	17,775	33,790	55,700
Current assets					
Inventories	14	3,919	6,665	345	958
Trade and other receivables	15	21,804	29,442	1,842	2,307
Prepayments		124	256	32	65
Cash and cash equivalents	16	11,233	10,706	810	686
Tax recoverable		206	–	–	–
		37,286	47,069	3,029	4,016
Total assets		61,029	64,844	36,819	59,716
Current liabilities					
Trade and other payables	17	10,619	12,884	7,939	7,433
Trust receipts	18	2,114	1,563	1,480	1,563
Lease liabilities	12(b)	2,318	–	77	–
Finance leases	19	–	1	–	–
Interest-bearing loans and borrowings	20	1,000	1,000	1,000	1,000
Income tax payable		269	363	–	–
		16,320	15,811	10,496	9,996
Net current assets/(liabilities)		20,966	31,258	(7,467)	(5,980)
Non-current liabilities					
Lease liabilities	12(b)	11,610	–	7	–
Finance leases	19	–	3	–	–
Provision for long service payment	21	161	162	–	–
		11,771	165	7	–
Total liabilities		28,091	15,976	10,503	9,996
Net assets		32,938	48,868	26,316	49,720
Equity attributable to owners of the Company					
Share capital	22(a)	50,197	50,197	50,197	50,197
Treasury shares	22(b)	(307)	(307)	(307)	(307)
Reserves	24	(16,952)	(1,022)	(23,574)	(170)
Total equity		32,938	48,868	26,316	49,720

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital	Treasury shares	Employee share option reserve	Foreign currency translation reserve	Reserve and enterprise expansion funds	Accumulated losses	Total reserves	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2019								
Balance at 1 January 2019	50,197	(307)	1,280	(3,923)	5,711	(4,090)	(1,022)	48,868
Loss for the financial year	–	–	–	–	–	(15,004)	(15,004)	(15,004)
Other comprehensive income								
Foreign currency translation	–	–	–	(926)	–	–	(926)	(926)
Total comprehensive income for the financial year	–	–	–	(926)	–	(15,004)	(15,930)	(15,930)
Expiry of shares options	–	–	(1,280)	–	–	1,280	–	–
Balance at 31 December 2019	50,197	(307)	–	(4,849)	5,711	(17,814)	(16,952)	32,938
2018								
Balance at 1 January 2018 (FRS Framework)	50,197	(307)	1,280	(2,385)	5,711	(2,623)	1,983	51,873
Effect on adoption of SFRS(I) 9	–	–	–	–	–	(123)	(123)	(123)
Balance at 1 January 2018 (SFRS(I) Framework)	50,197	(307)	1,280	(2,385)	5,711	(2,746)	1,860	51,750
Loss for the financial year	–	–	–	–	–	(1,344)	(1,344)	(1,344)
Other comprehensive income								
Foreign currency translation	–	–	–	(1,538)	–	–	(1,538)	(1,538)
Total comprehensive income for the financial year	–	–	–	(1,538)	–	(1,344)	(2,882)	(2,882)
Balance at 31 December 2018	50,197	(307)	1,280	(3,923)	5,711	(4,090)	(1,022)	48,868

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital $'000	Treasury shares $'000	Employee share option reserve $'000	Foreign currency translation reserve $'000	Retained earnings/ (accumulated losses) $'000	Total reserves $'000	Total equity $'000
Company							
2019							
Balance at 1 January 2019	50,197	(307)	1,280	(81)	(1,369)	(170)	49,720
Loss for the financial year	–	–	–	–	(23,404)	(23,404)	(23,404)
Total comprehensive income for the financial year	–	–	–	–	(23,404)	(23,404)	(23,404)
Expiry of shares options	–	–	(1,280)	–	1,280	–	–
Balance at 31 December 2019	50,197	(307)	–	(81)	(23,493)	(23,574)	26,316
2018							
Balance at 1 January 2018	50,197	(307)	1,280	(82)	855	2,053	51,943
Loss for the financial year	–	–	–	–	(2,224)	(2,224)	(2,224)
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	–	1	–	1	1
Total comprehensive income for the financial year	–	–	–	1	(2,224)	(2,223)	(2,223)
Balance at 31 December 2018	50,197	(307)	1,280	(81)	(1,369)	(170)	49,720

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities:			
Loss before taxation		(14,931)	(778)
Adjustments for:			
Bad debts written off	7	–	64
Allowance for inventories	14	1,570	–
Impairment loss on financial assets	15	105	223
Depreciation of right-of-use assets	12	2,998	–
Depreciation of property, plant and equipment	10	1,791	1,852
Amortisation of right-of-use assets - land use rights	11	17	18
Interest expense	6	1,063	224
Interest income	5	(73)	(37)
Loss on disposal of property, plant and equipment	5	4	12
Write-off of property, plant and equipment	10	9	205
Write-back of inventories	14	(169)	(233)
Provision for long service payment	21	–	65
Write-off of inventories	14	14	3
Impairment loss on property, plant and equipment	10	5,382	–
Unrealised exchange loss		16	162
Operating cash flows before changes in working capital		(2,204)	1,780
Changes in working capital			
Trade and other receivables		6,998	7,952
Prepayments		132	234
Inventories		1,331	195
Trade and other payables		(2,107)	(2,972)
Trust receipts		551	(630)
Cash flows generated from operations		4,701	6,559
Interest received		73	37
Interest paid		(79)	(183)
Income tax paid		(160)	(219)
Net cash flows generated from operating activities		4,535	6,194
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(574)	(1,882)
Proceeds from disposal of property, plant and equipment		23	–
Net cash flows used in investing activities		(551)	(1,882)
Cash flows from financing activities:			
Proceeds from interest-bearing loans and borrowings		527	508
Repayment of interest-bearing loans and borrowings		(527)	(508)
Repayment of principal portion of lease liabilities		(2,271)	(8)
Interest paid on interest-bearing loans and borrowings		(46)	(41)
Interest paid on lease arrangements		(938)	–
Net cash flows used in financing activities		(3,255)	(49)
Net increase in cash and cash equivalents		729	4,263
Cash and cash equivalents at beginning of the financial year		10,706	6,631
Effects of exchange rate changes on cash and cash equivalents		(202)	(188)
Cash and cash equivalents at end of the financial year	16	11,233	10,706

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Jadason Enterprises Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX – ST).

The registered office and principal place of business of the Company is located at 3 Kaki Bukit Crescent #03-01, Singapore 416237.

The principal activities of the Company are those of an investment holding company and distribution of machines and materials for the Printed Circuit Board ("PCB") and semi-conductor industries.

The Company also operates through Jadason Enterprises Ltd, Taiwan Branch (the "Branch") in the Republic of China. The principal activities of the Branch are the promotion of sales and rendering of after-sales service and maintenance.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *New accounting standards effective on 1 January 2019*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 as described below, the adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this approach, comparative information is not restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application. The Group also elected to apply the recognition exemptions to lease contracts that have a lease term of 12 months or less from the date of initial application and do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

2. Summary of significant accounting policies (continued)

2.2 New accounting standards effective on 1 January 2019 (continued)

SFRS(I) 16 *Leases* (continued)

The Group has lease contracts for office and factory premises and office equipment. Before the adoption of SFRS(I) 16, the Group classified its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.17(b) to the financial statements for the accounting policy over leases prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) **Leases previously classified as finance leases**

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

(b) **Leases previously accounted for as operating leases**

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on an amount equal to the lease liabilities at the date of initial application, 1 January 2019, adjusted for previously recognised prepaid or accrued lease payment. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and there is no significant impact to opening retained earnings.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- right-of-use assets $16,083,000 were recognised and presented separately in the statement of financial position; and
- additional lease liabilities of $16,323,000 were recognised.

2. Summary of significant accounting policies (continued)

2.2 *New accounting standards effective on 1 January 2019 (continued)*

SFRS(I) 16 *Leases* (continued)

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

	Group $'000	Company $'000
Operating lease commitments at 31 December 2018	10,676	294
Less:		
Commitments relating to leases of low-value assets	(91)	–
Add:		
Lease payments relating to renewal period, not included in operating lease commitments as at 31 December 2018	9,587	12
	20,172	306
Weighted average incremental borrowing rate as at 1 January 2019	6.10%	5%
Discounted operating lease commitments as at 1 January 2019	16,323	261
Add:		
Commitments relating to leases previously classified as finance leases	4	–
Lease liabilities as at 1 January 2019	16,327	261

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations

(a) ***Basis of consolidation***

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(b) ***Business combinations***

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability, will be recognised in profit or loss.

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

2.5 Foreign currency

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

(a) ***Transactions and balances***

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Foreign currency (continued)

(b) ***Consolidated financial statements***

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold building	-	20 - 35 years
Leasehold improvements	-	10 - 35 years
Furniture, fittings and office equipment	-	3 - 10 years
Motor vehicles	-	6 years
Plant and machinery	-	6 - 10 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.7 Right-of-use assets - land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 45.5 years.

2. Summary of significant accounting policies (continued)

2.8 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.9 *Subsidiaries*

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

(a) ***Financial assets (continued)***

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

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

(ii) Fair value through other comprehensive income (FVOCI)

Financial 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. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

(b) ***Financial liabilities (continued)***

Subsequent measurement

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

Derecognition

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

2.11 Impairment of financial assets

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

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

2.13 *Inventories*

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

- Raw materials: purchase costs on a weighted average basis.

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

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 *Provisions*

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.16 *Employee benefits*

(a) ***Defined contribution plans***

<u>Singapore</u>

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

<u>The People's Republic of China ("PRC")</u>

The subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The above contributions are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.16 *Employee benefits (continued)*

(b) ***Employee leave entitlement***

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 reporting period is recognised for services rendered by employees up to the end of the reporting period.

(c) ***Employee share option plans***

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted after 22 November 2002 is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

(d) ***Provision for long service payment***

One of the Group's subsidiaries participated in the Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and its eligible employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

2.17 *Leases*

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

The accounting policies described below in Note 2.17(a) are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

(a) ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

2. Summary of significant accounting policies (continued)

2.17 *Leases (continued)*

(a) ***Group as a lessee (continued)***

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group, as a lessee, incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office and factory premises	-	2 - 9.25 years
Office equipment	-	5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment in accordance with the accounting policy disclosed in Note 2.8 to the financial statements.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.17 *Leases (continued)*

The accounting policies described below in Note 2.17(b) are applied before the initial application date of SFRS(I) 16, 1 January 2019:

(b) ***Group as a lessee***

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or services. 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.

(a) ***Sale of goods and rendering of services***

The Group supplies equipment, spare parts and materials for the Printed Circuit Board ("PCB") and semi-conductor industries as well as rendering services such as PCB drilling, PCB mass lamination and repair and maintenance of machines.

Revenue is recognised when the goods are delivered or services are rendered to the customer and all criteria for acceptance has been satisfied. An estimated transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods and services, net of the estimated volume discounts and adjusted for expected returns.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

(c) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.19 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

2. Summary of significant accounting policies (continued)

2.19 *Taxes (continued)*

(a) ***Current income tax (continued)***

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (continued)

2.19 *Taxes (continued)*

(c) ***Sales tax***

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

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 *Government grants and subsidies*

Government grants and subsidies are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants and subsidies are presented in profit or loss under "Other income".

2.21 *Segment reporting*

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

2.22 *Share capital and share issue expenses*

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

2.23 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 *Contingencies*

A contingent liability is:

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

2. Summary of significant accounting policies (continued)

2.24 *Contingencies (continued)*

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

(a) ***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses and capital allowances 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 timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses and capital allowances. Further details of unused tax losses and capital allowances are detailed in Note 8 to the financial statements.

(b) ***Determining the lease term of contracts with termination options – Group as lessee***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease or to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise extension or termination. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend or terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty

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

(a) ***Expected credit losses for trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due by customer groups.

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

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 information about the ECLs on the Group's trade receivables is disclosed in Note 28(a).

The carrying amount of trade receivables as at 31 December 2019 is $16,411,000 (31 December 2018: $20,842,000).

(b) ***Allowance for obsolete inventories***

The Group periodically assesses the allowance for inventory obsolescence. When inventories are deemed obsolete or when the net realisable value falls below cost, the amount of obsolete or fall in value is recognised as an impairment against the inventory balance. To determine whether there is objective evidence of impairment, the Group considers factors such as future market demand, pricing competition and technological advances. Any possible changes in these estimates could result in revision to the valuation of inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 14 to the financial statements.

(c) ***Income taxes***

The Group has exposure to income taxes in several jurisdictions. Estimation uncertainty is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax recoverable and income tax payable at the end of the reporting period was $206,000 (31 December 2018: Nil) and $269,000 (31 December 2018: $363,000), respectively.

3. Significant accounting judgements and estimates (continued)

3.2 *Key sources of estimation uncertainty (continued)*

(d) ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for non-financial assets at each reporting date.

An impairment exists when the carrying value of non-financial assets exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. Further details of the key assumptions applied in the impairment assessment of non-financial assets, are detailed in Note 10 and Note 13 to the financial statements.

4. Revenue

	Sale of goods		Service income		Total revenue	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Primary geographical markets						
Singapore	5,901	5,577	630	668	6,531	6,245
The People's Republic of China	11,448	12,104	22,015	32,988	33,463	45,092
Others	2,842	1,700	1,416	1,750	4,258	3,450
	20,191	19,381	24,061	35,406	44,252	54,787
Timing of transfer of goods or service						
At a point in time	20,191	19,381	24,061	35,406	44,252	54,787
Company						
Primary geographical markets						
Singapore	5,901	5,430	630	668	6,531	6,098
The People's Republic of China	724	15	127	251	851	266
Others	2,518	1,234	348	556	2,866	1,790
	9,143	6,679	1,105	1,475	10,248	8,154
Timing of transfer of goods or service						
At a point in time	9,143	6,679	1,105	1,475	10,248	8,154

5. Other income/(expenses)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Other income comprise:				
Foreign exchange gain, net	–	–	62	–
Interest income from financial institutions	73	37	–	–
Income from scrap sales	295	998	–	–
Income from government subsidies*	61	64	2	18
Net compensation from insurance	–	288	–	–
Sundry income	10	95	41	39
	439	1,482	105	57
Other expenses comprise:				
Foreign exchange loss, net	(75)	(372)	–	(123)
Impairment loss on property, plant and equipment	(5,382)	–	–	–
Impairment loss on investment in subsidiaries	–	–	(21,953)	(427)
Impairment loss on amount due from subsidiaries	–	–	(99)	(125)
Loss on disposal of property, plant and equipment	(4)	(12)	–	–
	(5,461)	(384)	(22,052)	(675)

* Government subsidies from Singapore and The People's Republic of China mainly comprise Special Employment Credit, Productivity and Innovation Credit Scheme, Wage Credit Scheme, government grants for trading of goods and services and labour incentives grant.

6. Finance costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Interest expense on:				
Bank borrowings	46	41	46	41
Lease liabilities	938	–	8	–
Other borrowings	79	183	80	69
	1,063	224	134	110

7. Loss before taxation

The following items have been included in arriving at loss before taxation:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Depreciation of right-of-use assets	2,998	–	211	–
Depreciation of property, plant and equipment	1,791	1,852	32	67
Write-off of property, plant and equipment	9	205	–	–
Amortisation of right-of-use assets - land use rights	17	18	–	–
Directors' fees	150	150	150	150
Write-back of inventories	(169)	(233)	(2)	(5)
Write-off of inventories	14	3	–	3
Allowance for inventories	1,570	–	–	–
Impairment loss on financial assets	105	223	4	26
Bad debts written off	–	64	–	64
Operating lease expense	156	3,421	1	208
Audit fees:				
- Auditors of the Company	88	89	83	83
- Affiliates of auditors of the Company	97	98	–	–
- Other auditors	57	57	–	–
Non-audit fees:				
- Other auditors	7	7	–	–
Total audit and non-audit fees	249	251	83	83

8. Income tax expense/(credit)

(a) ***Major components of income tax expense***

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current income tax:				
Current tax	33	547	–	–
Under provision in respect of prior years	40	35	–	–
Deferred income tax:				
Origination and reversal of temporary differences	–	(16)	–	(16)
	73	566	–	(16)

8. Income tax expense/(credit) (continued)

(b) ***Relationship between tax expense and accounting loss***

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Loss before taxation	(14,931)	(778)	(23,404)	(2,240)
Tax at the statutory rate of 17% (2018: 17%)	(2,538)	(132)	(3,979)	(381)
Tax effects of expenses not deductible for tax purposes	1,807	48	3,762	131
Tax effect of income not subject to tax	–	(57)	–	(2)
Deferred tax assets not recognised	1,875	824	217	252
Utilisation of deferred tax assets previously not recognised	–	(181)	–	–
Differences in tax rates of other countries	(1,111)	21	–	–
Under provision in respect of prior years	40	35	–	–
Others	–	8	–	(16)
Income tax expense/(credit) recognised in profit or loss	73	566	–	(16)

The corporate income tax rate applicable to the Company was 17% (2018: 17%). The corporate income tax rates applicable to The People's Republic of China, Malaysia and Hong Kong subsidiaries of the Group were 25% (2018: 25%), 24% (2018: 24%) and 16.5% (2018: 16.5%) respectively.

As at 31 December 2019, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately $39,729,000 (2018: $31,925,000) which are available for set-off against future taxable profits for which no deferred tax is recognised due to uncertainty of its recoverability. As at 31 December 2019, the Company has unutilised tax losses and unabsorbed capital allowances amounting to approximately $13,138,000 (2018: $11,783,000). The use of these tax losses and capital allowances is subject to agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing loss for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing loss for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2019	**2018**
	$'000	$'000
Loss for the year attributable to owners of the Company used in computation of basic and diluted earnings per share	(15,004)	(1,344)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	722,395	722,395
Dilutive effect of share options	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	722,395	722,395

Share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive since the exercise price is above transaction price. All share options lapsed during the year.

10. Property, plant and equipment

Group	Leasehold building	Leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 January 2018	1,764	10,421	2,799	1,684	98,013	114,681
Net exchange differences	(61)	(445)	(25)	(20)	(3,666)	(4,217)
Additions	415	13	97	60	1,297	1,882
Disposals	(25)	–	–	–	(7)	(32)
Write-off	–	(148)	(25)	–	(671)	(844)
At 31 December 2018 and 1 January 2019	2,093	9,841	2,846	1,724	94,966	111,470
Net exchange differences	(65)	(317)	(36)	(23)	(2,646)	(3,087)
Additions	–	173	18	–	383	574
Disposals	–	–	(6)	(256)	–	(262)
Write-off	–	–	(16)	–	(12)	(28)
At 31 December 2019	2,028	9,697	2,806	1,445	92,691	108,667
Accumulated depreciation and impairment loss:						
At 1 January 2018	1,269	6,943	2,702	1,416	84,179	96,509
Net exchange differences	(47)	(238)	(39)	(16)	(3,236)	(3,576)
Charge for the year	128	457	111	101	1,055	1,852
Disposals	(13)	–	–	–	(7)	(20)
Write-off	–	(84)	(24)	–	(531)	(639)
At 31 December 2018 and 1 January 2019	1,337	7,078	2,750	1,501	81,460	94,126
Net exchange differences	(37)	(240)	(39)	(21)	(2,408)	(2,745)
Charge for the year	125	483	82	49	1,052	1,791
Impairment loss for the year	–	1,690	7	–	3,685	5,382
Disposals	–	–	(6)	(229)	–	(235)
Write-off	–	–	(11)	–	(8)	(19)
At 31 December 2019	1,425	9,011	2,783	1,300	83,781	98,300
Net carrying amount:						
At 31 December 2018	756	2,763	96	223	13,506	17,344
At 31 December 2019	603	686	23	145	8,910	10,367

10. Property, plant and equipment (continued)

Company	Leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2018	160	689	540	993	2,382
Additions	–	7	–	–	7
Write-off	–	(5)	–	–	(5)
At 31 December 2018 and 1 January 2019	160	691	540	993	2,384
Additions	–	4	–	–	4
Disposals	–	–	(220)	–	(220)
At 31 December 2019	160	695	320	993	2,168
Accumulated depreciation:					
At 1 January 2018	155	624	473	989	2,241
Charge for the year	2	32	31	2	67
Write-off	–	(5)	–	–	(5)
At 31 December 2018 and 1 January 2019	157	651	504	991	2,303
Charge for the year	2	14	14	2	32
Disposals	–	–	(198)	–	(198)
At 31 December 2019	159	665	320	993	2,137
Net carrying amount:					
At 31 December 2018	3	40	36	2	81
At 31 December 2019	1	30	–	–	31

<u>Assets held in trust</u>

The carrying amount of motor vehicles of the Group and Company held in trust by certain employees at the end of the reporting period was $Nil (2018: $36,000).

<u>Assets held under finance leases</u>

As at 31 December 2018, the carrying amount of office equipment of the Group held under finance leases at the end of the reporting period were $5,000.

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

10. Property, plant and equipment (continued)

Impairment testing on property, plant and equipment

As at 31 December 2019, the Group carried out an impairment testing of the recoverable amounts of its property, plant and equipment due to the unfavorable market conditions in the PCB and semi-conductor industries.

As part of the impairment testing, the carrying amounts of the property, plant and equipment are compared to the recoverable amounts, which is the higher of the value-in-use or fair value less disposal cost model. These assets are reviewed, either on a stand-alone basis or as part of a wider cash generating units ("CGU") for impairment.

Based on the assessment, an impairment loss of $5,382,000 (2018: Nil) was recognised in "Other expenses" (Note 5) line item of the income statement of the Group for the financial year ended 31 December 2019.

Further details of the key assumptions applied in the impairment assessment are detailed in Note 13 to the financial statements.

Leasehold building

Details of the leasehold building held by the Group as at 31 December 2019 and 2018 are set out below:

Company	Location	Description	Area	Tenure
Jadason Electronics (Suzhou) Co., Ltd	Unit 42 Huoju Road, Suzhou New District, People's Republic of China	Leasehold factory and office buildings	Land 10,417 m^2	Lease term of 45.5 years from October 2004

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the useful life of plant and machinery, with all other variables held constant:

	(Increase)/ decrease in loss before tax 2019 $'000	(Increase)/ decrease in loss before tax 2018 $'000
Useful life - increased by 2 years	305	200
Useful life - decreased by 2 years	(149)	(197)

11. Right-of-use assets - land use rights

	Group	
	2019	**2018**
	$'000	$'000
Cost:		
At 1 January	674	698
Net exchange differences	(17)	(24)
At 31 December	657	674

11. Right-of-use assets - land use rights (continued)

	Group 2019 $'000	Group 2018 $'000
Accumulated amortisation:		
At 1 January	243	234
Net exchange differences	(7)	(9)
Charge for the year	17	18
At 31 December	253	243
Net carrying amount	404	431
Amount to be amortised:		
- Not later than one year	17	21
- Later than one year but not later than five years	68	84
- Later than five years	319	326

The Group has land use rights over a plot of state-owned land in The People's Republic of China where Jadason Electronics (Suzhou) Co., Ltd resides. The land use rights are transferable and have a remaining tenure of 30.5 years (2018: 31.5 years).

12. Leases

As a lessee, the Group has lease contracts for office and factory premises and office equipment. These leases have lease terms of 2 to 9.25 years.

The Group also has certain leases for office premises and office equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

(a) **Right-of-use assets**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year ended 31 December 2019:

	Office and factory premises $'000	Office equipment $'000	Total $'000
Group			
At 1 January 2019	16,073	10	16,083
Additions	237	–	237
Depreciation	(2,995)	(3)	(2,998)
Net exchange differences	(350)	–	(350)
At 31 December 2019	12,965	7	12,972
Company			
At 1 January 2019	294	10	304
Depreciation	(208)	(3)	(211)
At 31 December 2019	86	7	93

12. Leases (continued)

(b) **Lease liabilities**

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December 2019:

	Group 2019 $'000	Company 2019 $'000
At 1 January	16,327	261
Additions	237	–
Accretion of interest	938	8
Payments	(3,209)	(185)
Net exchange differences	(365)	–
At 31 December	13,928	84
Current	2,318	77
Non-current	11,610	7
At 31 December	13,928	84

(c) **Amounts recognised in profit or loss**

The following are the amounts recognised in profit or loss:

	Group 2019 $'000	Company 2019 $'000
Depreciation of right-of-use assets	2,998	211
Finance costs on lease liabilities	938	8
Expenses relating to short-term leases and low value leases	156	1
Total amounts recognised in profit or loss	4,092	220

(d) **Total cash outflow**

The Group had total cash outflows for leases of $3,209,000 for the year ended 31 December 2019. The Group also had total cashflow relating to short-term leases and low value leases of $156,000. Non-cash additions to right-of-use assets and lease liabilities amounted to $237,000 for the year ended 31 December 2019. There is no future cash outflow relating to leases that have not yet commenced.

(e) **Termination options**

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

13. Investments in subsidiaries

	Company	
	31.12.2019	31.12.2018
	$'000	$'000
Unquoted equity shares, at cost	57,211	57,211
Impairment loss on investment in subsidiaries	(23,545)	(1,592)
Unquoted equity shares, at cost	33,666	55,619

Details of subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2019 %	Proportion of ownership interest 31.12.2018 %
Held by the Company				
Jadason Enterprises (HK) Limited [1]	Hong Kong	Distribution of equipment and supplies and provision of support services to the PCB and semiconductor industries.	100	100
Jadason Engineering Sdn Bhd [2]	Malaysia	Provision of drilling and resharpening services and distribution of supplies to the PCB industry.	100	100
Jadason Enterprises (Thailand) Limited [3]	Thailand	Installation of machines and provision of support services to the PCB and semiconductor industries.	100	100
Jadason Electronics (Suzhou) Co., Ltd [4],[8]	The People's Republic of China	Manufacturing, trading and provision of services to the PCB and semiconductor industries.	100	100
Jadason Scientific (Shanghai) Co., Ltd [5],[8]	The People's Republic of China	Trading and distribution of equipment, supplies and materials to the PCB industry.	100	100
Jadason Enterprises (Japan) Limited [6]	Japan	Provision of sales support and procurement services.	100	100
Jadason PCB Materials (Dongguan) Ltd [7],[8]	The People's Republic of China	Mass lamination of printed circuit boards.	100	100
Jadason Electronics (Dongguan) Ltd [7],[8]	The People's Republic of China	Provision of drilling services to the PCB and semiconductor industries.	100	100
Jadason Scientific (Dongguan) Ltd [7]	The People's Republic of China	Assembly of laser photoplotters, exposure machines and other PCB equipment for the PCB industry.	100	100
Infinite Graphics Pte Ltd [9]	Singapore	Trading of large format photo masks. The company is dormant.	100	100

13. Investments in subsidiaries (continued)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2019 %	31.12.2018 %
Held by Jadason Enterprises (HK) Limited				
Jadason Test Limited [(1)]	Hong Kong	Provision of machinery installation and maintenance services for PCB manufacturers. The company is dormant.	100	100
CymbolicTech Company Limited [(1)]	Hong Kong	Manufacturing and trading of machinery. The company is dormant.	100	100
Jadason Microelectronics (Dongguan) Ltd [(7),(8)]	The People's Republic of China	Provision of drilling services to the PCB and semiconductor industries.	100	100
Held by CymbolicTech Company Limited				
Jadason Electronics Equipment (Dongguan) Ltd	The People's Republic of China	Production and distribution of wet process equipment. The company is dormant and has applied for de-registration.	100	100
Held by Jadason Test Limited				
Jadason Test (Suzhou) Limited [(4)]	The People's Republic of China	Provision of testing services for printed circuit boards. The company is dormant.	100	100

(1) Audited by C K Yau & Partners CPA Limited

(2) Audited by member firm of Ernst & Young Global Limited in Malaysia

(3) Audited by KT&R Associate Partnership

(4) Audited by Suzhou Lixin Certified Public Accountants Co., Ltd.

(5) Audited by Shanghai Nexia TS Certified Public Accountants for statutory audit

(6) Not required to be audited by the law of country of incorporation

(7) Audited by Dongguan Peanal Certified Public Accountants Co., Ltd. for statutory audit

(8) Audited by member firm of Ernst & Young Global Limited in China for group reporting

(9) Audited by Ernst & Young LLP, Singapore

13. Investments in subsidiaries (continued)

(a) **Impairment loss on investment in subsidiaries**

As at 31 December 2019, the Group carried out an assessment on whether there are any indicators of impairment for its investment in subsidiaries. The Group identified each subsidiary as one CGU, except for certain subsidiaries which are in similar business operations and whose cash flows and operations are largely interdependent.

The Group further carried out an impairment testing for CGUs with impairment indicators due to the unfavourable market conditions in the PCB and semi-conductor industries. The recoverable amount of each CGU was based on the higher of its value-in-use or fair value less cost of disposal. CGUs with impairment losses and key assumptions applied in the impairment assessments are as follows.

CGU A Jadason Electronics (Dongguan) Ltd and Jadason Microelectronics (Dongguan) Ltd

CGU B Jadason PCB Materials (Dongguan) Ltd

CGU C Jadason Engineering Sdn Bhd

CGU A and CGU B

The recoverable amounts of CGU A and CGU B were determined based on a value-in-use calculation using cash flow projections based on financial budgets covering 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2019
Growth rate	3%
Pre-tax discount rate	15%

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

*Budgeted revenue and gross margin*s - The budgeted revenue and gross margins are based on past performances and its expectations of market developments. This remained constant over the budget period and no major changes for the pricing are anticipated.

Growth rate - Management determined the growth rate based on past experience and its expectations of market developments.

Discount rate - Discount rate represents the current market assessment of the risks, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity.

Based on the assessment, the recoverable amounts of CGU A and CGU B were $16,121,000 and $6,847,000 respectively. Impairment losses of $6,928,000 and $14,927,000 were recognised on CGU A and CGU B respectively in “Other expenses” (Note 5) line item of the income statement of the Company for the financial year ended 31 December 2019.

13. Investments in subsidiaries (continued)

(a) Impairment loss on investment in subsidiaries (continued)

CGU C

The recoverable amount of CGU C was determined based on its fair value less cost of disposal ("FVLCOD"). The FVLCOD of CGU C was assessed to be its net assets, comprising monetary items which approximated their fair values. Impairment loss of $98,000 (2018: $427,000) was recognised in "Other expenses" (Note 5) line item of the income statement of the Company for the financial year ended 31 December 2019.

(b) Significant restrictions

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

Cash and cash equivalents of $7,688,000 (31 December 2018: $7,265,000) held in The People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being repatriated other than through dividends and trade related settlements.

14. Inventories

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	802	1,274	–	–
Finished goods	3,117	5,391	345	958
Total inventories at lower of cost and net realisable value	3,919	6,665	345	958
Income statement:				
Inventories recognised as an expense in cost of sales inclusive of the following charge:	27,593	26,612	8,907	6,934
- Inventories written-off	14	3	–	3
- Inventories written-back	(169)	(233)	(2)	(5)
- Allowance for inventories	1,570	–	–	–

The write-back of inventories was made as the related inventories were either utilised or sold above their carrying amounts.

15. Trade and other receivables

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	17,094	21,420	1,609	2,067
Less: Allowance for expected credit losses	(683)	(578)	(30)	(26)
	16,411	20,842	1,579	2,041
Bills receivables	4,722	8,319	–	–
Trade amount due from subsidiaries	–	–	4	4
Non-trade amount due from subsidiaries	–	–	8,128	8,043
Less: Allowance for impairment loss on amount due from subsidiaries	–	–	(7,926)	(7,827)
Deposits	174	103	43	43
Others	497	178	14	3
Total trade and other receivables (current)	21,804	29,442	1,842	2,307
Add: Cash and cash equivalents (Note 16)	11,233	10,706	810	686
Total financial assets carried at amortised cost	33,037	40,148	2,652	2,993

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Included in trade receivables are unbilled sales amounting to $7,855,000 (31 December 2018: $8,879,000).

Bills receivables

Bills receivables have an average maturity period of 90 (2018: 90) days from the end of the reporting period with effective interest rates of 2.90% to 3.90% (2018: 3.90% to 5.50%) per annum.

Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand in cash.

During the financial year, the Company reviewed the recoverability of the amounts owing by subsidiaries and noted that the cessation of production of certain equipment and failure to gain access to an overseas market continued to affect the revenue, profitability and prospect of the subsidiaries. The review led to the recognition of an impairment loss of $99,000 (31 December 2018: $125,000) on the amounts owing by the subsidiaries to the Company.

The movements of the allowance for impairment loss on amounts due from subsidiaries are as follows:

	Company	
	31.12.2019	31.12.2018
	$'000	$'000
At 1 January	7,827	7,702
Charge for the year	99	125
At 31 December	7,926	7,827

15. Trade and other receivables (continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	$'000	$'000	$'000	$'000
Singapore Dollar	317	292	305	316
United States Dollar	1,519	1,684	1,246	1,381
Japanese Yen	256	501	277	571
Euro	803	152	5	28
Hong Kong Dollar	131	178	–	–
Renminbi	18,430	26,220	–	–
Malaysian Ringgit	80	147	–	–
Others	268	268	9	11
	21,804	29,442	1,842	2,307

Expected credit losses

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

	Trade receivables			
	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At 1 January	578	478	26	–
Charge for the year	105	223	4	26
Write-off for the year	–	(123)	–	–
At 31 December	683	578	30	26

16. Cash and cash equivalents

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	10,425	10,706	810	686
Bank deposits	808	–	–	–
	11,233	10,706	810	686

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.001% to 1.00% (31 December 2018: 0.001% to 1.00%) per annum.

Bank deposits with financial institutions earn interest at 1.90% (31 December 2018: Nil) per annum.

16. Cash and cash equivalents (continued)

Cash and cash equivalents of the Group and Company are denominated in the following currencies:

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	$'000	$'000	$'000	$'000
Singapore Dollar	171	103	146	78
United States Dollar	1,803	758	513	409
Japanese Yen	322	487	29	87
Euro	328	131	10	13
Hong Kong Dollar	463	1,459	2	2
Renminbi	7,764	7,335	67	69
Malaysian Ringgit	133	213	–	–
Others	249	220	43	28
	11,233	10,706	810	686

17. Trade and other payables

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	$'000	$'000	$'000	$'000
Trade payables	7,461	9,192	1,772	2,447
Advances from customers	241	692	19	692
Trade amount due to subsidiaries	–	–	360	343
Non-trade amount due to subsidiaries	–	–	5,274	3,523
Other payables	926	710	74	4
Accrued operating expenses	1,991	2,290	440	424
Total trade and other payables	10,619	12,884	7,939	7,433
Add:				
Trust receipts (Note 18)	2,114	1,563	1,480	1,563
Finance liabilities previously recognised under SFRS(I) 1-17 (Note 19)	–	4	–	–
Interest-bearing loans and borrowings (Note 20)	1,000	1,000	1,000	1,000
Financial liabilities carried at amortised cost	13,733	15,451	10,419	9,996

Trade payables

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables

Other payables are unsecured, interest-free and normally settled on 30 to 90-day terms.

Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest-free, repayable on demand and to be settled in cash.

17. Trade and other payables (continued)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
Singapore Dollar	540	536	851	789
United States Dollar	1,943	2,083	5,277	3,859
Japanese Yen	416	1,579	358	1,344
Euro	60	133	37	47
Hong Kong Dollar	387	166	1,183	1,190
Renminbi	7,133	8,282	50	52
Malaysian Ringgit	45	35	–	–
Others	95	70	183	152
	10,619	12,884	7,939	7,433

18. Trust receipts

Trust receipts have a maturity period of 43 to 120 days (2018: 120 days) with interest rates of 4.15% to 4.34% (31 December 2018: 4.36% to 5.14%) per annum.

Trust receipts are denominated in the following currencies:

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
United States Dollar	1,480	1,563	1,480	1,563
Euro	634	–	–	–
	2,114	1,563	1,480	1,563

19. Finance leases

As at 31 December 2018, the Group entered into finance leases for certain items of office equipment. These leases expired over the next 44 months. Renewals were at the option of the specific entity that holds the lease.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 (Note 12) arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

The finance lease liabilities for the Group bore interest at Nil% per annum in 2018.

19. Finance leases (continued)

At 31 December 2018, future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments were as follows:

	31.12.2018	
	Minimum payments	Present value of payments
Group	$'000	$'000
Within 1 year	1	1
After 1 year but within 5 years	3	3
Total minimum lease payments	4	4
Less: Amounts representing finance charges	–	–
Present value of minimum lease payments	4	4

At 31 December 2018, finance leases of the Group were denominated in the following currencies:

	Group
	31.12.2018
	$'000
Current	
Hong Kong Dollar	1
Non-current	
Hong Kong Dollar	3

20. Interest-bearing loans and borrowings

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
Short term loans	1,000	1,000	1,000	1,000

The Singapore short term bank loan is unsecured and bears interest at 4.38% per annum (2018: 4.42% per annum).

The interest rates of the floating rates loans are repriced at intervals of 1 to 3 months.

Interest-bearing loans and borrowings of the Group and the Company are denominated in the following currencies:

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
Current				
Singapore Dollar	1,000	1,000	1,000	1,000

20. Interest-bearing loans and borrowings (continued)

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	1 January 2019	Cash flows	Non-cash changes Addition	Foreign exchange movement	Accretion of interests	Other	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans							
- current	1,000	(46)	–	–	46	–	1,000
Lease liabilities							
- current	1,333	(3,209)	237	(365)	938	3,384	2,318
- non-current	14,994	–	–	–	–	(3,384)	11,610
	17,327	(3,255)	237	(365)	984	–	14,928

	1 January 2018	Cash flows	Non-cash changes Addition	Foreign exchange movement	Accretion of interests	Other	31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans							
- current	1,000	(41)	–	–	41	–	1,000
Obligations under finance leases							
- current	8	(8)	–	–	–	1	1
- non-current	4	–	–	–	–	(1)	3
	1,012	(49)	–	–	41	–	1,004

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under lease liabilities and finance leases.

The Group has drawn down on credit facilities amounting to $527,000 (2018: $508,000) during the year which was fully repaid at year end.

21. Provision for long service payment

Provision for long service payment for eligible employees of subsidiaries has been made in the financial statements pursuant to the requirements under the Employment Ordinance in Hong Kong.

	Group 31.12.2019	 31.12.2018
	$'000	$'000
At beginning of year	162	94
Net exchange differences	(1)	3
Provision during the year	–	65
At end of year	161	162

22. Share capital and treasury shares

(a) ***Share capital***

	Group and Company			
	2019		2018	
	No. of shares		No. of shares	
	’000	$’000	’000	$’000
Issued and fully paid:				
At 1 January and 31 December	726,065	50,197	726,065	50,197

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) ***Treasury shares***

	Group and Company			
	2019		2018	
	No. of shares		No. of shares	
	’000	$’000	’000	$’000
At 1 January and 31 December	(3,670)	(307)	(3,670)	(307)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

23. Employee benefits

	Group		Company	
	2019	2018	2019	2018
	$’000	$’000	$’000	$’000
Employee benefits expenses (including Directors):				
Salaries and bonuses	10,298	12,250	1,417	1,375
Defined contribution plans	1,480	1,254	133	127
	11,778	13,504	1,550	1,502

Share options

The Company’s employee share incentive plan, Jadason Share Option Scheme 2000, was adopted in June 2000 for granting non-transferable options to eligible Directors and employees. Options were granted for a term of 10 years to purchase the Company’s ordinary shares at not less than the market value of the shares at the date of grant.

The 10-year share option scheme expired in June 2010 and no options can be granted under the Scheme after June 2010. The expiration of the Scheme, however, did not affect the share options which have been granted and accepted. Such outstanding share options remained exercisable until they lapse. All employee share options lapsed during the year.

23. Employee benefits (continued)

Under the Scheme, share options granted, exercised, cancelled and lapsed during the financial year and outstanding as at 31 December 2019 and 2018 are as follows:

2019

Date of grant	Balance at 1.1.2019	Granted	Exercised	Lapsed	Balance at 31.12.2019	Exercise price	Exercise period
16.9.2009	14,000,000 [1]	–	–	(14,000,000)	–	$0.10	16 September 2010 to 15 September 2019
	14,000,000	–	–	(14,000,000)	–		

2018

Date of grant	Balance at 1.1.2018	Granted	Exercised	Cancelled	Balance at 31.12.2018	Exercise price	Exercise period
16.9.2009	14,800,000 [1]	–	–	(800,000)	14,000,000	$0.10	16 September 2010 to 15 September 2019
	14,800,000	–	–	(800,000)	14,000,000		

(1) These options were granted to the Directors and employees of the Group of which 25% of the options are exercisable on or after 16 September 2010, the next 25% on or after 16 September 2011 and the remaining on or after 16 September 2012.

The fair value of equity share options as at the date of grant was measured based on the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

Date of grant of options	**16.9.2009**
Fair value at measurement date:	
Share price ($)	0.095
Exercise price ($)	0.100
Expected volatility (%)	64.00
Expected option life (years)	9.00
Expected dividends (%)	1.00
Risk-free interest rate (%)	2.35

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

24. Reserves

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Employee share option reserve	–	1,280	–	1,280
Foreign currency translation reserve	(4,849)	(3,923)	(81)	(81)
Reserve and enterprise expansion funds	5,711	5,711	–	–
Accumulated losses	(17,814)	(4,090)	(23,493)	(1,369)
	(16,952)	(1,022)	(23,574)	(170)

(a) ***Employee share option reserve***

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At 1 January	1,280	1,280	1,280	1,280
Expiry of share options	(1,280)	–	(1,280)	–
At 31 December	–	1,280	–	1,280

The employee share option reserve represents the expense on equity settled share options granted to employees after 22 November 2002. The reserve was made up of the cumulative value of services received from employees recorded on grant of equity-settled share options. All outstanding employee share options lapsed during the year and the reserve was transferred to retained earnings.

(b) ***Foreign currency translation reserve***

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At 1 January	(3,923)	(2,385)	(81)	(82)
Net effect of exchange differences	(926)	(1,538)	–	1
At 31 December	(4,849)	(3,923)	(81)	(81)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign branch of the Company whose functional currencies are different from that of the Group's presentation currency.

(c) ***Reserve and enterprise expansion funds***

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At 1 January and at 31 December	5,711	5,711	–	–

24. Reserves (continued)

(c) ***Reserve and enterprise expansion funds (continued)***

Under the accounting principles and relevant financial regulations of The People's Republic of China ("PRC"), certain subsidiary companies are required to set aside a reserve fund and an enterprise expansion fund ("Reserve and Enterprise Expansion Funds") by way of appropriations from their profits. The appropriations to these funds are determined by the subsidiaries' Board of Directors and must be made before distribution of dividends. The relevant PRC subsidiaries have to appropriate at least 10% of their net profit after taxation determined according to their statutory financial statements to the reserve fund and enterprise expansion fund until the funds reach 50% of their registered capital. These funds are not distributable in the form of cash dividends. Utilisation of funds is governed and restricted by the relevant PRC laws and regulations.

25. Related party disclosures

An entity or individual is considered a related party of the Group and the Company for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group and the Company or vice versa; or ii) it is subject to common control or common significant influence.

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place on terms agreed between the parties during the financial year:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Purchase of goods from subsidiaries	–	–	35	69
Sales of goods to subsidiaries	–	–	7	22
Rental income from a subsidiary	–	–	–	30

(b) ***Compensation of key management personnel***

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Short-term employment benefits	1,121	1,110	621	606
Defined contribution plans	40	40	33	33
	1,161	1,150	654	639
Comprise amounts paid to:				
Directors of the Group	763	769	256	258
Other key management personnel	398	381	398	381
	1,161	1,150	654	639

26. Commitments and contingencies

(a) *Lease commitments - as lessee*

The Group and the Company lease certain property, plant and equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates and contain provisions for rental adjustments. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debts and further leasing. Lease payments recognised in profit or loss of the Group and the Company during the financial year ended 31 December 2018 amounted to $3,421,000 and $208,000 respectively.

As at 31 December 2018, future minimum lease payments for all leases with initial or remaining terms of one year or more were as follows:

	Group 31.12.2018 $'000	Company 31.12.2018 $'000
Within 1 year	3,433	208
After 1 year but within 5 years	6,820	86
After 5 years	423	–
	10,676	294

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

(b) *Contingent liabilities*

	Company	
	31.12.2019 $'000	31.12.2018 $'000
Guarantees provided in respect of credit facilities for:		
Subsidiary - unsecured	634	–

The Company has committed to provide financial support for certain subsidiaries to enable them to operate as going concerns for at least 12 months from the financial year end.

27. Fair value of financial instruments

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

Cash and cash equivalents, current trade and other receivables, current trade and other payables, trust receipts and interest-bearing loans and borrowings with variable interest rates

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the respective heads of subsidiaries, Chief Executive Officer and Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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.

(a) *Credit risk*

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral for its trade accounts receivable. Customers are also assessed based on their historical payment records. Where necessary, customers may be requested to provide advance payments before goods are delivered.

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

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

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

28. Financial risk management objectives and policies (continued)

(a) ***Credit risk (continued)***

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

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2019 and 31 December 2018 are determined as follows. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

The People's Republic of China including Hong Kong:

31 December 2019 $'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
Gross carrying amount	14,141	278	196	72	440	15,127
Allowance for expected credit losses	(238)	(5)	(3)	(1)	(396)	(643)

31 December 2018 $'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
Gross carrying amount	17,432	696	88	609	314	19,139
Allowance for expected credit losses	(275)	(11)	(1)	(10)	(255)	(552)

28. Financial risk management objectives and policies (continued)

(a) ***Credit risk (continued)***

Singapore and other geographical areas:

31 December 2019 $'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
Gross carrying amount	1,472	326	106	53	10	1,967
Allowance for expected credit losses	(25)	(6)	(2)	(1)	(6)	(40)

31 December 2018 $'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
Gross carrying amount	1,889	162	50	11	169	2,281
Allowance for expected credit losses	(21)	(2)	(1)	–	(2)	(26)

Information regarding allowance for expected credit losses movement of trade receivables are disclosed in Note 15.

During the financial year, the Group wrote off $Nil (2018: $64,000) of trade receivables which are more than 365 days past due as the Group does not expect to receive future cash flows from these debtors and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2019		**2018**	
	$'000	% of total	$'000	% of total
By country:				
Singapore	1,275	8%	1,366	7%
The People's Republic of China including Hong Kong	14,484	88%	18,587	89%
Malaysia	334	2%	572	3%
Other countries	318	2%	317	1%
	16,411	100%	20,842	100%
By industry sector:				
Equipment and supplies	4,496	27%	4,907	24%
Manufacturing and support services	11,915	73%	15,935	76%
	16,411	100%	20,842	100%

At the end of the reporting period, 63% (2018: 64%) of the Group's trade receivables (current) were due from two major customer groups (2018: two) who are located in China.

28. Financial risk management objectives and policies (continued)

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Short-term funding is obtained from bank loans and bank overdraft facilities.

The Group monitors its operating cash flows and finances its operations using a combination of borrowings and internal working capital. Adequate credit lines are maintained to ensure that necessary liquidity is available when required.

The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. Access to sources of funding is sufficiently available and borrowing maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less	One to five years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Group				
31 December 2019				
Financial assets				
Trade and other receivables (Note 15)	21,804	–	–	21,804
Cash and cash equivalents (Note 16)	11,233	–	–	11,233
Total undiscounted financial assets	33,037	–	–	33,037
Financial liabilities				
Trade and other payables (Note 17)	10,619	–	–	10,619
Trust receipts (Note 18)	2,114	–	–	2,114
Lease liabilities	3,076	11,802	1,799	16,677
Interest-bearing loans and borrowings	1,040	–	–	1,040
Total undiscounted financial liabilities	16,849	11,802	1,799	30,450
Total net undiscounted financial assets/(liabilities)	16,188	(11,802)	(1,799)	2,587

28. Financial risk management objectives and policies (continued)

(b) ***Liquidity risk (continued)***

	One year or less $'000	One to five years $'000	Total $'000
Group			
31 December 2018			
Financial assets			
Trade and other receivables (Note 15)	29,442	–	29,442
Cash and cash equivalents (Note 16)	10,706	–	10,706
Total undiscounted financial assets	40,148	–	40,148
Financial liabilities			
Trade and other payables (Note 17)	12,884	–	12,884
Trust receipts (Note 18)	1,563	–	1,563
Finance leases (Note 19)	1	3	4
Interest-bearing loans and borrowings	1,040	–	1,040
Total undiscounted financial liabilities	15,488	3	15,491
Total net undiscounted financial assets/(liabilities)	24,660	(3)	24,657
Company			
31 December 2019			
Financial assets			
Trade and other receivables (Note 15)	1,842	–	1,842
Cash and cash equivalents (Note 16)	810	–	810
Total undiscounted financial assets	2,652	–	2,652
Financial liabilities			
Trade and other payables (Note 17)	7,939	–	7,939
Trust receipts (Note 18)	1,480	–	1,480
Lease liabilities	78	8	86
Interest-bearing loans and borrowings	1,040	–	1,040
Total undiscounted financial liabilities	10,537	8	10,545
Total net undiscounted financial liabilities	(7,885)	(8)	(7,893)

28. Financial risk management objectives and policies (continued)

(b) ***Liquidity risk (continued)***

	One year or less $'000	One to five years $'000	Total $'000
Company			
31 December 2018			
Financial assets			
Trade and other receivables (Note 15)	2,307	–	2,307
Cash and cash equivalents (Note 16)	686	–	686
Total undiscounted financial assets	2,993	–	2,993
Financial liabilities			
Trade and other payables (Note 17)	7,433	–	7,433
Trust receipts (Note 18)	1,563	–	1,563
Interest-bearing loans and borrowings	1,040	–	1,040
Total undiscounted financial liabilities	10,036	–	10,036
Total net undiscounted financial liabilities	(7,043)	–	(7,043)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less $'000	One to five years $'000	Total $'000
Company			
31 December 2019			
Financial guarantees	634	–	634
31 December 2018			
Financial guarantees	–	–	–

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from trust receipts, finance leases, loans and borrowings, and bills receivables.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also seeks to minimise its interest rate exposure through refinancing the existing debt instruments.

28. Financial risk management objectives and policies (continued)

(c) ***Interest rate risk (continued)***

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial statements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, for the floating rate interest-bearing loans and borrowings, a change of 1 percent in interest rate with all other variables held constant would increase/(decrease) loss before tax by the amounts shown below.

	Increase/ (decrease) in loss before tax	Increase/ (decrease) in loss before tax
	2019	**2018**
	$'000	$'000
Group		
Floating rate interest-bearing loans and borrowings		
- increased by 1 %	10	10
Floating rate interest-bearing loans and borrowings		
- decreased by 1%	(10)	(10)
Company		
Floating rate interest-bearing loans and borrowings		
- increased by 1%	10	10
Floating rate interest-bearing loans and borrowings		
- decreased by 1%	(10)	(10)

(d) ***Foreign currency risk***

The foreign exchange risk of the Group arises from subsidiary companies operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies other than the respective functional currencies of these subsidiary companies. These subsidiary companies maintain their books and records in their respective measurement currencies. Fluctuations in the exchange rate between the measurement currencies and Singapore dollar will therefore have an impact on the Group. The foreign currencies in which these transactions are denominated are mainly US Dollars (USD) and Renminbi (RMB). The Group does not hedge exposures arising from such translations.

These exposures are monitored on an on-going basis and are managed as far as possible by natural hedges of matching assets and liabilities. The Group does not enter into foreign exchange contracts for speculative purposes.

28. Financial risk management objectives and policies (continued)

(d) ***Foreign currency risk (continued)***

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD and RMB exchange rates (against SGD), with all other variables held constant:

	(Increase)/ decrease in loss before tax 2019 $'000	(Increase)/ decrease in loss before tax 2018 $'000
USD - strengthened 4%	(199)	(53)
USD - weakened 4%	199	53
RMB - strengthened 5%	1	3
RMB - weakened 5%	(1)	(3)

29. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

As disclosed in Note 24, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within net debt, loans and lease liabilities extended by financial institutions, excludes trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the abovementioned restricted statutory reserve funds.

29. Capital management (continued)

	Group	
	2019	**2018**
	$'000	$'000
Bank loans and borrowings (Note 20)	1,000	1,000
Lease liabilities extended by financial institutions	3	4
Less: Cash and cash equivalents (Note 16)	(11,233)	(10,706)
Net cash	(10,230)	(9,702)
Equity attributable to owners of the Company	32,938	48,868
Less: Reserve and enterprise expansion funds	(5,711)	(5,711)
Total capital	27,227	43,157
Capital and net cash	37,457	52,859
Gearing ratio	N.M.	N.M.

N.M – Not meaningful as the Group's cash and cash equivalents exceeded its loan and borrowings from financial institutions.

30. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has the following reportable operating segments:

- Equipment and supplies

  Equipment and supplies includes provision of equipment and supplies to the printed circuit board ("PCB") industry.

- Manufacturing and support services

  Manufacturing and support services includes the provision of equipment after-sales support and services, PCB drilling services and PCB mass lamination services in China.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

30. Segment information (continued)

Transfer prices, if any, between operating segments are in a manner similar to transactions with third parties.

	Equipment and supplies	Manu-facturing and support services	Total
	$'000	$'000	$'000
2019			
Revenue			
- External sales	20,191	24,061	44,252
Total	20,191	24,061	44,252
Results			
Adjusted EBITDA*	(1,394)	(2,359)	(3,753)
Interest income	23	50	73
Depreciation of property, plant and equipment	(51)	(1,740)	(1,791)
Depreciation of right-of-use assets	(206)	(2,792)	(2,998)
Amortisation	–	(17)	(17)
Impairment loss on property, plant and equipment	–	(5,382)	(5,382)
Operating loss	(1,628)	(12,240)	(13,868)
Interest expense	(134)	(929)	(1,063)
Loss before taxation	(1,762)	(13,169)	(14,931)
Income tax expense	(1)	(72)	(73)
Loss for the year	(1,763)	(13,241)	(15,004)
Assets/liabilities			
Segment assets	9,264	51,765	61,029
Segment liabilities	7,686	20,405	28,091
Other segment information			
Purchase of property, plant and equipment	6	568	574
Addition of right-of-use assets	192	45	237
Other non-cash items:			
Write-back of inventories	(2)	(167)	(169)
Allowance for inventories	–	1,570	1,570
Write-off of inventories	–	14	14
Amortisation of right-of-use assets - land use rights	–	17	17
Impairment loss on financial assets	72	33	105

* Adjusted EBITDA - Earnings before interest, taxation, depreciation, amortisation and impairment loss on property, plant and equipment.

30. Segment information (continued)

	Equipment and supplies	Manu-facturing and support services	Total
	$'000	$'000	$'000
2018			
Revenue			
- External sales	19,381	35,406	54,787
Total	19,381	35,406	54,787
Results			
Adjusted EBITDA*	(1,256)	2,535	1,279
Interest income	5	32	37
Depreciation	(80)	(1,772)	(1,852)
Amortisation	–	(18)	(18)
Operating (loss)/profit	(1,331)	777	(554)
Interest expense	(94)	(130)	(224)
(Loss)/profit before taxation	(1,425)	647	(778)
Income tax credit/(expense)	14	(580)	(566)
(Loss)/profit for the year	(1,411)	67	(1,344)
Assets/liabilities			
Segment assets	9,695	55,149	64,844
Segment liabilities	8,255	7,721	15,976
Other segment information			
Purchase of property, plant and equipment	46	1,836	1,882
Other non-cash items:			
Write-back in value of inventories	(233)	–	(233)
Write-off of inventories	–	3	3
Amortisation of land use rights	–	18	18
Impairment of financial assets	69	154	223

* Adjusted EBITDA – Earnings before interest, taxation, depreciation, amortisation and impairment loss on property, plant and equipment.

30. Segment information (continued)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Singapore	6,531	6,245	124	85
The People's Republic of China including Hong Kong	33,463	45,092	22,977	17,331
Others	4,258	3,450	642	359
	44,252	54,787	23,743	17,775

Non-current assets information presented above consist of property, plant and equipment, land use rights and right-of-use assets as presented in the consolidated balance sheet.

Revenue from two major customers (2018: 2) amount to $19,380,000 (2018: $27,751,000), arising from sales by the manufacturing and support services segment.

31. Events occurring after the reporting period

On 17 February 2020, the Group announced that the production and operations of certain subsidiaries located in The People's Republic of China, namely, Jadason PCB Materials (Dongguan) Ltd, Jadason Electronics (Dongguan) Ltd, Jadason Microelectronics (Dongguan) Ltd, and Jadason Electronics (Suzhou) Co., Ltd, were impacted due to the outbreak of the Coronavirus disease ("COVID-19"). The outbreak brought about uncertainties to the Group's operating environment including impact on raw materials and manpower supply, logistics and market demand, and has impacted the Group's financial results and its financial position subsequent to the financial year end.

At the date of these financial statements, the production and operations of the subsidiaries have gradually resumed. However, given the high level of uncertainties and unpredictable outcome of COVID-19, the financial effects on Group cannot be reasonably estimated at this juncture.

32. Authorisation of financial statements

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 6 May 2020.

STATISTICS OF SHAREHOLDINGS

As at 15 May 2020

CLASS OF SHARES	**:**	**ORDINARY SHARES**
Voting rights	:	One vote per share
Number of ordinary shares (excluding treasury shares)	:	722,395,000

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	503	14.77	491,700	0.07
1,001 - 10,000	1,031	30.26	6,179,000	0.85
10,001 - 1,000,000	1,832	53.77	203,423,389	28.16
1,000,001 and above	41	1.20	512,300,911	70.92
Total	**3,407**	**100.00**	**722,395,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS
As shown in the Register of Members and CDP Register

No.	Name	Number of Shares	%
1.	HO QUEENY	211,000,000	29.21
2.	LIAW HIN HAO	62,776,500	8.69
3.	DBS NOMINEES (PRIVATE) LIMITED	50,575,100	7.00
4.	FUNG CHI WAI	32,700,000	4.53
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	29,125,000	4.03
6.	YEO SENG BUCK	13,000,000	1.80
7.	RAFFLES NOMINEES (PTE.) LIMITED	12,005,800	1.66
8.	HUI MIN LINNA	8,380,000	1.16
9.	PHILLIP SECURITIES PTE LTD	8,332,500	1.15
10.	OCBC SECURITIES PRIVATE LIMITED	7,924,211	1.10
11.	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,757,900	1.07
12.	XAYABOUOSOU KHONESAVANE	7,151,000	0.99
13.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,977,700	0.83
14.	UNION TOOL CO.	4,000,000	0.55
15.	LIM TIONG CHUAN	3,600,000	0.50
16.	HSBC (SINGAPORE) NOMINEES PTE LTD	3,500,000	0.48
17.	UOB KAY HIAN PRIVATE LIMITED	2,977,200	0.41
18.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,794,100	0.39
19.	LIEW SEUK ENG	2,537,200	0.35
20.	CHUA KENG HENG	2,471,000	0.34
	TOTAL	**478,585,711**	**66.24**

STATISTICS OF SHAREHOLDINGS

As at 15 May 2020

SUBSTANTIAL SHAREHOLDERS

Name	Direct interest	Deemed interest	Total interest	%
Queeny Ho	211,000,000	25,000,000*	236,000,000	32.67%
Liaw Hin Hao	63,180,000#	–	63,180,000	8.75%

* In the name of nominees.

Including 403,500 shares bought on 13 May 2020 which has not been credited to the CDP securities account as at 15 May 2020.

PUBLIC SHAREHOLDINGS

Based on information available to the Company as at 15 May 2020, approximately 51.72% of the issued ordinary shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

ORDINARY SHARES HELD IN TREASURY ("TREASURY SHARES") AND SUBSIDIARY HOLDINGS

Voting rights: None
Number of Treasury Shares: 3,670,000 Treasury Shares
Number of Subsidiary Holdings: Nil
Percentage of this holding against total number of issued shares excluding treasury shares: 0.51%

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Ms Queeny Ho and Ms Linna Hui Min are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 29 June 2020 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of director	Ms Queeny Ho	Ms Linna Hui Min
Date of Appointment	29 May 2009	26 March 2007
Date of last re-appointment	26 April 2018	24 April 2017
Age	74	63
Country of principal residence	Hong Kong	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered the recommendation of the Nominating Committee and has reviewed the business network, knowledge and suitability of Ms Queeny Ho for re-appointment as Non-executive Chairman of the Company.	The Board of Directors of the Company has considered the recommendation of the Nominating Committee and has reviewed and considered the skill, experience, knowledge and suitability of Ms Linna Hui Min for re-appointment as Executive Director of the Company. The Board has concluded that Ms Linna possesses the skill, experience and knowledge to manage the operations effectively.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Executive Responsible for the daily operations and marketing activities in Hong Kong and China. Oversees the PCB mass lamination operations in Dongguan.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Non-executive Chairman • Member of Audit Committee • Member of Nominating Committee • Member of Remuneration Committee	Executive Director
Professional Qualifications	Not applicable.	Bachelor of Science (Chemical Engineering)
Working experience and occupation(s) during the past 10 years	Director of Jadason Enterprises Ltd.	Has experience in marketing, application and technical support. Oversees the PCB mass lamination operations. Director of Jadason Enterprises Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of director	Ms Queeny Ho	Ms Linna Hui Min
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 211,000,000; Deemed interest: 25,000,000; See also pages 34 and 35.	Direct interest: 8,380,000; See also pages 34 and 35.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships Past (for the last 5 years): Present:	 Nil Nil	 Nil Nil
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

Name of director	Ms Queeny Ho	Ms Linna Hui Min
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of director	Ms Queeny Ho	Ms Linna Hui Min
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.	Not applicable.

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