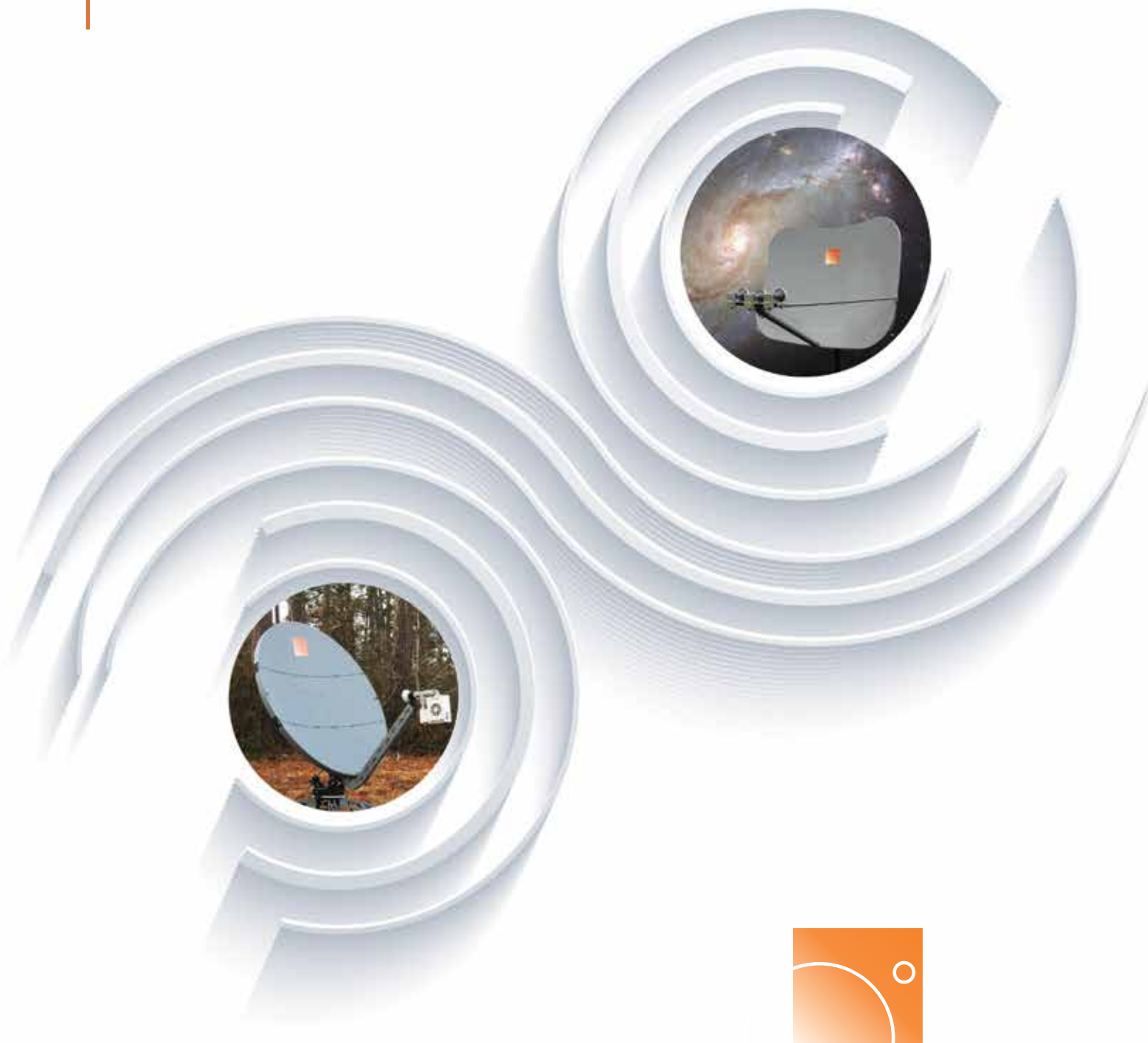


INNOVATING  
TECHNOLOGIES  
LIMITLESS  
POSSIBILITIES

ANNUAL REPORT 2018



**global invacom**  
completing the picture



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# CORPORATE PROFILE

**LISTED ON THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) AND THE AIM MARKET OF THE LONDON STOCK EXCHANGE (“AIM”) IN THE UNITED KINGDOM, GLOBAL INVACOM GROUP LIMITED (“GLOBAL INVACOM” OR THE “GROUP”) IS ONE OF THE WORLD’S LEADING FULLY-INTEGRATED SATELLITE COMMUNICATIONS SOLUTIONS PROVIDERS.**



With a legacy that dates back to 1985, Global Invacom’s inception on the Singapore Exchange was the result of a reverse takeover in 2012 of United Kingdom-based satellite equipment company Global Invacom Holdings Limited by SGX-ST listed Radiance Group Limited. In 2014, Global Invacom shares were admitted to trading on AIM, raising the Group’s international profile and better positioning the Group to continue its selective acquisition strategy as it seeks to consolidate the satellite communications industry.

Following industry-wide consolidation and the Digital Channel Stacking Switch paradigm shift in 2018, Global Invacom is one of seven companies worldwide involved in the innovation, design, production and supply of satellite communications solutions to some of the world’s largest satellite broadcasters and Data Over Satellite (“DOS”) providers.

The Group is the world’s only full-service outdoor unit supplier of satellite antenna products and services for Ku-band and Ka-band frequency platforms. It is also one of the world’s only designer and manufacturer of both electronics and antenna solutions for the satellite ground equipment market.

With six manufacturing plants across China, Israel, Malaysia, the United Kingdom and the United States, Global Invacom provides a full range of dish antennas, low noise block receivers, transmitters, switches, fibre solutions, video distribution components and electronics manufacturing services in the satellite communications, TV and computer peripherals, medical and consumer electronics industries.

In July 2018, Foxcom, a subsidiary of Global Invacom, launched a breakthrough solution that enables aircraft ground engineers to undertake around the clock avionics testing of Inmarsat, Iridium and GPS satellite signals indoors. Before this technology, Inmarsat and Iridium satellite equipment were limited to outdoor usage as building structures block satellite signals. Foxcom’s all-inclusive repeater solution enables communication inside buildings or underground without the need for a direct line of sight to the sky, and can be easily upgraded to add Inmarsat compatibility.

The Group successfully acquired certain assets and the associated development team from a number of companies across the Skyware Technologies Group. While Global Invacom already has a leading position in DOS antennas, this acquisition will allow the Group to offer its customers the total DOS terminal solution, extending its unique offerings from the Direct-to-Home market to the fast-growing DOS market.

As a notable innovator of satellite communications equipment, Global Invacom currently owns 82 patents, with 38 pending applications and an established 34-year track record of pioneering the latest equipment. With a global sales and distribution reach, integrated manufacturing footprint and robust research and development capabilities, Global Invacom continues to cement its position as a leader of the satellite communications industry.

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

I am pleased to present you the annual report for Global Invacom Group Limited ("Global Invacom" or the "Company" and together with its subsidiaries, the "Group") for the twelve months ended 31 December 2018 ("FY2018").

Despite challenges in the industry, we have built on our positive performance in FY2017 to deliver a second profitable year in FY2018 – and eight consecutive quarters of profitability.

The Group continues to report growth, particularly in the Data Over Satellite ("DOS") segment. Our U.S. subsidiary Global Skyware, based in Smithfield, North Carolina, was sole supplier to a major U.S. DOS provider throughout FY2018 for a new 90 cm antenna. Since becoming part of the Group in August 2015, the team has worked hard to improve shopfloor efficiency as well as product design and rollout. These efforts have helped Global Skyware meet customers' increasingly rigorous demands for seeking sleeker designs with higher specifications.

In the Direct-to-Home ("DTH") segment for Broadcast television, we progressed on technical and competitive aspects. In Q4 FY2018 we began shipping our new Western Arc Slimline Low Noise Block ("LNB") to a major U.S. broadcaster for whom we will remain sole supplier until the end of the first quarter of 2019. Reflecting confidence in our product quality and capabilities, shipments of the Eastern Arc model have also commenced from the first quarter of 2019 to the same customer.

In the DOS segment, the Group had purchased the assets of Skyware Technologies (now trading as Global Skyware Limited), a designer and manufacturer of DOS (VSAT) electronics, in late Q3 FY2018. We also acquired associated intellectual property and the R&D team from the vendor – an experienced designer and manufacturer of integrated transmitters and receivers. A major global DOS integrator who has purchased antennas from the Group for many years, has also started buying the DOS transceiver electronics products from Global Skyware.

In July 2018, we launched a New Hanger Repeater Solution, an innovation that enables aircraft engineers to undertake around-the-clock indoor avionics testing of Inmarsat, Iridium and GPS satellite signals. This technology was developed by Foxcom, our wholly-owned subsidiary since November 2014, which is a leading manufacturer of advanced radio frequency over fibre solutions with commercial, government and military clients. Foxcom recorded a second year of profitability in FY2018 after a turnaround resulting from operational changes since FY2016.

On 6 March 2019, Global Skyware began shipping its fully integrated fibre-based DOS Terminal, FiberGo, a new compact and low-cost solution. It enables users to enjoy benefits of fibre, including transmission over long distances without signal degradation, minus the limitations of a coax cable. Designed to work in all conditions, including an IP65-rated outdoor unit ("ODU") that is resistant to inclement weather, lightning damage, humidity and salt corrosion, FiberGO is being introduced into Asia and the Americas initially. We plan to distribute to the rest of the world in the second half of 2019.

During 2018, we refined and developed both our DOS and DTH product ranges to put us in a strong leadership position with regards to our key customers.

## FY2018 Financial Review

We recorded revenue of US\$122.3 million in FY2018, US\$6.6 million higher than US\$115.7 million in FY2017. The increase in revenue, particularly for Q4 FY2018, stemmed from shipment of new designs for key products to some of our major customers and the new DOS electronics income.

Geographically, we recognised higher revenue contributions from America (up US\$4.8 million or 5.9%) and Europe (up US\$3.3 million or 14.0%), offset by reductions in Asia and Rest of the World by US\$1.4 million (-20.7%) and US\$0.1 million (-3.2%), respectively.

Gross profit for FY2018 increased to US\$25.2 million from US\$24.2 million in FY2017. Gross profit margin declined to 20.6% from 20.9%, respectively, although Q4 FY2018 saw an increase. Our bottom line performance in FY2018 would have been better if not for supply chain issues experienced in Q4 FY2018 by Global Skyware. The issues included a shortage of key components, higher steel prices (due to the U.S.-China tariff imposition), and a broken tool which resulted in high, expedited freight and duty costs. These issues impacted the Group's margin by US\$2.1 million during the quarter. Nonetheless, Global Skyware closed off FY2018 with a second year of profitability, following a turnaround that resulted from changes to operations since FY2016.

In an industry which demands constant innovation, Global Invacom has continued to emphasise product development. For the year under review, research and development ("R&D") spending contributed to the 9.4% increase in administrative expenses for FY2018 to US\$22.9 million from US\$21.0 million in FY2017.

The Group recorded net profit of US\$1.5 million in FY2018, compared to US\$2.9 million in FY2017.



**THE GROUP CONTINUES TO ESTABLISH ITS STANDING AS A LEADING END-TO-END EQUIPMENT PROVIDER OF SATELLITE COMMUNICATIONS EQUIPMENT. FY2018 REFLECTS GLOBAL INVACOM'S STRONG COMMITMENT TO INTERNAL EFFICIENCIES AND INNOVATIONS THAT MEET THE CHANGING DEMANDS OF CLIENTS.** ”

In line with the lower profit, earnings per share on a fully diluted basis ("EPS") decreased to 0.57 US cent for FY2018 (FY2017: EPS of 1.08 US cents). Net asset value per share increased to 20.84 US cents as at 31 December 2018 from 20.42 US cents as at 31 December 2017. We ended FY2018 with cash and cash equivalents of US\$8.4 million, compared to US\$7.2 million as at 31 December 2017.

The net cash of the Group, taking into account cash, cash equivalents and borrowings, has declined at the end of FY2018, following the acquisition of the business of Skyware Technologies and the investment in convertible notes relating to a proposed reverse takeover of Tactilis Sdn Bhd of Malaysia.

## Dividend

No dividend has been declared for FY2018 as this is only the second year of profitability after two earlier years of consolidation.

## Sustainability

The Group has produced its second Sustainability Report, covering the period from 1 January to 31 December 2018. We continue to focus on maintaining sustainable practices and operations to be a good corporate citizen, and encourage our customers and partners to do the same. The Group has reviewed its policies for corporate governance and disclosure, risk management and internal control, code of business conduct, anti-bribery and corruption, and customer privacy. The Sustainability Report will also feature an update on the Group's key performance indicators in various areas.

## Outlook

Following successful efforts to realign our core business objectives and improve global efficiencies, the Group continues to establish its standing as a leading end-to-end equipment provider of satellite communications equipment. FY2018 reflects Global Invacom's strong commitment to internal efficiencies and innovations that meet the changing demands of clients.

Growth of the global satellite communications equipment market is expected to continue over the next few years, bolstered by worldwide expansion in the IT and

telecommunication sectors. Satellite communications remains an integral part of modern technological infrastructure, amid the emerging trends of 5G convergence, Ultra High Definition/4K transmission, autonomous self-navigating vehicles and interconnected electronic devices.

The technological shift towards DCSS products has been slower than expected for the satellite broadcasting sector, amid a greater emphasis on price competitiveness and improved product performance. To address this, the Group has in recent years developed and rolled out products with a smaller form factor that have exceeded customer expectations. We believe that this new range of offerings have the potential to provide better margins arising from ongoing operational improvements, and the reduced form factor will lower costs for raw materials.

Our team has identified and fixed most of the supply chain problems in Smithfield which had dented the profitability of Global Skyware and Group-wide profit margins in FY2018.

## Appointment of New Chief Technology Officer

The Board appointed Mr Malcolm John Burrell as Chief Technology Officer from 1 June 2018. An Executive Director and Chief Risk Officer of the Group, Mr Burrell has over 37 years' experience in radio-frequency design, technical management and corporate management across the consumer electronics, satellite earth station and military communications sectors. His first-class understanding of the technology behind satellite communications, coupled with his tried and tested leadership skills, will play a vital role in our ongoing R&D and launch of future market-leading products.

## Appreciation

On behalf of the Board, I would like to express my most profound appreciation to our business partners, customers and shareholders for your loyalty and support. To my fellow directors, our management team and employees, I remain thankful for your dedicated efforts.

**Anthony Brian Taylor**  
Executive Chairman

# FINANCIAL AND OPERATIONS REVIEW

Growth of the global satellite communications equipment market is expected to continue over the coming years, underpinned by worldwide expansion in the IT and telecommunications sectors. Satellite communications continues to be an integral part of modern technology, amid the emerging trends of 5G convergence, Ultra High Definition/4K transmissions, autonomous self-navigating vehicles and interconnected electronic devices.

The satellite broadcasting sector is still undergoing its technological shift towards DCSS products. However, the pace of this transition has been slower than expected and is taking place amidst a greater emphasis on price competitiveness and improved product performance. In recent years, the Group has been developing and rolling out a series of smaller form factor products which exceeded customer expectations to address these issues. This new range of offerings have the potential to provide better margins arising from ongoing operational improvements, and the reduced form factor will lower the cost of raw materials.

The Group's financial performance for the twelve months ended 31 December 2018 ("FY2018") marks the second year of profitability since its turnaround in FY2017, and was due to the materialisation of Group-wide synergies across sales, distribution and R&D networks together with strengthened controls on a local basis. Global Skyware, which specialises in the design and manufacture of antennas for Data Over Satellite ("DOS") e-solutions including broadband, point-of-sales services and digital signage applications, and Foxcom, which focuses on advanced radio frequencies over fibre solutions, also continued with their second year of profitability after acquisition, respectively.

On 6 March 2019, Global Skyware made its first shipment of FiberGo, its fully integrated and cost-effective fiber DOS Terminal. Global Skyware is introducing FiberGo to Asia and the Americas initially, before looking to extend distribution to the rest of the world in the second half of 2019.

During Q4 FY2018, the Group recorded higher volume of shipments for the new Western Arc Slimline Low Noise Block ("LNB") to a major U.S. customer for whom it will remain the sole supplier until the end of the first quarter of 2019. Reflecting confidence in the Group's product quality and capabilities, shipments of the Eastern Arc model have also commenced from the first quarter of 2019 to the same customer.

The DOS segment continues to be important for the Group which made shipments of its new 90 cm satellite antenna throughout FY2018, as sole supplier, to another U.S. customer. Shipments on a non-exclusive basis are expected to continue throughout FY2019 and beyond.

Despite the slow movement of the market towards DCSS technology, the Group believes that the satellite communications market as a whole will continue to develop giving it further opportunities in the coming years.



**THE GROUP'S FINANCIAL PERFORMANCE FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 ("FY2018") MARKS THE SECOND YEAR OF PROFITABILITY SINCE ITS TURNAROUND IN FY2017, AND WAS DUE TO THE MATERIALISATION OF GROUP-WIDE SYNERGIES ACROSS SALES, DISTRIBUTION AND R&D NETWORKS TOGETHER WITH STRENGTHENED CONTROLS ON A LOCAL BASIS.**

# FINANCIAL AND OPERATIONS REVIEW

## REVIEW OF FINANCIAL PERFORMANCE

### REVENUE

The Group's revenue for the twelve months ended 31 December 2018 ("FY2018") increased to US\$122.3 million from US\$115.7 million the year before ("FY2017"). The increase in revenue, particularly for Q4 FY2018, arose from shipment of new designs for key products to some of our major customers.

Geographically, Group revenue for FY2018 increased in America (up US\$4.8 million or 5.9%) and Europe (up US\$3.3 million or 14.0%), offset by reductions in Asia and Rest of the World by US\$1.4 million (-20.7%) and US\$0.1 million (-3.2%) respectively.

### GROSS PROFIT

Gross profit for FY2018 increased to US\$25.2 million from US\$24.2 million in FY2017. However, gross profit margin dropped slightly to 20.6% from 20.9%, respectively.

### EXPENSES AND BOTTOM LINE

Administrative expenses for FY2018 increased 9.4% to US\$22.9 million compared to US\$21.0 million in FY2017, representing 18.7% and 18.1% of revenue respectively, with continued spending on new product introduction through research and development (FY2018 – US\$2.8 million and FY2017 – US\$1.6 million) being a major contributor together with the new costs following the acquisition from Skyware Technologies.

The Group posted a net profit of US\$1.5 million in FY2018, compared to US\$2.9 million in FY2017.

In line with the lower profit, earnings per share on a fully diluted basis for FY2018 came in at 0.57 US cent, compared to 1.08 US cents in FY2017.

## REVIEW OF FINANCIAL POSITION

### CURRENT ASSETS

Net current assets decreased by US\$2.1 million to US\$29.8 million as at 31 December 2018 compared to US\$31.9 million as at 31 December 2017. Inventories and trade and other receivables increased by US\$2.6 million and US\$4.1 million, respectively, in preparation for the orders in 2019 and in line with increased sales towards the end of the year. Trade and other payables increased by US\$6.1 million due to late quarter purchases as well as stringent payments to the trade suppliers.

### NON-CURRENT ASSETS

Non-current assets increased by US\$3.1 million to US\$27.3 million as at 31 December 2018, due to the intangibles acquired in 2018 from Skyware Technologies and the convertible loans subscribed in Tactilis Sdn Bhd.

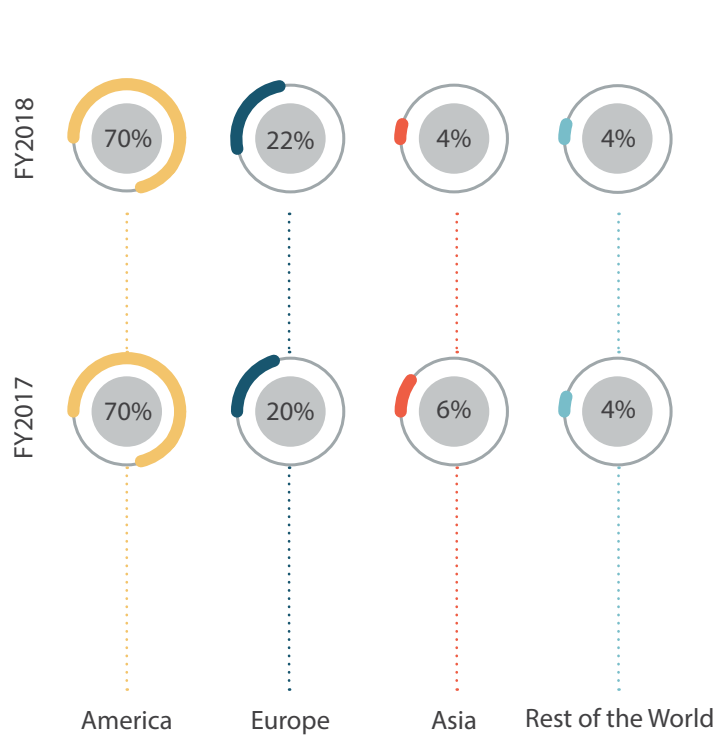
The Group's net asset value stood at US\$56.6 million as at 31 December 2018, compared to US\$55.5 million as at December 2017.

### CASH POSITION

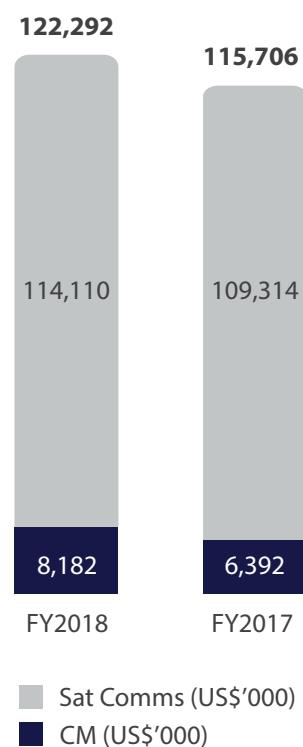
The Group ended FY2018 with cash and cash equivalents of US\$8.4 million as at 31 December 2018 compared to US\$7.2 million the previous year and borrowings of US\$12.0 million as at 31 December 2018 compared to US\$8.0 million the previous year.

# FINANCIAL AND OPERATIONS HIGHLIGHTS

## REVENUE BY GEOGRAPHICAL SEGMENTS



## REVENUE BY BUSINESS SEGMENTS



### Key Financial Highlights

|  | FY2018  | FY2017  | Change (%) |
|--|---------|---------|------------|
| Revenue (US\$'000)                                     | 122,292 | 115,706 | 5.7        |
| Gross Profit (US\$'000)                                | 25,188  | 24,191  | 4.1        |
| Profit After Tax (US\$'000)                            | 1,536   | 2,949   | (47.9)     |
| Earnings per Share on a Fully Diluted Basis (US cents) | 0.57    | 1.08    | (47.2)     |
| Net Asset Value per Share (US cents)                   | 20.84   | 20.42   | 2.1        |
| Tax Paid/(Refund) (US\$'000)                           | 271     | (205)   | N.M.       |
| EBITDA   | 6,071   | 7,338   | (17.3)     |
| Dividend Paid  | Nil     | Nil     | Nil        |

### Ratios

|                  | FY2018 | FY2017 | Change (%) |
|------------------|--------|--------|------------|
| Current Ratio    | 1.81   | 2.18   | (17.0)     |
| Return on Equity | 0.03   | 0.05   | (40.0)     |
| Net Gearing      | 0.50   | 0.36   | 38.9       |
| Cash Ratio       | 0.23   | 0.27   | (14.8)     |



# CORPORATE MILESTONES

## 1985

- Formed Global Communications (UK) Ltd

## 1988

- Designed and manufactured the first Direct-Broadcast Satellite ("DBS") switch

## 1990

- Designed and manufactured the first Mini Magic Switch

## 2000

- Formed Invacom Limited

## 2001

- Launched the world's first integrated Very Small Aperture Terminal ("VSAT") LNB

## 2004

- Launched the world's first circular/linear polar LNB

## 2006

- Appointed Anthony Brian Taylor as Chief Executive Officer of Global Communications
- Awarded 1st prize in the ASTRA Innovation Contest 2006

## 2015

- Purchased Satellite Acquisition Corporation

## 2016

- Rebrand trading name of "Skyware Global" to "Global Skyware"
- Consolidated operations into one facility in China
- Designed and manufactured of Eastern Arc Twin Generation 2 Hybrid

## 2017

- Designed and manufactured new DCSS Western Arc Triple LNB
- Conception and live test of new video streaming technology

## 2018

- Launch of Foxcom New Hangar Repeater Solution
- Purchased assets of Skyware Technologies

## 1992

- Designed and manufactured the first Low Noise Block ("LNB") stacker

## 1993

- Designed and manufactured the first satellite TV frequency extender

## 1997

- Designed and manufactured the first DiSEqC switches

## 1998

- Invented the tvLINK for BSkyB

## 2007

- Launched new Stacker De-stacker using one cable technology

## 2008

- Global Communications and Invacom merged to form Global Invacom Limited

## 2009

- Designed and manufactured the first cost effective optical LNB
- Management buyout of Global Invacom Limited. Global Invacom Holdings Limited was formed

## 2010

- Purchased controlling interest in Radiance Group Limited
- Started dish manufacturing

## 2011

- Purchased ProVision assets

## 2012

- Listed on the Singapore Exchange following reverse takeover of Radiance Group Limited
- Purchased The Waveguide Solution Limited
- Formed Global Invacom Sdn Bhd

## 2013

- Purchased Raven Manufacturing Limited (since renamed to Global Invacom Manufacturing (UK) Limited)

## 2014

- Successfully dual listed on AIM Market in London
- Purchased Foxcom assets

# BOARD OF DIRECTORS



**ANTHONY BRIAN TAYLOR**  
*Executive Chairman*

Mr Anthony Brian Taylor was appointed Executive Director on 18 August 2010 and then Executive Chairman of the Board of Directors on 26 October 2010. He is also a member of the Nominating Committee.

Mr Taylor is the Managing Director of Global Invacom Limited and is also a director of Global Invacom Holdings Limited and other Group subsidiaries. Mr Taylor's entire professional career has been spent working within international high technology businesses with diverse commercial propositions which include semiconductors, automotive electronics, military and satellite-related products. He also has over 19 years of experience in senior executive leadership roles and formally held positions at Harris Semiconductor from 1984 to 1987, and Marconi Electronic Devices from 1987 to 1990 before joining SGS-THOMSON Microelectronics between 1990 and 1999. Mr Taylor was appointed the Chief Executive Officer of TechnoFusion GmbH, where he served from 1999 to 2002, and was the General Manager of Amphenol Limited from 2002 to 2006.

Mr Taylor holds a Bachelor of Science (Electronics) degree with Honours from Coventry University in the United Kingdom.



**MALCOLM JOHN BURRELL**  
*Executive Director*

Mr Malcolm John Burrell was appointed Executive Director on 18 August 2010.

Mr Burrell is the Chief Risk Officer, Chief Technical Officer, and is also a Director of Global Invacom Holdings Limited and other Group subsidiaries, having first joined the Company in 1997. He is a Chartered Engineer with 37 years of radio-frequency (RF) design, technical management and corporate management experience, gained while working in businesses within the consumer electronics, satellite earth station and military communications sectors. Prior to joining Global Invacom Limited, he was a Senior Development Engineer at Marconi Communication Systems Ltd from September 1981 to September 1987. From October 1987 to December 1991, he was the Technical Manager at Multipoint Communications Ltd, and thereafter a Principal Systems Engineer at Marconi Radar Systems Ltd from January 1992 to October 1997.

Mr Burrell holds a Bachelor of Science Engineering (Electronic Engineering) degree from the University of Southampton in the United Kingdom and a Certificate in Management (CIM). He is a member of the Institution of Engineering and Technology.



**MATTHEW JONATHAN GARNER**  
*Executive Director*

Mr Matthew Jonathan Garner was appointed Executive Director on 30 April 2014.

Mr Garner is the Chief Financial Officer of the Company and is also a Director of other Group subsidiaries. He has held this position since December 2013. Mr Garner is responsible for managing the Group's finance functions and oversees accounting, financial and tax planning, corporate development, investor relations and compliance matters. Mr Garner has extensive financial and commercial management experience of over 30 years. Prior to joining the Company, he was the Finance Director of the United Kingdom Sales & Manufacturing sites for the Amphenol Corporation, a United States corporation listed on the New York Stock Exchange, from 2005 to 2013. Between 1993 and 2005 he was the Financial Controller and Company Secretary for several United Kingdom-based companies of Simrad, part of the Kongsberg Group quoted on the Oslo Stock Exchange.

Mr Garner holds an Honours degree in Law from the University of Liverpool. He has been certified as an Associate Chartered Management Accountant since 1996.



**JOHN LIM YEW KONG**  
*Lead Independent Director*

Mr John Lim Yew Kong was appointed Independent Director on 13 September 2010. He is the Chairman of the Audit and Risk Committee as well as Lead Independent Director and a member of the Nominating Committee and Remuneration Committee.

Since 1991, Mr Lim was involved extensively in corporate advisory and private equity investments, having worked in AXIA Equity Pte Ltd and two private equity funds covering the ASEAN region. Mr Lim worked in Dowell Schlumberger in the United Kingdom and Arthur Andersen & Co, London between 1984 and 1991. He is currently also an Independent Non-Executive Director of Karin Technology Holdings Limited and ZICO Holdings Inc. Both of these companies are listed on the Singapore Exchange.

Mr Lim graduated with a Bachelor's degree in Economics from the London School of Economics and Political Science in the United Kingdom. He is a Chartered Accountant from the Institute of Chartered Accountants in England and Wales.

# BOARD OF DIRECTORS

 **BASIL CHAN**  
*Independent Director*

Mr Basil Chan was appointed Independent Director on 25 April 2012. He is currently the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee, as well as the Nominating Committee.

Mr Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He currently sits on the boards of several listed companies in Singapore. He was a Council Member and Board Director of the Singapore Institute of Directors ("SID") from 2002 to 2013, and a member of the Corporate Governance Committee in 2001 that developed the Singapore Code. He was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants in Singapore ("ICPAS") and was formerly a member of the Auditing and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS"). He is currently the Deputy Chairman of the Corporate Governance Committee of ISCA. He is a member of the Audit Committee Chapter of SID. Mr Chan has more than 38 years of audit, financial and general management experience, having held senior financial positions in both private and public companies.

He holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science and Technology, United Kingdom and is a Fellow Member of the Institute of Chartered Accountants in England and Wales as well as a member of ISCA. He is a Fellow Member of the Singapore Institute of Directors.

 **COSIMO BORRELLI**  
*Independent Director*

Mr Cosimo Borrelli was appointed Non-Executive Director on 4 December 2009. He was the Chairman of the Board of Directors from 4 December 2009 to 25 October 2010. Following the completion of the acquisition of Global Invacom Holdings Limited, Mr Borrelli was re-designated as an Independent Director on 8 August 2012. He is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee, as well as the Remuneration Committee.

Mr Borrelli is a Chartered Accountant with over 29 years of experience in formal and informal corporate restructuring, forensic accounting and financial investigations. This experience has included being appointed by courts, lenders and financiers, distressed companies, secured and unsecured creditors, investors and other interested parties. He has a

track record in establishing and delivering restructuring and corporate advisory arrangements in industries including financial services, property, telecommunications, retail, manufacturing and professional services.

Mr Borrelli holds a Bachelor's degree in Economics from the University of Adelaide, Australia. He is a member of the Institute of Chartered Accountants in Australia, member of the Institute of Certified Public Accountants and Institute of Certified Public Accountants Insolvency Interest Group of Hong Kong and a member of the Insolvency Practitioners Association of Australia.

 **KENNY SIM MONG KEANG**  
*Non-Executive Director*

Mr Kenny Sim Mong Keang was appointed Non-Executive Director on 23 September 2015.

Mr Sim is the founder and Chief Executive Officer of both I2 Capital Pte Ltd and CESK Capital Pte Ltd, specialising in investment and corporate advisory services, respectively. He currently serves on the boards of telecommunications company Oden Technology Pte Ltd and property investment firms Maximus Fortune Pte Ltd and ZACD Group Ltd. ZACD Group Ltd is listed on the Hong Kong Exchange. Mr Sim also founded the Plexus group of companies in 1997, which under his leadership became a regional electronics components distributor with 18 offices across Asia. Prior to founding his current companies, Mr Sim was the Group Managing Director and CEO of SGX Catalist-listed WE Holdings Ltd, acquired in 2011 through a reverse takeover of Westech Electronics Ltd by Plexus Components. With Mr Sim at the helm till 2013, WE Holdings Ltd underwent a debt restructuring process and strengthened its balance sheet, raising US\$20 million through private placements and rights issue exercises.

Mr Sim holds a Bachelor of Commerce degree from Murdoch University, Western Australia, and a Diploma in Electronics Engineering from Ngee Ann Polytechnic, Singapore.



# KEY MANAGEMENT



## **DAVID JONATHAN WREN FUGEMAN**

*Group Product Marketing Director*

Mr David Jonathan Wren Fugeman is the Group Product Marketing Director of Global Invacom Limited ("GIL") and is responsible for Global Invacom Group's product offerings and positioning with particular focus on providing a complete and/or enhanced proposition to PayTV & broadband by satellite providers. He has been with GIL for over 28 years. Prior to this, he played a managerial role as a Technician Engineer in the test department at English Electric Valve. He was promoted to Sales and Production Manager and oversaw the Global Communications production and sales activity before joining the newly formed board as Sales and Marketing Director in 1999.



## **GORDON BLAIKIE**

*Chief Operating Officer*

Mr Gordon Blaikie is the Chief Operating Officer of the Group, responsible for the manufacturing entities and sales functions of the Group. He works closely with the Board of Directors and senior management to strategise, streamline and improve the operating performance of the Group.

Mr Blaikie joined Global Invacom Limited ("GIL") as Group Operations Director in July 2012 and was responsible for the Group's operations in United States of America, United Kingdom, Israel, Malaysia and Shanghai. He has 35 years of experience in manufacturing and operations and was previously the Operations Manager for online retail world leader Amazon. Prior to joining the Group, he was the Operations Director for Amphenol, the world's leader in connector manufacturing in both Aerospace and Military products.

Mr Blaikie holds a Diploma in Production and Inventory Management Control.



## **JAN ULRICH TREIBER**

*General Manager of Global Invacom Limited*

Mr Jan Ulrich Treiber is the General Manager of Global Invacom Limited, responsible for the day-to-day running of the Group's satellite electronics design and distribution business. Previously he oversaw Global Professional, the Group's specialist manufacturer of bespoke RF equipment and prior to that, as Head of Strategic Marketing, the Group's strategy, internal and external intelligence and special strategic projects. He has been working with the Group since March 2014. Mr Treiber has extensive international experience in the satellite communications and broadcasting industry. Prior to joining the Group, he was working for SES, a global satellite operator, in various

strategic and commercial functions after completing the Company's leadership development program. Previously, he had also worked for Canal+, a French Pay TV operator, in product innovation and for ND Satcom, in a satellite communications engineering capacity.

Mr Treiber holds a Master's degree in Telecommunications Engineering from Karlsruhe Institute of Technology (KIT) in Germany and a Master of Business Administration from Collège des Ingénieurs in France.



## **ROBERT BRUCE LOCKHART**

*General Manager of Satellite Acquisition Corporation*

Mr Robert Bruce Lockhart is the General Manager of Satellite Acquisition Corporation ("Global Skyware"), responsible for the day-to-day running of the Group's satellite antenna design, manufacture and distribution business. Previously, he oversaw financial operations for Global Skyware. He has been working with Global Skyware since June 2010. Prior to joining Global Skyware, he had over 25 years financial management experience working in the telecom industry with Sony, Ericsson and General Electric.

Mr Lockhart holds a Bachelor's degree in Marketing from Southern Illinois University in the United States of America.



## **WENDY ISABEL WONG PEI FERN**

*Group Financial Controller*

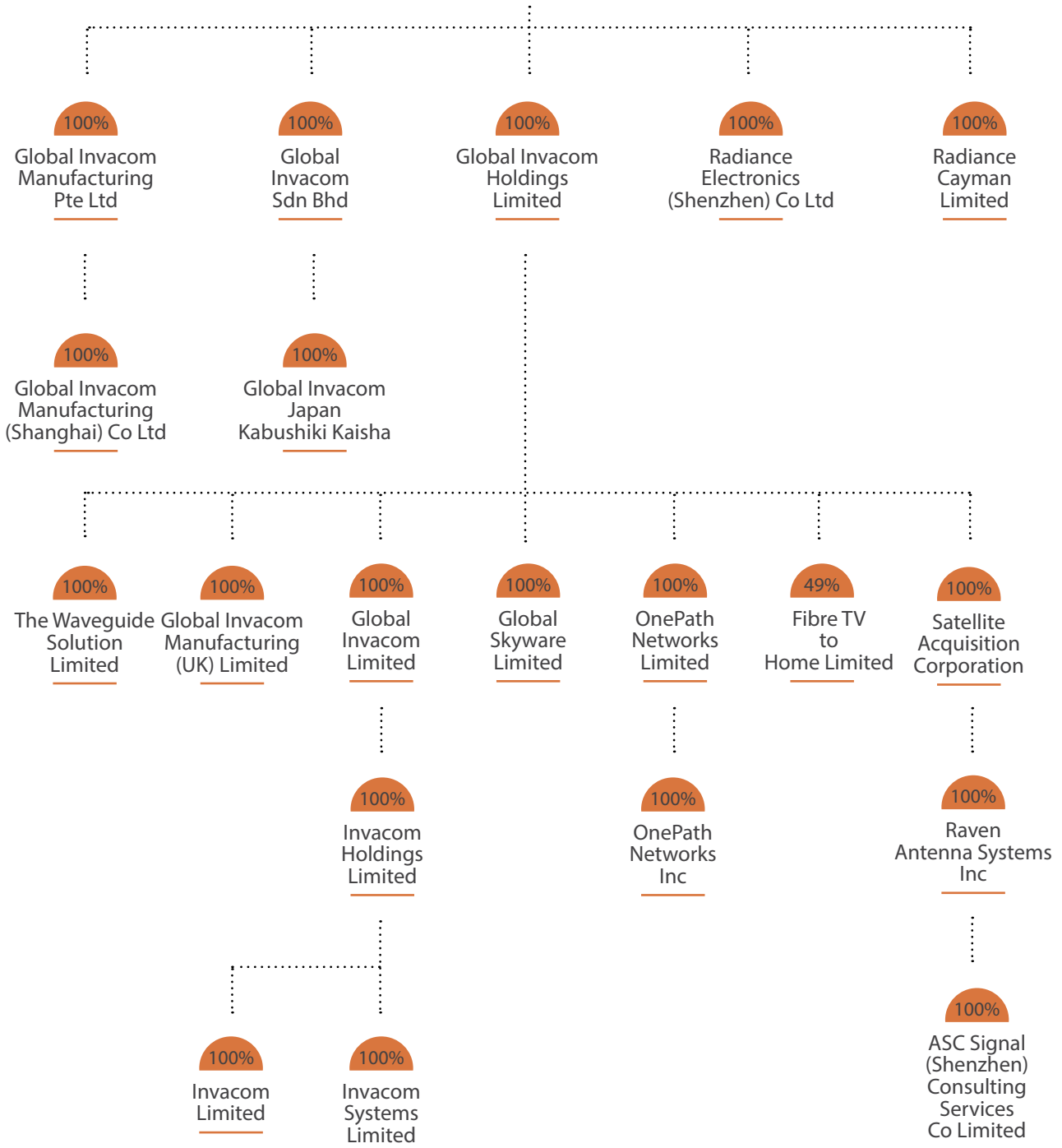
Ms Wendy Isabel Wong Pei Fern is the Group Financial Controller and is responsible for the overall financial, accounting, tax, treasury, corporate finance and compliance matters of the Group. She has been with the Company since 2007. She is a director of Global Invacom Manufacturing Pte Ltd and other Group subsidiaries. Ms Wong has been in the finance and accounting field for more than 23 years. She has held various management positions in multinational and listed companies in the information technology, computer and telecommunications industries.

Ms Wong holds a Bachelor's degree in Accountancy from Nanyang Technological University, Singapore. She was admitted as a member of the Institute of Singapore Chartered Accountants in 1998 and has been a Chartered Accountant since 2001.

# CORPORATE STRUCTURE



**global invacom**  
completing the picture



# SUSTAINABILITY REPORT

## BOARD STATEMENT

The Board of Directors (the “Board”) of the Group recognises the need to disclose our environmental, social and governance (“ESG”) practices and performances and has produced our second sustainability report (“SR”) to shareholders for the financial year ended 31 December 2018.

The Group is committed to create constant growth through sustainable practices and effort. Pivotal to the Group’s continued growth is the Board’s belief that our key stakeholders’ interests are of the utmost importance.

The Company acts in the best interest of our shareholders’ long term interest through our continuing effort of being financially prudent whilst managing our risks (operational and strategic). The Group endeavours to align these long-term interests with that of our stakeholders.

## ABOUT THIS SUSTAINABILITY REPORT, REPORTING LOCATIONS, BOUNDARIES AND PERIOD

The Group’s second SR covers the period from 1 January to 31 December 2018 (“2018”). This SR was prepared using reference from Rule 711A and 711B of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and was prepared using the “Global Reporting Initiative Standards: Core option” (“GRI Standards”) as a guideline.

Unless otherwise stated, this report covers the ESG aspects of the Group’s operations across three regions broadly defined as America, Europe and APAC (covering Asia and Rest of the World). The entities contributing data for this SR remain the same as those contributing data for the previous SR. This SR does not evaluate performance against any established targets yet but the Group remains committed to setting targets and goals as the SR matures.



# SUSTAINABILITY REPORT

The Board will continue to oversee the identification and management of sustainability practices. Our Management team will assist to identify, measure and address sustainability related matters on an ongoing basis.

No external assurance was sought for the preparation of this SR.

## GOVERNANCE AND DISCLOSURES

The Board, supported by our senior management, was involved in the current assessment and review of sustainability issues. Oversight of the SR remained delegated to Mr Malcolm John Burrell, our Executive Director, Chief Technical Officer and Chief Risk Officer.

Nonetheless, the Board continues to have oversight on sustainability issues and responsibilities including the identification of internal and external stakeholders, their engagement, broad base material topics, and in future years, tracking of their performance and progress.

In conducting its business, the Group always seeks to adhere to local legislations and upholds a high standard of corporate governance.

A detailed report on our governance disclosures can be found on pages 25 to 40 as set out in this Annual Report ("AR").

## WEBSITE AND FEEDBACK

We welcome our stakeholders' views and feedback, and these can be emailed to us at [SR@globalinvacom.com](mailto:SR@globalinvacom.com)

A soft copy of our AR 2018 is downloadable at our website: <https://www.globalinvacom.com>

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk governance and its management practices. The Board has the responsibility to ensure that a sound set of internal controls are in place to mitigate risk and safeguard shareholders' interests.

The Board approves key risk management policies, the level of tolerance and oversight on design, monitoring, and implementation of risk management and the internal controls system. Further information on our risk management and internal controls can be found in the Report on Corporate Governance as set out in this AR.

## CODE OF BUSINESS CONDUCT

The Group does not currently have a comprehensive or generic Code of Conduct. We intend to review and consolidate our common practices and incorporate them into a Group policy handbook with a view to clearly defining written rules for our employees when dealing with third parties. So far, we have started the process of reviewing the existing common practices.

The Company has in place a Whistle-Blowing policy, overseen by our Audit and Risk Committee, which provides a channel for our employees to raise concerns they may have about potential or actual improprieties directly to the Lead Independent Director. The Company protects whistle-blowers from any form of retaliation, harassment or other discriminatory acts.

## ANTI-BRIBERY AND CORRUPTION POLICY

The Company has zero tolerance of bribery and corruption, and employees are expected to uphold the highest standards of professional conduct. There have been no reportable incidents of any employee engaging in bribery or corruption in 2018.

The Group also confirms that there was no monetary incentive or equivalent provided to any politically exposed person or political parties to secure any contract in 2018.

## CUSTOMER PRIVACY

In the course of ordinary business, the Company operates at the business to business level, and hence the collection of customer's personal data is minimal. The Group has not identified any substantiated complaints concerning breaches of customer privacy during 2018.

The Group has appointed Data Protection Officers to oversee customer data collection in Singapore and the United Kingdom ("UK"). Our Chief Risk Officer has oversight of the data protection regulations in the various countries in which we operate.

## MATERIALITY ASSESSMENT FRAMEWORK

As part of the GRI Standards disclosures, the Group has adopted the recommended approach of the four reporting principles namely stakeholder inclusiveness, sustainability context, its materiality, and completeness when determining material, strategic and reporting issues.

The likelihood and impact matrix for risk assessment was aligned with the Group's sustainability strategy when prioritising material ESG factors. For 2018, the material topics were reviewed so that they remained relevant and aligned. There was no recommended change of material topics subsequent to the review.

# SUSTAINABILITY REPORT

## COMMITMENT AND DISCLOSURES OF KEY PERFORMANCE INDICATORS (“KPIs”)

All data in the SR was extracted internally from our kept documents and/or records to ensure accuracy. While the SR does not specifically evaluate performance against established targets, the Group is committed to set targets and goals for future reporting.

As of 31 December 2018, our data gathering was still in progress and not complete for certain indicators and regions. As such, wherever data is inadequate or not available for presentation, we have included an explanatory note.

As disclosed in 2017, the Group hopes to establish and implement data tracking and gathering mechanisms for improved reporting going forward. The following baseline was put in place to commit to certain targets using KPIs.

| PERFORMANCE INDICATORS                  | COMMITMENT (TARGET)   | KPIs   |
|---|---|--|
| <b>Economic Performance</b>             | Grow profits and improve cash flow  | <ul style="list-style-type: none"> <li>Revenue</li> <li>Operating costs</li> <li>EBITDA</li> </ul>   |
| <b>Energy Efficiency</b>                | Maintain and ideally reduce energy consumption through energy efficiency measures. Adopt energy efficient assets and renewable energy solutions | <ul style="list-style-type: none"> <li>Energy consumption</li> <li>Energy intensity, expressed as kWh per dollar of revenue</li> </ul>       |
| <b>Water Conservation</b>               | Maintain and ideally reduce water consumption and encourage use of treated/recycled water   | Water consumption  |
| <b>Occupational Health &amp; Safety</b> | Provide a safe and healthy work environment<br>Reduce the injury rate and lost day rate year on year  | <ul style="list-style-type: none"> <li>Work-related fatalities</li> <li>Injury rate</li> <li>Lost day rate</li> <li>Absentee rate</li> </ul> |
| <b>Training &amp; Education</b>         | Improve employees competencies  | <ul style="list-style-type: none"> <li>Programs implemented</li> <li>Training hours per staff</li> </ul>                                     |
| <b>Customer Health &amp; Safety</b>     | Ensure legal compliance in all areas of operations and be ethical in business conduct and practices   | Non-compliance incidents with regulations and/or voluntary codes   |
| <b>Socioeconomic Compliance</b>         | No incidents of non-compliance, and uphold high standards of ethical business conduct and practices   | Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations   |

## STAKEHOLDER ENGAGEMENT

For 2018, Management and the Company Secretary had performed an internal assessment of key stakeholder groups, their concerns (if any) and expectations. For 2019, the Group may consider sending out survey form to seek out the views of our stakeholders.

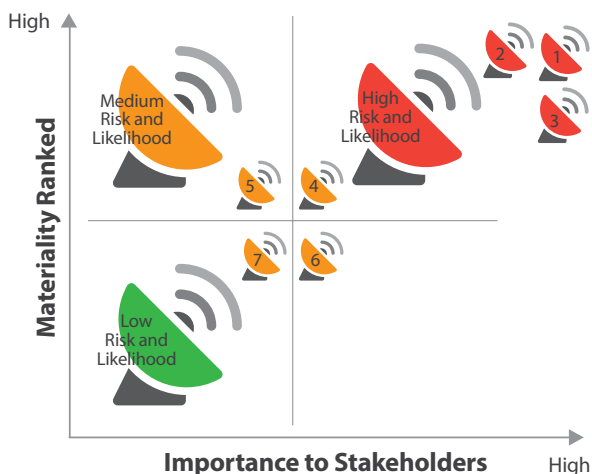


# SUSTAINABILITY REPORT

A list of stakeholders, as identified by management, is provided in the table below, together with the ways in which the Company engages with these stakeholders.

| STAKEHOLDERS                        | EXPECTATION   | ENGAGEMENT  | OUR RESPONSE  |
|-------------------------------------|---|---|---|
| <b>GOVERNMENT &amp; REGULATORS</b>  | <ul style="list-style-type: none"> <li>Regulatory compliance and feedback</li> </ul>  | <ul style="list-style-type: none"> <li>SGX/AIM quarterly announcements</li> <li>Annual reports</li> <li>Ongoing dialogues</li> </ul>  | To comply with prevailing rules and legislation   |
| <b>CUSTOMERS</b>                    | <ul style="list-style-type: none"> <li>Product quality and safety</li> <li>User experience</li> <li>Recycling of waste and consumables</li> <li>Health and safety in workplace</li> </ul>                                 | <ul style="list-style-type: none"> <li>Feedback form</li> <li>Meeting sessions and client management</li> <li>Website/phone contact/email</li> </ul>  | Via regular communication whether formal or informal meetings. We also ensure that products of good quality are delivered to our end users  |
| <b>EMPLOYEES</b>                    | <ul style="list-style-type: none"> <li>Remuneration and benefits</li> <li>Career development and progression</li> <li>Training opportunities</li> <li>Job security</li> <li>Health and safety in the workplace</li> </ul> | <ul style="list-style-type: none"> <li>Annual performance appraisal system</li> <li>Training and education opportunities</li> <li>Face to face meetings</li> <li>News via emails and circulars</li> </ul> | <ul style="list-style-type: none"> <li>Be open and transparent about our human resource policies</li> <li>Feedback obtained through formal appraisal and informal sessions</li> </ul>                                 |
| <b>INVESTORS &amp; SHAREHOLDERS</b> | <ul style="list-style-type: none"> <li>Group's growth</li> <li>Risk management and internal controls</li> <li>Economic performances</li> <li>Shareholders' return</li> </ul>  | <ul style="list-style-type: none"> <li>General meetings</li> <li>Quarterly results and presentations</li> <li>Annual reports</li> <li>Company's corporate website</li> </ul>                              | <ul style="list-style-type: none"> <li>Adhere to guidelines as recommended by regulators</li> <li>Ensure transparent and timely dissemination of all material information to shareholders and stakeholders</li> </ul> |
| <b>CONTRACTORS &amp; SUPPLIERS</b>  | <ul style="list-style-type: none"> <li>Environmental compliance</li> <li>Ongoing certification and specification</li> </ul>   | <ul style="list-style-type: none"> <li>Face to face meeting</li> <li>Email/phone contact</li> <li>Feedback on product supplied and their quality</li> </ul>   | To devise ethical procurement policies and internal processes to ensure equitable treatment of all our suppliers when selecting vendors or awarding contracts   |

## KEY MATERIAL FACTORS IDENTIFIED, RANKED AND CHOSEN BY MANAGEMENT



| Materiality Ranked | Importance to Stakeholders | Map to GRI |
|--------------------|----------------------------|------------|
| 1                  | Economic Performance       | 201        |
| 2                  | Training & Development     | 403        |
| 3                  | Health & Safety            | 416        |
| 4                  | Energy Efficiency          | 302        |
| 5                  | Water Conservation         | 303        |
| 6                  | Recycling                  | 303        |
| 7                  | Socioeconomic Compliance   | 419        |

# SUSTAINABILITY REPORT

## ENVIRONMENTAL HIGHLIGHTS

| ENVIRONMENTAL  | FY2018     | FY2017     |
|--|------------|------------|
| Energy intensity (kWh per US\$)                            | 0.20       | 0.21       |
| Energy used (kWh)  | 24,001,308 | 25,454,833 |
| Water consumption intensity (m <sup>3</sup> per US\$1,000) | 0.55       | 0.66       |
| Water consumption (m <sup>3</sup> )                        | 68,218     | 76,543     |
| Rainwater harvested (m <sup>3</sup> )                      | 635        | 0          |
| Water recycled (m <sup>3</sup> )                           | 650        | 650        |
| Non-hazardous waste (tonnes)                               | 2,331      | 1,875      |
| Non-hazardous waste recycled (tonnes)                      | 2,154      | 1,471      |
| Hazardous waste (tonnes)                                   | 1.3        | 5.5        |

Note: The Group has not reported CO<sub>2</sub> emissions in this initial report, but intends to do so going forward.

## ELECTRICITY AND GAS

The Group consumes electricity and gas directly as an end user at our facilities, with the vast majority being used in our manufacturing plants. No renewable sources or self-generated energy was obtained internally.

In 2018, the Group's energy consumption by region is shown in the table below:

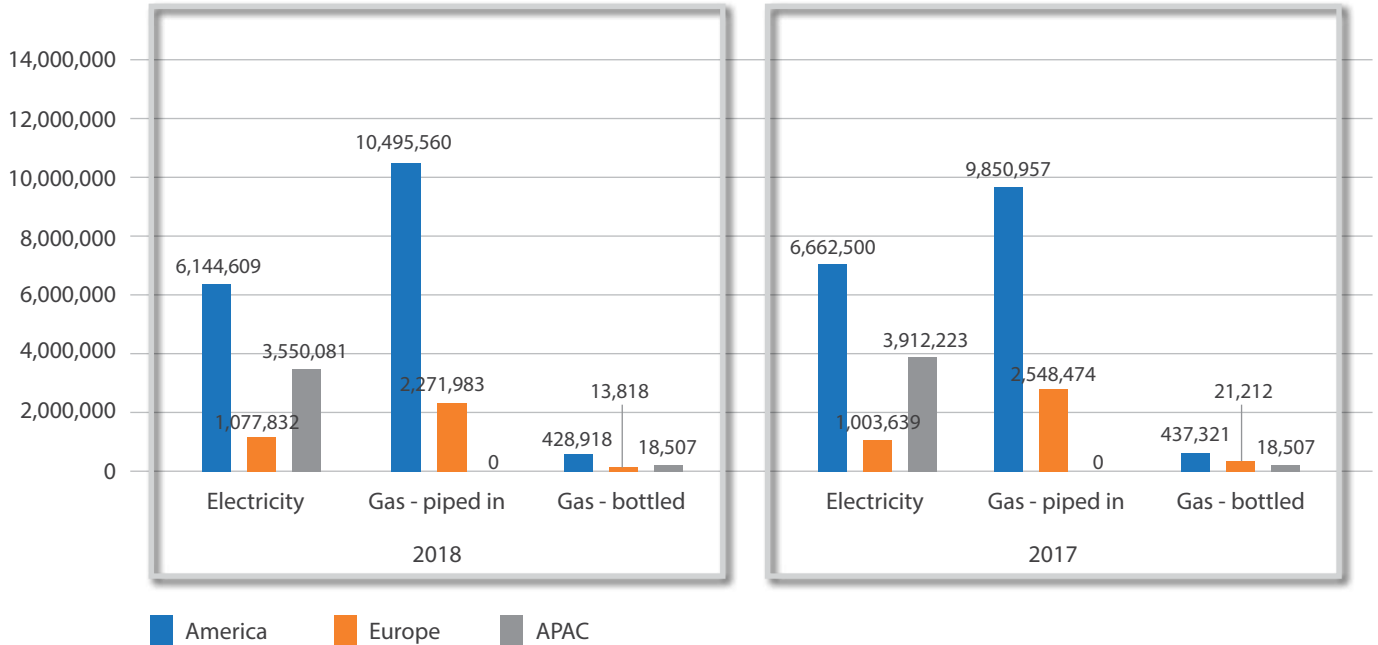
| Energy Type (kWh) | America           | Europe           | APAC             | Group             |
|-------------------|-------------------|------------------|------------------|-------------------|
| Electricity       | 6,144,609         | 1,077,832        | 3,550,081        | 10,772,522        |
| Gas – piped in    | 10,495,560        | 2,271,983        | 0                | 12,767,543        |
| Gas – bottled     | 428,918           | 13,818           | 18,507           | 461,243           |
| <b>Total</b>      | <b>17,069,087</b> | <b>3,363,633</b> | <b>3,568,588</b> | <b>24,001,308</b> |

In 2018, the Group consumed a total of 24,001,308 kWh, down slightly from 24,454,833 in 2017. The decrease was attributable to normal operational variances and not because of any initiatives. The Group will seek to identify and implement energy reduction initiatives going forward, which may include the use of renewables.

## SOCIAL HIGHLIGHTS

| EMPLOYEES                                    | FY2018 | FY2017 |
|--|--------|--------|
| Number of employees                          | 984    | 971    |
| Full time employees                          | 984    | 961    |
| Temporary employees                          | 0      | 10     |
| Average new hires (Group basis)              | 12%    | 10%    |
| Male employees                               | 430    | 435    |
| Female employees                             | 554    | 536    |
| Average training hours per employee (Female) | 28     | 26     |
| Average training hours per employee (Male)   | 21     | 13     |
| Average employee turnover rate (Group basis) | 15%    | 12%    |
| Fatal accidents                              | Nil    | Nil    |

## Energy Consumption by Region (kWh)



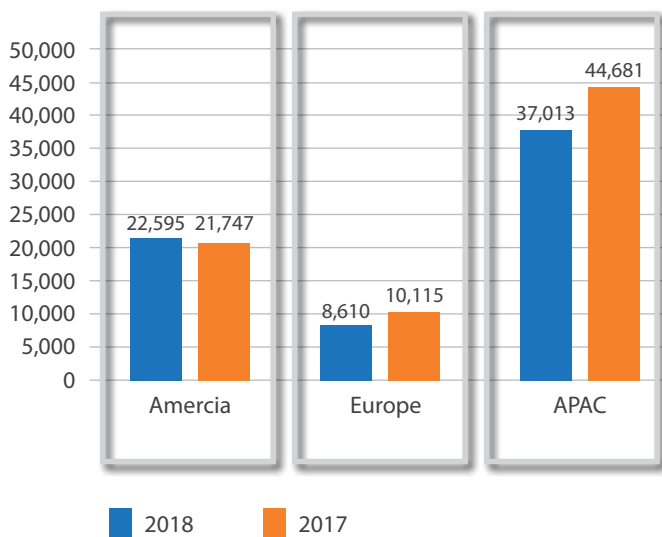
## WATER

The Group does not consume large volumes of water in its manufacturing processes. The Company only draws water from public utilities for our business operations. In 2018, our total water consumption was 68,218 m<sup>3</sup> which was 10.88% lower than 2017.

## WATER RECYCLING AND DISCHARGE

Water used as part of the production process is largely discharged to the public sewage systems in the countries in which we operate. In 2018, we continue to recycle less than 1% of the water we consume.

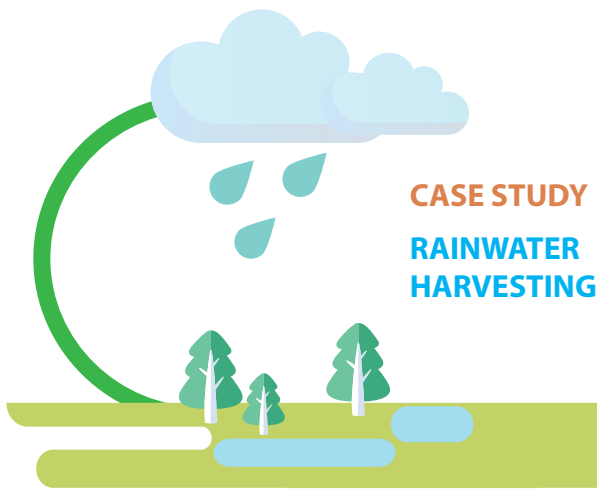
## Water Consumption (m<sup>3</sup>) by Regions



| Discharge Destination   | Vol (m <sup>3</sup> ) 2018 | Vol (m <sup>3</sup> ) 2017 |
|---|----------------------------|----------------------------|
| Through a defined discharge point (point source discharge)                | 68,966                     | 73,418                     |
| Over land in a dispersed or undefined manner (non-point source discharge) | 0                          | 0                          |
| As wastewater removed from the organisation via truck                     | 0                          | 12                         |
| <b>Total Water Discharged</b>   | <b>68,966</b>              | <b>73,430</b>              |

The Group will continue to identify and implement water reduction and recycling initiatives.

# SUSTAINABILITY REPORT



In 2018, we have started rainwater harvesting in Accrington, UK. At this facility, we consume approximately 20,000 litres of water per day mainly for use on the pre-treatment part of our paint line. During rainy days, a reduction in water consumption of 30% to 40% each week was observed.



## WASTE AND EFFLUENTS

The waste generated at our manufacturing plants includes scrap metal, wood and cardboard. All waste is disposed using waste contractors hired by our respective manufacturing plants in accordance with the prevailing laws, and disposed of through recycling, landfill or incineration. Where possible, for instance in the case of scrap metal, our waste is recycled by specialist contractors.

In 2018, approximately 2,331 tonnes of non-hazardous waste was generated by the Group, of which approximately 2,154 tonnes (92.41%) was recycled. In 2017, the Group had recycled 1,471 tonnes. Hazardous waste is disposed of by specialist waste contractors.

| Disposal Method | America<br>Weight (kg) |                | Europe<br>Weight (kg) |                  | APAC<br>Weight (kg) |               |
|-----------------|------------------------|----------------|-----------------------|------------------|---------------------|---------------|
|                 | Hazardous              | Non-hazardous  | Hazardous             | Non-hazardous    | Hazardous           | Non-hazardous |
| Reuse           | 0                      | 0              | 0                     | 0                | 0                   | 6,500         |
| Recycling       | 0                      | 661,140        | 2                     | 1,454,240        | 0                   | 38,931        |
| Recovery        | 0                      | 0              | 9,865                 | 0                | 0                   | 0             |
| Incineration    | 0                      | 0              | 0                     | 0                | 1,905               | 0             |
| Landfill        | 0                      | 85,183         | 0                     | 66,953           | 0                   | 470           |
| Others          | 1,400                  | 0              | 0                     | 17,841           | 0                   | 0             |
| <b>Total</b>    | <b>1,400</b>           | <b>746,323</b> | <b>9,867</b>          | <b>1,539,034</b> | <b>1,905</b>        | <b>45,901</b> |

## DIVERSITY AND EQUALITY

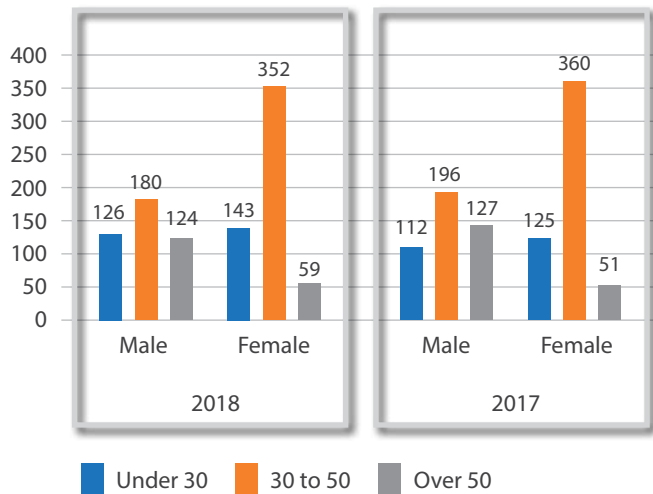
The Company is an equal opportunities employer, and does not tolerate discrimination. There were no incidents of discrimination reported in 2018. The Group ended the year with a total of 984 employees, 56% of whom were female and 44% were male (2017: 55% Female: 45% Male).

The Group complies with all labour laws in the regions in which we operate. We have a zero tolerance of the use of child labour, both within our own facilities and in those of our suppliers.

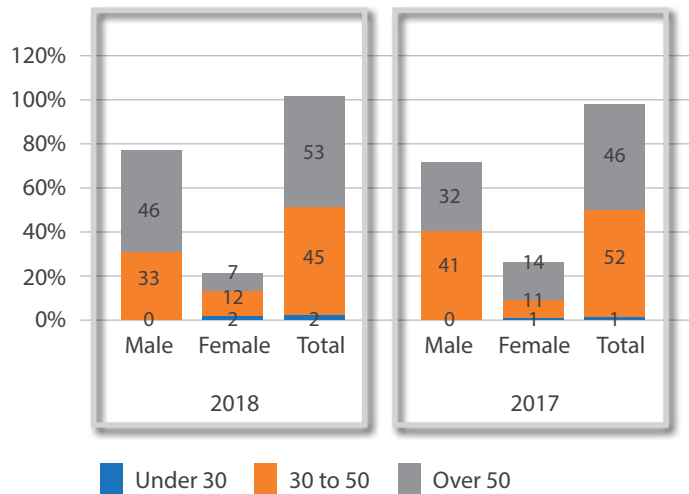
# SUSTAINABILITY REPORT

Our management teams throughout the Group are largely drawn from local people, with the exception of the executive team who are all from the UK. In 2018, out of the 43 members of the Group's management teams, 21% were female and 79% were male.

**Breakdown of Employees by Age and Gender**



**Senior Management Team by Age and Gender (%)**



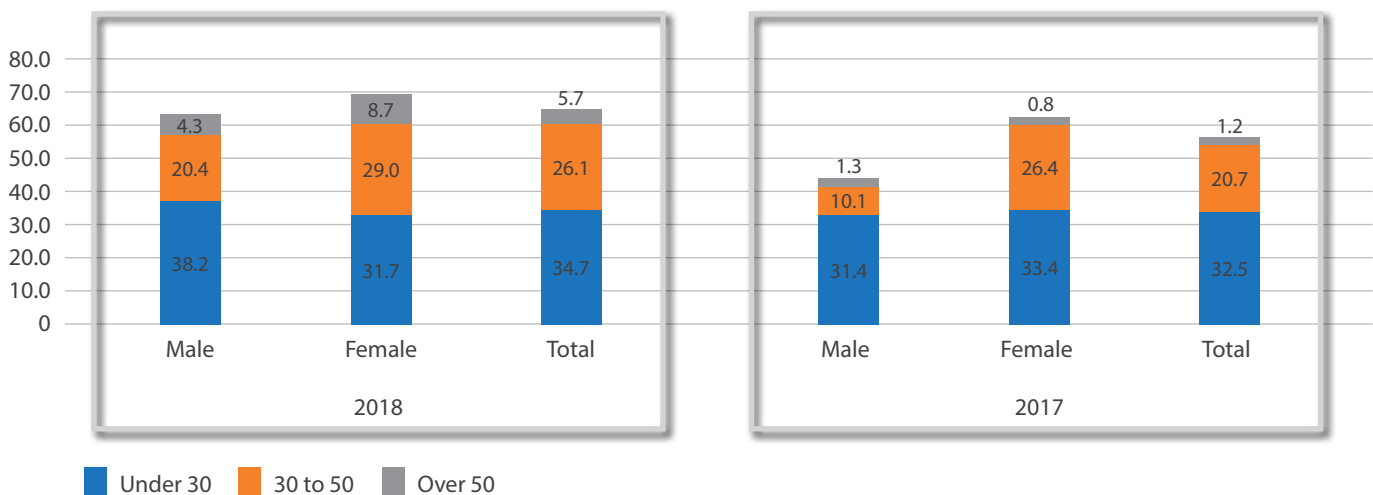
## TRAINING AND EDUCATION

The Group recognises that our employees are key stakeholders and that their knowledge and skills are critical in achieving overall success. We also believe that staff retention and productivity can both be improved through the personal development of our workforce.

The Company offers structured training to equip our employees with the skills and knowledge required within the business, and makes use of both in-house and external training. All employees of the Group receive regular reviews of their performance and development through the use of an appraisal system. In 2018, the Group provided a total of 24,257 hours of training for its workforce.

The Group is continuously seeking to develop and improve its employee training programmes.

**Average Number of Training Per Employee by Gender (Hours)**



# SUSTAINABILITY REPORT

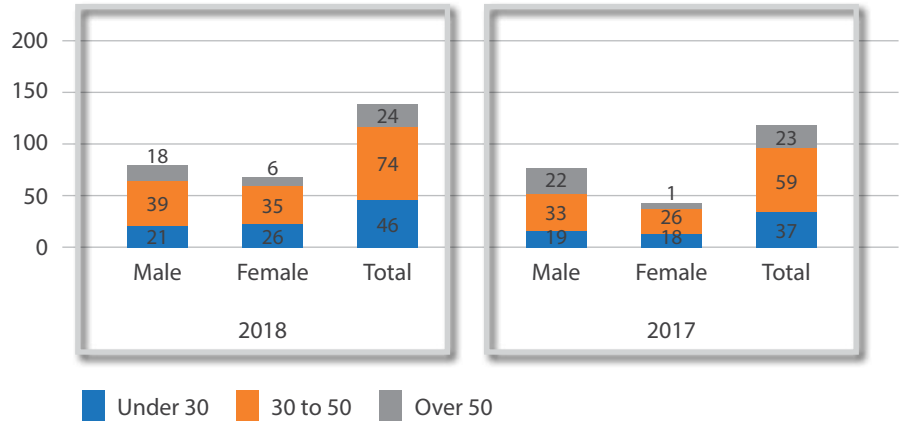
## EMPLOYEE ENGAGEMENT AND TURNOVER

The Group offers a range of benefits to its employees, which vary by region and includes some or all of the following – parental leave, life insurance, healthcare, and pension provision. As previously mentioned, all employees receive a regular appraisal. The various entities within the Group also hold events such as team building exercises and staff dinners.

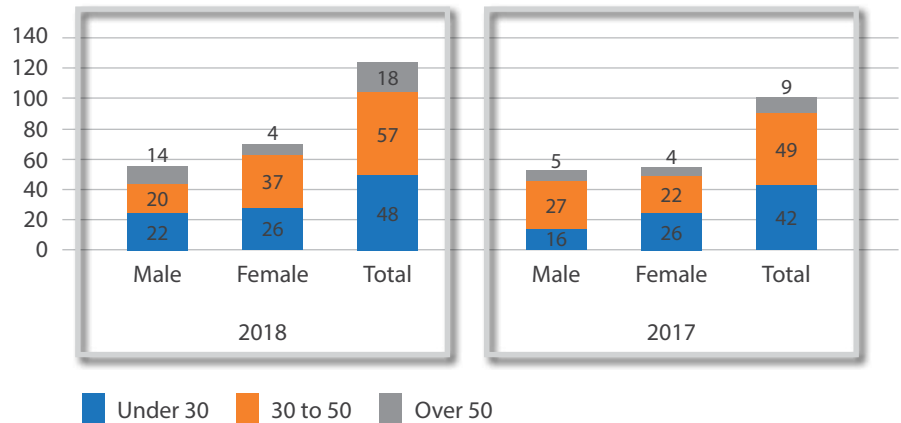
The overall staff turnover rate of the Group in 2018 was 15% compared with 12% in 2017. This increase was mainly due to some limited restructuring.

We continue to develop our engagement with our employees, and will also continue to monitor and report on our staff turnover, with the aim of improving our employee engagement and reducing staff turnover (other than where required for operational reasons).

### Leavers



### New Hires



## Our Teams



# SUSTAINABILITY REPORT

## HEALTH AND SAFETY

The Group is committed to providing a safe working environment for its employees and also to providing products which are safe for its customers to use.

Each of the Group's facilities complies fully with all local occupational health and safety (OSH) regulations and there were no breaches identified in 2018. There were no fatalities or serious work-related injuries, and neither were there any incidents of work-related diseases. None of the injuries sustained at our facilities were life threatening and there was no loss of life in 2018.

As at the date of this SR, there was no significant incident of non-compliance with regulations and/or voluntary codes concerning the health and safety aspect or impacts in the locations where we managed our business.

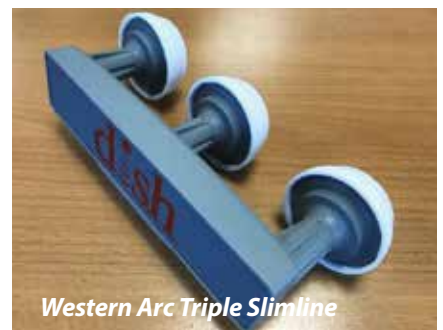
Product safety is inherent in our product design, product manufacturing and material procurement processes. The Group is not aware of any non-compliance with regulations and/or voluntary codes, nor has it been made aware of any safety issues arising out of the use of our products in 2018.



*Eastern Arc Twin Slimline*



*Phase Array Gateway Antennas*



*Western Arc Triple Slimline*



In 2018, the facility in Shanghai, China obtained a honorary certificate of hierarchical management and control of production safety risk issued by the Safety Inspection Bureau, a Chinese government bureau.

We have successfully completed the transition to the new 2015 standards for ISO 9001 (quality management systems) and ISO 14001 (environmental management).



*ISO Training*



*ISO Certificate*

# SUSTAINABILITY REPORT

## SOCIOECONOMIC

The Group takes seriously its obligations to comply with the legislation and standards in the regions in which it operates. In 2018, there was no reportable incidents of significant fines due to non-compliance with existing labour laws and/or regulations across the Group.

## COMMUNITY

As a good corporate citizen, the Company strives to minimise our impact on the environment. Our various facilities largely draw their workforces from the local communities in which they are based. The Group currently makes available a nominal amount for each entity to support local charitable causes. Going forward, the Group intends to review and ideally increase its charitable involvement and contributions to the various local communities in which it operates.

## INDIRECT ECONOMIC IMPACT

The Group's operations contributed to the economies of the countries in which it operates. We have sustained and created employment, up-skilled local workforces through training and on-the-job experience, and contributed to tax revenues.

## SUPPLY CHAIN AND PROCUREMENT POLICY

The Group recognises the crucial role that its suppliers play in the overall operation and success of the business. We are dependent on our suppliers, and so it is generally in the Group's interest for our suppliers to continue to be successful, whilst supplying quality components at a good price.

The Group also recognises that the overall sustainability of its operations depends not just on its own performance in the ESG aspects, but also on that of its suppliers.

Whilst we have some way to go in formulating and implementing a policy in respect of the sustainability of our suppliers, we do conduct formal assessments on many of our existing key suppliers, and also on new suppliers. These assessments do cover some ESG aspects, including the use of child labour.

Going forward, the Group intends to formulate a Group-wide procurement policy, which will include a requirement for suppliers to report on the key relevant ESG aspects.

## LOCAL SUPPLIERS

The Group strives to keep its supply chains short and local. However, many of the components used in the Group's products, notably semi-conductors, are sourced from large multi-national corporations, and so it is not always possible to source locally. Furthermore, the need to remain competitive may lead to the sourcing of components from the most cost-effective suppliers, which may be located off-shore. The Group will review the practicality of providing objective supply chain data with respect to locality in its future reports.

## MEMBERSHIP OF ASSOCIATIONS

The Group participates in various professional associations and business federations. A list of these is provided below:

- Confederation of Aerial Industries
- Society for Broadband Professionals
- Make UK Manufacturing Organisation
- Singapore Business Federation
- MTSFB (Malaysia Technical Standards Forum Bhd)
- JOSCAR (Joint Supply Chain Accreditation Register)
- Smithfield Chamber of Commerce



# SUSTAINABILITY REPORT

## GRI STANDARDS CONTENT INDEX

| GRI Standards                    | Disclosures  | Page Number(s) and/or URL or Reason for Omission                                   |
|----------------------------------|--|--|
| <b>1. Organizational Profile</b> |  |  |
| 102-1                            | Name of the organisation                                     | AR FY2018  |
| 102-2                            | Activities, brands, products, and services                   | 1-3, AR FY2018   |
| 102-3                            | Location of headquarters                                     | Singapore  |
| 102-4                            | Location of operations                                       | 11, 87-89, AR FY2018   |
| 102-5                            | Ownership and legal form                                     | Public Listed Company<br>(Limited by Share Capital)                                |
| 102-6                            | Markets served   | 11, AR FY2018  |
| 102-7                            | Scale of the organisation                                    | 11, AR FY2018  |
| 102-8                            | Information on employees and other workers                   | 16, 18-20, AR FY2018   |
| 102-9                            | Supply chain   | 22, AR FY2018  |
| 102-10                           | Significant changes to the organisation and its supply chain | 22, AR FY2018  |
| 102-11                           | Precautionary principle or approach                          | 34-38, 109-117, AR FY2018  |
| 102-12                           | External initiatives   | 16-22, AR FY2018   |
| 102-13                           | Membership of associations                                   | 22, AR FY2018  |
| <b>2. Strategy</b>               |  |  |
| 102-14                           | Statement from senior decision-maker                         | 2-3, 12, AR FY2018   |
| <b>3. Ethics and Integrity</b>   |  |  |
| 102-16                           | Values, principles, standards, and norms of behaviour        | 1, AR FY2018   |
| 102-17                           | Mechanisms for advice and concerns about ethics              | 12-13, 36, AR FY2018   |
| <b>4. Governance</b>             |  |  |
| 102-18                           | Governance structure   | 25, AR FY2018  |
| <b>5. Stakeholder Engagement</b> |  |  |
| 102-40                           | List of stakeholder groups                                   | 14-15, AR FY2018   |
| 102-41                           | Collective bargaining agreements                             | Not applicable. No collective bargaining agreements.                               |
| 102-42                           | Identifying and selecting stakeholders                       | 14-15, AR FY2018   |
| 102-43                           | Approach to stakeholder engagement                           | 14-15, AR FY2018   |
| 102-44                           | Key topics and concerns raised                               | 14-15, AR FY2018   |
| 102-45                           | Entities included in the consolidated financial statements   | 87-89, AR FY2018   |
| 102-46                           | Defining report content and topic boundaries                 | 12-13, AR FY2018   |
| 102-47                           | List of material topics                                      | 15, AR FY2018  |
| 102-48                           | Restatements of information                                  | Not applicable. This is the second year of reporting and there was no restatement. |
| 102-49                           | Changes in reporting   | Not applicable.  |
| 102-50                           | Reporting period   | 1 January 2018 to 31 December 2018   |
| 102-51                           | Date of most recent report                                   | FY2018   |
| 102-52                           | Disclosure reporting cycle                                   | Annual   |
| 102-53                           | Contact point for questions regarding the report             | 13, AR FY2018  |
| 102-54                           | Claims of reporting in accordance with the GRI Standards     | This report has been prepared in accordance with the GRI Standards: Core option    |
| 102-55                           | GRI content index  | 23-24, AR FY2018   |
| 102-56                           | External assurance   | Not applicable. This is the second year of reporting.                              |

# SUSTAINABILITY REPORT

## GRI STANDARDS CONTENT INDEX

| GRI Standards                            | Disclosures  | Page Number(s) and/or URL or Reason for Omission |
|--|--|--|
| 103-1                                    | Explanation of material topic and its boundary                           | 13-14, AR FY2018                                 |
| 103-2                                    | The management approach and its components                               | 14-15, AR FY2018                                 |
| 103-3                                    | Evaluation of the management approach                                    | 14-15, AR FY2018                                 |
| <b>Economic Presence</b>                 |  |  |
| 201-1                                    | Direct economic value generated and distributed                          | 6, AR FY2018                                     |
| <b>Market Presence</b>                   |  |  |
| 202-2                                    | Proportion of senior management hired from local community               | 19, AR FY2018                                    |
| <b>Indirect Economic Impact</b>          |  |  |
| 203-1                                    | Infrastructure investments and services supported                        | 22, AR FY2018                                    |
| <b>Anti-Corruption</b>                   |  |  |
| 205-2                                    | Communication and training on anti-corruption policies and procedures    | 13, AR FY2018                                    |
| 205-3                                    | Incidents and action taken   | 13, AR FY2018                                    |
| <b>Energy</b>                            |  |  |
| 302-1                                    | Energy consumption within the organisation                               | AR FY2018  |
| 302-3                                    | Energy intensity   | 16-17, AR FY2018                                 |
| 302-4                                    | Reduction of energy consumption  | 16, AR FY2018                                    |
| <b>Water</b>                             |  |  |
| 303-1                                    | Total water consumption  | 17-18, AR FY2018                                 |
| 303-3                                    | Water recycled and reused  | 17-18, AR FY2018                                 |
| <b>Effluents and Waste</b>               |  |  |
| 306-1                                    | Water discharge by quality and destination                               | 17-18, AR FY2018                                 |
| 306-2                                    | Waste by type and disposal method  | 17-18, AR FY2018                                 |
| <b>Occupational/Health and Safety</b>    |  |  |
| 403-1                                    | Staff represented in OHS committee                                       | 21, AR FY2018                                    |
| 403-2                                    | Occupational injury  | 21, AR FY2018                                    |
| <b>Training/Education</b>                |  |  |
| 404-1                                    | Average hours of training  | 19, AR FY2018                                    |
| 404-2                                    | Employee skills upgrade and transition assistance programmes             | 19-20, AR FY2018                                 |
| 404-3                                    | Performance and career development reviews                               | 20, AR FY2018                                    |
| <b>Diversity and Equal Opportunities</b> |  |  |
| 405-1                                    | Diversity  | 18, AR FY2018                                    |
| <b>Public Policy</b>                     |  |  |
| 415-1                                    | Political contributions  | 12, AR FY2018                                    |
| <b>Customer Health and Safety</b>        |  |  |
| 416-1                                    | Health and safety impacts assessment of products and services            | 21, AR FY2018                                    |
| 416-2                                    | Incidents of non-compliance  | 21, AR FY2018                                    |
| <b>Customer Privacy</b>                  |  |  |
| 418-1                                    | Customer privacy and losses of customer data                             | 13, AR FY2018                                    |
| <b>Socioeconomic Compliance</b>          |  |  |
| 419-1                                    | Non-compliance with laws and regulations in the social and economic area | 22, AR FY2018                                    |

# REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of Global Invacom Group Limited (the “Company”) believes in maintaining high standards of corporate governance and is committed to ensuring that effective self-regulatory corporate practices are in place to protect the interests of its shareholders. The Company supports the recommendations of the 2012 Code of Corporate Governance (the “Code”).

The Company is pleased to disclose below a description of its corporate governance processes and activities with specific reference to the Code. Other than the specific deviations or alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code which are explained in this report, the Company has complied with the principles and guidelines of the Code.

## Principle 1 : Board’s Conduct of its Affairs

The Board oversees the business and corporate affairs of the Company and its subsidiaries (collectively the “Group”) and is collectively responsible for its success. The Board sets the overall strategy of the Group and sets policies on matters relating to financial control, financial performance and risk management procedures.

The Board members objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

The Board’s policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of race or gender. The Board comprises members with a broad range of knowledge, expertise and experience such as accounting, engineering, finance, business and management. The current Board composition provides the Company with a diversity of skills, experience and knowledge.

Management, together with the Board Committees, including the Audit and Risk Committee (“ARC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) support the Board in discharging its responsibilities. To facilitate effective management, certain functions have been delegated to various Board Committees, each of which has its own written terms of reference (“TOR”). The TORs are reviewed on a regular basis to ensure their continued relevance. The TORs of the respective Board Committees have also been updated to be in line with the Code.

The roles and powers of the Board Committees are set out separately in this report.

The Board conducts regular scheduled meetings at least four times yearly and as warranted by particular circumstances. The Company’s Constitution provides for directors to convene meetings by way of telephone conferencing or any other electronic means of communication. When a physical Board meeting is not possible, timely communication between members of the Board can be achieved through electronic means or via circular of written resolutions for approval by the Board.

Details of Board and Board Committees’ meetings held for the financial year ended 31 December 2018 (“FY2018”) are disclosed in the table below:

|                                      | Board <sup>(1)</sup> | ARC               | NC                | RC                |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <b>Total Number of Meetings Held</b> | <b>6</b>             | <b>4</b>          | <b>1</b>          | <b>1</b>          |
| Anthony Brian Taylor                 | 6                    | NA <sup>(2)</sup> | 1                 | NA <sup>(2)</sup> |
| Malcolm John Burrell                 | 6                    | NA <sup>(2)</sup> | NA <sup>(2)</sup> | NA <sup>(2)</sup> |
| Matthew Jonathan Garner              | 6                    | NA <sup>(2)</sup> | NA <sup>(2)</sup> | NA <sup>(2)</sup> |
| John Lim Yew Kong                    | 6                    | 4                 | 1                 | 1                 |
| Basil Chan                           | 6                    | 4                 | 1                 | 1                 |
| Cosimo Borrelli                      | 6                    | 4                 | 1                 | 1                 |
| Kenny Sim Mong Keang                 | 6                    | NA <sup>(2)</sup> | NA <sup>(2)</sup> | NA <sup>(2)</sup> |

Notes:

- (1) There were two additional ad-hoc meetings in FY2018.  
(2) Not applicable as he is not a member of the committee.

# REPORT ON CORPORATE GOVERNANCE

The Board has adopted a set of internal guidelines specifying matters requiring the Board's approval. Board approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, acquisitions and disposal of assets, major corporate policies on key areas of operations, acceptance of bank facilities, release of the Group's financial results and interested person transactions of a material nature.

Directors are kept informed of the relevant laws, regulations and challenging commercial risks from time to time. Relevant updates, news releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority are circulated to the Board for information.

Newly appointed directors are provided with information on the Group's business and are briefed on the business activities and the strategic direction of the Group. Directors also have the opportunity to meet with Management to gain a better understanding of the Group's business operations.

Upon appointment, a new director is provided with a formal letter, setting out their duties and obligations as directors. A new director is also briefed by external professionals in respect of changes in the prevailing legislation. The Company Secretary also provides updates on changes to the Companies Act, Cap. 50 and the Listing Rules as and when the changes become effective.

To keep abreast with changes and developments in rules, regulations and the business environment, all directors are encouraged to attend relevant training courses and seminars at the Company's expense.

## Principle 2 : Board Composition and Guidance

The Board comprises:

| Name of Directors       | Designation                | Age |
|-------------------------|----------------------------|-----|
| Anthony Brian Taylor    | Executive Chairman and CEO | 57  |
| Malcolm John Burrell    | Executive Director         | 60  |
| Matthew Jonathan Garner | Executive Director         | 55  |
| John Lim Yew Kong       | Lead Independent Director  | 58  |
| Basil Chan              | Independent Director       | 68  |
| Cosimo Borrelli         | Independent Director       | 52  |
| Kenny Sim Mong Keang    | Non-Executive Director     | 50  |

The NC considers the current Board size of seven members appropriate, having regard to the nature and scope of the Group's operations. The diversity of the directors' experiences allows for the useful exchange of ideas and views. The size and composition of the Board are reviewed on an annual basis by the NC to ensure that it has the appropriate mix of core expertise and experience consistent with the nature, size and complexities of the Group's business and its operating environment which is further enhanced by an annual evaluation completed by each individual director.

Out of the total of seven members, three are Independent Directors and one Non-Independent Director. As a whole there are four Non-Executive Directors on the Board. For FY2018, the Board is aware that the number of Independent Directors had not constituted half of the Board seats. Taking note of guideline 2.2 as prescribed under the Code, the NC would continue to evaluate the composition of the Board.

For FY2018, the NC was of the view that the Non-Executive Directors had continued to make up a strong and independent element of the Board whereby the views of the Management and Executive Chairman and his team were constructively challenged, from time to time, at Board meetings.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflict of interests and other complexities.

# REPORT ON CORPORATE GOVERNANCE

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition of independence. Independence is taken to mean that directors have no relationship with the Company, or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement.

For the year under review, the NC had assessed the independence of each director and is of the opinion that Messrs John Lim Yew Kong, Basil Chan and Cosimo Borrelli continue to be independent. Each member of the NC had abstained from deliberations in respect of the assessment on his own independence.

In December 2018, Mr Cosimo Borrelli would have served on the Board for more than nine years as an Independent Director. Mr John Lim Yew Kong would have reached his ninth year in September 2019. As a result, the Board collectively reviewed both their length of services as Independent Directors and concluded that they had continued to remain independent based on their character, conduct and participation during the respective Board and committees' meetings.

The Board had further examined the continuing independence of Mr Lim and Mr Borrelli. The Board found no reason to indicate that Mr Lim or Mr Borrelli's length of service in any way compromised their independence, character or conduct at each meeting. Both Mr Lim and Mr Borrelli had wealth of experience and practical business acumen to assist the Board with strategic reviews, implementation of strategies and business directions.

## **Principle 3 : Role of Chairman and Chief Executive Officer**

Mr Anthony Brian Taylor is the Executive Chairman of the Board. His main responsibilities include leading the Board to ensure its effectiveness on various aspects of its role, assisting in ensuring compliance with the Group's guidelines on corporate governance and ensuring that the directors are provided with complete, adequate and timely information. The Company Secretary assists the Executive Chairman in scheduling Board and Board Committees' meetings and prepares agenda papers in consultation with the Executive Chairman.

Mr Taylor also functions as the Chief Executive Officer ("CEO") of the Company. As CEO, Mr Taylor manages and oversees the Group's day-to-day operations and implementation of the Group's strategies, plans and policies to achieve the planned corporate performance and financial goals.

Although this deviates from the recommendations set out in the Code, the Board believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies. Mr Taylor's dual role as Executive Chairman and CEO will enable the Group to conduct its business more efficiently and to ensure that the decision making process of the Group will not be unnecessarily hindered.

The Board believes that there are adequate safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decision making without Mr Taylor exercising any undue influence on any decision made by the Board.

The NC will from time to time review the need to separate the roles of Chairman and CEO and will make its recommendations, as appropriate.

Mr John Lim Yew Kong, who is the Lead Independent Director of the Company, would address the concerns, if any, of the Company's shareholders on issues that cannot be appropriately dealt with by the Chairman/CEO.

Where appropriate and necessary, the Independent Directors would meet without the presence of the other directors, for the Lead Independent Director to provide any feedback to the Chairman.

# REPORT ON CORPORATE GOVERNANCE

## Principle 4 : Board Membership

The NC comprises a majority of Independent Directors. The Chairman of the NC, Mr Cosimo Borrelli, an Independent Director, is not associated with any substantial shareholders. The Lead Independent Director, Mr John Lim Yew Kong is also a member of the NC. The members of the NC are:

Cosimo Borrelli (Chairman)  
Basil Chan  
John Lim Yew Kong  
Anthony Brian Taylor

Under its TOR, the NC is responsible for reviewing the Board's composition, the effectiveness of the Board as a whole, determining whether directors possess the requisite qualifications and expertise and whether the independence of directors is compromised.

The NC also reviews Board succession plans for directors, in particular the Chairman and/or the CEO, developing an appropriate process for the evaluation of the Board's performance and reviewing the training and professional development programmes for the Board where required.

The NC also makes recommendation to the Board on all nominations for appointment and re-appointment to the Board and the Board Committees.

The NC, in recommending the nomination of any director for re-election, considers the contribution of each director, which includes his attendance record, overall participation, expertise, strategic vision, business judgement and sense of accountability.

Pursuant to the Company's Constitution, an election of directors shall take place each year. All directors shall retire at least every three years but shall be eligible for re-election at the Annual General Meeting ("AGM").

Mr Malcolm John Burrell and Mr Kenny Sim Mong Keang who are retiring under Regulation 105 of the Company's Constitution, at the forthcoming AGM have offered themselves for re-election.

There was no change on the information previously announced based on items (a) to (k) of the Appendix 7.4.1 of the Listing Manual of SGX-ST concerning the two directors to be re-elected.

The Board has accepted the NC's recommendation and the abovenamed directors will be offering themselves for re-election at the Company's forthcoming AGM.

Each member of the NC had abstained from voting on any resolutions and making any recommendations/participating in any deliberations of the NC in respect of his own re-nomination as director.

The NC considered and is of the opinion that the multiple board representations held by directors of the Company do not impede their performance in carrying out their duties to the Company. For FY2018, the Board did not set any cap on the number of listed company directorships given that all Non-Executive or Independent Directors were able to dedicate their time to the business of the Company. Nevertheless, should the Board find that time commitment is lacking from any director, the Board may consider imposing a cap on the number of directorships in future.

The Company's Constitution allows the appointment of alternate directors. There was however, no alternate director being appointed by any director for FY2018.

The NC has adopted a process for selection and appointment of new directors. This provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board. The Board approves the appointment upon recommendation by the NC.

# REPORT ON CORPORATE GOVERNANCE

Set out below are the names, dates of appointment and last re-election of each director:

| Name of Directors       | Designation                | Date of Appointment | Date of Last Election/Re-election |
|-------------------------|----------------------------|---------------------|-----------------------------------|
| Anthony Brian Taylor    | Executive Chairman and CEO | 18 August 2010      | 25 April 2018                     |
| Malcolm John Burrell    | Executive Director         | 18 August 2010      | 27 April 2016                     |
| Matthew Jonathan Garner | Executive Director         | 30 April 2014       | 26 April 2017                     |
| John Lim Yew Kong       | Lead Independent Director  | 13 September 2010   | 27 April 2016                     |
| Basil Chan              | Independent Director       | 25 April 2012       | 26 April 2017                     |
| Cosimo Borrelli         | Independent Director       | 4 December 2009     | 25 April 2018                     |
| Kenny Sim Mong Keang    | Non-Executive Director     | 23 September 2015   | 27 April 2016                     |

The details on the directors' directorships or chairmanships in other listed companies, directorships or chairmanship held over the preceding three years in other listed companies and other principal commitments are set out in the table below:

| Name of Directors       | Present Directorships/<br>Chairmanship in listed<br>companies (as at March 2019)   | Past Directorships/Chairmanship<br>in listed companies held over<br>the preceding three years (from<br>March 2016 to March 2019)   | Other Principal<br>Commitments   |
|-------------------------|--|--|--|
| Anthony Brian Taylor    | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Chairman)</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
| Malcolm John Burrell    | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
| Matthew Jonathan Garner | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
| John Lim Yew Kong       | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> <li>Karin Technology Holdings Limited (Director)</li> <li>ZICO Holdings Inc (Director)</li> </ul>                                    | <ul style="list-style-type: none"> <li>Nil</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
| Basil Chan              | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> <li>AEM Holdings Ltd (Director)</li> <li>Grand Banks Yachts Limited (Director)</li> <li>Memories Group Limited (Director)</li> </ul> | <ul style="list-style-type: none"> <li>SBI Offshore Limited (Director)</li> <li>YOMA Strategic Holdings Ltd (Director)</li> <li>Singapore eDevelopment Ltd (Chairman)</li> </ul> | <ul style="list-style-type: none"> <li>MBE Corporate Advisory Pte Ltd</li> </ul>                   |
| Cosimo Borrelli         | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> <li>PanAsialum Holdings Company Limited (Non-Executive Director)</li> </ul>  | <ul style="list-style-type: none"> <li>Acorn International Inc (Director)</li> <li>PT Berlian Laju Tanker Tbk (Director)</li> </ul>  | <ul style="list-style-type: none"> <li>Borrelli Walsh Limited</li> </ul>                           |
| Kenny Sim Mong Keang    | <ul style="list-style-type: none"> <li>Global Invacom Group Limited (Director)</li> <li>ZACD Group Ltd (Director)</li> </ul>   | <ul style="list-style-type: none"> <li>Nil</li> </ul>  | <ul style="list-style-type: none"> <li>I2 Capital Pte Ltd</li> <li>FSK Advisory Pte Ltd</li> </ul> |

The details of the directors' shareholdings can be found on Note 3 of the Directors' Statement as set out in this Annual Report.

Key information regarding the directors' academic and professional qualifications is provided on pages 8 to 9 of this Annual Report.

# REPORT ON CORPORATE GOVERNANCE

## Principle 5 : Board Performance

The NC evaluates the Board's performance annually based on established criteria.

Through the NC, the Board has implemented an annual evaluation process to assess the effectiveness of the Board as a whole. The evaluation process is undertaken as an internal exercise and involves Board members completing a questionnaire covering areas relating to:

- Board composition
- Information to the Board
- Board procedures
- Board accountability
- Communication with the CEO and key management personnel
- Succession planning for key management personnel
- Standards of conduct by the Board

The evaluation process takes into account the views of each Board member and provides an opportunity for directors to provide constructive feedback on the workings of the Board including its procedures and processes and whether these may be improved upon.

A collective evaluation exercise was carried out by the NC and the Board in the financial year under review. Led by the NC Chairman, this collective assessment was conducted by means of a confidential questionnaire completed by each director which is collated, analysed and discussed with the NC and the Board against comparatives from the previous year. Recommendations to further enhance the effectiveness of the Board are implemented, as appropriate. The Chairman shall act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

The evaluation determined that all directors had contributed effectively and had demonstrated full commitment to their roles.

For FY2018, no external facilitator had been engaged by the Board for this purpose.

Given the current size of the Board, the NC was of the view that the performance evaluation of the Board as a whole would suffice and that performance evaluation of the ARC, NC and RC and individual performance evaluation of each director is not necessary at this juncture. The NC would consider carrying out the aforesaid performance evaluation, in the future, should the need arise.

Succession planning is an important part of the governance process. As part of the annual review, the NC has also reviewed the CEO succession and leadership development plans for key management personnel. The key management personnel hereby refers to the CEO and other persons having authority and responsible for planning, directing and controlling the activities of the Group.

## Principle 6 : Access to Information

The Board is provided with management reports containing complete, adequate and timely information prior to Board meetings and on an ongoing basis.

Information provided to all directors includes board papers and related materials, background or explanatory information relating to matters to be brought before the Board and copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained by Management.

The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary is also tasked with ensuring good information flows within the Board and its Board committees and between Management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The Company Secretary, and/or his representative, attends all Board meetings and meetings of the Board committees and prepares minutes of Board proceedings. The Board is also given the names and contact details of the Company's Management and the Company Secretary to facilitate direct, separate and independent access.



# REPORT ON CORPORATE GOVERNANCE

The Constitution of the Company provides that the appointment and removal of the Company Secretary shall be a matter to be reviewed by the Board. Should the directors, whether as a group or individually, require independent professional advice to fulfil their duties, the cost of such professional advice is borne by the Company.

## Principle 7 : Procedures for Developing Remuneration Policies

The RC comprises all Independent Directors. The members of the RC are:

Basil Chan (Chairman)  
Cosimo Borrelli  
John Lim Yew Kong

The RC's principal function is to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of the directors as well as key management personnel. It is at liberty to seek independent professional advice as appropriate.

Under its TOR, the RC is responsible for reviewing and recommending to the Board:

- (a) the remuneration packages of the Executive Directors and key management personnel of the Group;
- (b) Directors' fees for all directors, taking into factors such as work undertaken, time spent and their responsibilities; and
- (c) long term incentive schemes which may be set up from time to time.

The RC administers the Global Invacom Share Option Scheme 2013 (the "2013 Scheme") and the Global Invacom Performance Share Plan 2013 (the "Global Invacom PSP"). Details of the 2013 Scheme, the Global Invacom PSP and the options granted are as disclosed in Notes 4 and 5 of the Directors' Statement as set out in this Annual Report.

In setting remuneration packages for the Executive Directors and key management personnel of the Group, the pay and employment conditions within the industry and in comparable companies are taken into account to maintain an appropriate and competitive level of remuneration that will attract, retain and motivate key management personnel.

The RC is assisted by the human resource departments. The RC may from time to time seek external professional advice on remuneration matters if required. The RC had in 2013 appointed Freshwater Advisers Pte Ltd, an independent compensation specialist, to review the remuneration framework of the Group and to benchmark remuneration of key management personnel. The RC had appointed MM&K Limited, an independent, external professional advisor from the United Kingdom in 2017 to provide an updated remuneration benchmark and framework.

Directors' fees take into account the relevant directors' level of contribution and responsibilities. Since FY2011, the RC has adopted a framework for directors' fees which comprised a basic fee and additional fees for appointment to and chairing of Board Committees. The general framework for the foregoing fees was unchanged as follows:

| Board Committee                 | Type of Appointment | Amount (\$\$) |
|---------------------------------|---------------------|---------------|
| <b>Board</b>                    | Board Member        | 52,500        |
| <b>Audit and Risk Committee</b> | Committee Chairman  | 31,500        |
|                                 | Committee Member    | 15,750        |
| <b>Nominating Committee</b>     | Committee Chairman  | 15,750        |
|                                 | Committee Member    | 10,500        |
| <b>Remuneration Committee</b>   | Committee Chairman  | 15,750        |
|                                 | Committee Member    | 10,500        |

The directors' fees for FY2018 paid quarterly in arrears amounted to S\$355,274. Please refer to the table on page 33 for the breakdown.

# REPORT ON CORPORATE GOVERNANCE

For the financial year ending 31 December 2019, the Board will table the recommendation of directors' fees of S\$346,500 to be paid quarterly in arrears at the Company's forthcoming AGM for shareholders' approval.

No director was involved in determining his own remuneration.

Messrs Anthony Brian Taylor, Malcolm John Burrell and Matthew Jonathan Garner, as Executive Directors of the Company, do not receive any directors' fees.

## **Principle 8 : Level and Mix of Remuneration**

The Group has in place a standard remuneration policy for Executive Directors and key management personnel which comprises of a fixed and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a cash bonus scheme that is results-based with a trigger set around an Earnings per Share ("EPS") calculation set at the beginning of the financial year with its basis coming from the financial budget of the Group. The Group did not manage to reach the EPS trigger and hence there was no additional performance base bonus paid to any senior management other than a salary increment to offset inflation where applicable. The Executive Directors' and key management personnel's appraisals are scheduled to be conducted on an annual basis.

The Group has in place the 2013 Scheme and the Global Invacom PSP, which are long-term incentive schemes based on participants achieving pre-set operating unit financial goals, individual performance, as well as achieving corporate financial goals. The purpose of these plans is to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the Group's key management personnel. The schemes are also designed to align the interest of these executives with those of shareholders. There were neither share options nor share awards granted under the schemes in FY2018.

The remuneration of Non-Executive Directors are set appropriate to the level of their contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-Executive Directors of the Company are not overly-compensated to the extent that would compromise their independence.

The RC noted the Code's recommendation to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The RC would consider the inclusion of such a clause in exceptional circumstances in Executive Directors and key management personnel's employment terms, should the need arise.

## **Principle 9 : Disclosure of Remuneration**

The remuneration of Executive Directors, the CEO and key management personnel are disclosed in bands of S\$250,000. Although the disclosure is not in compliance with the recommendation of the Code, the Board is of the view that given the confidentiality and commercial sensitivity attached to remuneration matters, the aggregate remuneration paid to the Executive Directors, CEO and the Company's top key management personnel (who are not directors and the CEO) will not be provided.

The Group is involved in a very niche market in the world with less than ten major players of which the Group is one. Those people named within the Executive Directors and key management personnel hold knowledge particular to this market and to the Group and their loss may seriously affect the competitive edge as well as the proprietary knowledge within the Group. The Group believes that the exact disclosure of remuneration would significantly increase the risk of poaching by other competitors in this market.

# REPORT ON CORPORATE GOVERNANCE

The details of the remuneration paid and payable to the Executive Directors and key management personnel for FY2018 are as shown:

| Name of Executive Directors and Key Management Personnel | Remuneration Band <sup>(1)</sup> | Base/ Fixed | Variable or                       | Benefits | Total |
|--|----------------------------------|-------------|-----------------------------------|----------|-------|
|  |                                  | Salary      | Performance Related Income/ Bonus | in Kind  |       |
|  |                                  | (%)         | (%)                               | (%)      | (%)   |
| <b>Executive Directors</b>                               |                                  |             |                                   |          |       |
| Anthony Brian Taylor                                     | 1                                | 99.2        | 0.0                               | 0.8      | 100.0 |
| Malcolm John Burrell                                     | 3                                | 97.6        | 0.0                               | 2.4      | 100.0 |
| Matthew Jonathan Garner                                  | 2                                | 98.9        | 0.0                               | 1.1      | 100.0 |
| <b>Key Management Personnel</b>                          |                                  |             |                                   |          |       |
| David Jonathan Wren Fugeman                              | 2                                | 98.8        | 0.0                               | 1.2      | 100.0 |
| Gordon Blaikie   | 2                                | 99.0        | 0.0                               | 1.0      | 100.0 |
| Jan Ulrich Treiber                                       | 3                                | 98.9        | 0.0                               | 1.1      | 100.0 |
| Robert Bruce Lockhart                                    | 3                                | 93.2        | 0.0                               | 6.8      | 100.0 |
| Wendy Isabel Wong Pei Fern                               | 3                                | 81.9        | 18.1                              | 0.0      | 100.0 |

Note:

|                       |   |                                |
|-----------------------|---|--------------------------------|
| (1) Remuneration Band | 1 | S\$500,000 to below S\$750,000 |
|                       | 2 | S\$250,000 to below S\$500,000 |
|                       | 3 | Below S\$250,000               |

Details of share options granted to directors are as disclosed in Notes 4 and 5 of the Directors' Statement as set out in this Annual Report.

The fees paid to the Non-Executive Directors for FY2018 are set out in the table below:

| Non-Executive Directors           | Directors' Fees Paid (\$\$) |
|-----------------------------------|-----------------------------|
| John Lim Yew Kong                 | 105,000                     |
| Basil Chan                        | 94,500                      |
| Cosimo Borrelli                   | 94,500                      |
| Kenny Sim Mong Keang              | 52,500                      |
| Gregory Knox Jones <sup>(1)</sup> | 8,774                       |
| <b>Total</b>                      | <b>355,274</b>              |

Note:

(1) Mr Gregory Knox Jones resigned as Non-Executive Director on 2 March 2018.

There were no employees of the Group who are immediate family members of a director or the CEO whose remuneration exceeds S\$50,000 during FY2018.

The important terms of the share schemes are disclosed in Notes 4 and 5 of the Directors' Statement as set out in this Annual Report.

The RC also noted the Code's recommendation for the disclosure of information on the link between remuneration paid to the Executive Directors and key management personnel, and performance. Other than the disclosed EPS measurement, the Board is of the view that detailed disclosure of performance conditions/targets should not be disclosed given the sensitivity and confidentiality of Executive Directors and key management personnel's remuneration matters.

# REPORT ON CORPORATE GOVERNANCE

## Principle 10 : Accountability

Management is accountable to the Board and provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time, to assist the Board in its understanding and in making a balanced and informed assessment of the Group's performance, position and prospects. In the discharge of its duties to shareholders, the Board, when presenting annual financial statements and announcements, seeks to provide shareholders with detailed analysis, explanation and assessment of the Group's financial position and prospects.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, where appropriate.

## Principle 11 : Risk Management and Internal Controls

The Group's internal control systems are designed to ensure the reliability and integrity of financial information and to safeguard the assets of the Group. During FY2018, Management, with the assistance of the internal auditors once again, carried out exercises to review and consolidate the Group's risk register which identifies key risks the Group faces and the internal controls in place to manage or mitigate those risks.

During the year, the Board has reviewed the adequacy and effectiveness of the Company's risk management systems and internal control systems, including financial, operational, compliance and information technology controls.

The Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective in addressing financial, operational and compliance risks (including information technology risks), in the Group's current business environment based on:

- (a) reviews of internal controls established and maintained by the Group;
- (b) Management's annual undertaking confirming their responsibilities for and effectiveness of the internal controls;
- (c) reviews and assessment of risks; and
- (d) reports issued by the internal and external auditors.

The Board had also received written confirmation from the CEO and the Chief Financial Officer that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

## Principle 12 : Audit and Risk Committee

The ARC comprises all Independent Directors. The members of the ARC are:

John Lim Yew Kong (Chairman)  
Basil Chan  
Cosimo Borrelli

The Board is satisfied that the members of the ARC are appropriately qualified to discharge their responsibilities. All ARC members possess extensive business and financial management experience and that at least two ARC members (including the ARC Chairman) possess recent and relevant accounting and financial management expertise and experience.

The ARC meets at least four times a year and as and when necessary to carry out its functions which are set out in Note 6 of the Directors' Statement as set out in this Annual Report.

The ARC has explicit authority to investigate any matter within its TOR and has full access to and the co-operation of Management. The ARC also has full discretion to invite any director or officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

# REPORT ON CORPORATE GOVERNANCE

The ARC is guided by its TOR which has been amended in line with the recommendations of the Code. The ARC performs the following key functions:

1. Reviews the audit plans of the external and internal auditors of the Company and the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's Management to the external and internal auditors;
2. Reviews the quarterly, half-yearly and full year announcements on financial performance, annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
3. Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors;
4. Meets with the external auditors, other committees and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARC;
5. Reviews 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;
6. Reviews the cost effectiveness and the independence and objectivity of the external auditors;
7. Reviews the compensation, nature and extent of non-audit services provided by the external auditors;
8. Recommends to the Board of Directors the external auditors to be nominated and reviews the scope and results of the audit;
9. Reports actions and minutes of the ARC to the Board of Directors with such recommendations as the ARC considers appropriate;
10. Reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
11. Reviews the risks identified by the Enterprise Risk Management process and the effectiveness of the Company's management of risks;
12. Reviews whistle-blowing reports (if any); and
13. Undertakes such other functions and duties as may be agreed by the ARC and the Board of Directors.

During the review of the financial statements for FY2018, the ARC has discussed with Management on the accounting principles that were applied as well as to their judgement on items that might affect the integrity of the financial statements. The following significant matters highlighted by the external auditors impacting the financial statements were discussed with Management and the external auditors which were reviewed by the ARC.

# REPORT ON CORPORATE GOVERNANCE

| Significant Matters      | How the ARC Reviewed These Matters and What Decisions Were Made   |
|--------------------------|---|
| Valuation of Inventories | <p>The ARC had considered the approach and methodology applied by Management to the valuation model in assessing the valuation of the inventories.</p> <p>The ARC reviewed the reasonableness of allowance for inventory obsolescence assessed by Management which was reviewed by the external auditors, inventory aging records, historical trends, cost of inventories, net realisable value and enquired on the carrying amount against the selling price.</p> <p>The valuation of the inventories was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in its audit report for FY2018. Refer to page 48 of this Annual Report.</p> |
| Valuation of Goodwill    | <p>The ARC has considered the approach and methodology applied to the value-in-use (“VIU”) model in goodwill impairment assessment.</p> <p>The ARC reviewed the reasonableness of the Management’s estimates and assumptions used in their VIU calculations on the cash generating units (“CGU”) within the Group.</p> <p>The impairment review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in its audit report for FY2018. Refer to page 49 of this Annual Report for the details on the CGUs.</p>  |

Following the review and discussions, the ARC recommended to the Board to approve the full year financial statements.

The ARC meets with the external and internal auditors, without the presence of Management, at least once a year to discuss these items and to confirm that the external and internal auditors have had full co-operation of Management in carrying out the audit.

The Company is in compliance with Rules 712, 715 and 716 of the SGX-ST Listing Manual in respect of the suitability of the auditing firms. The auditing firms of the Company and its subsidiaries are disclosed in Note 12 of the Notes to the Financial Statements as set out in this Annual Report.

The ARC has reviewed the non-audit service provided by the external auditors and is satisfied that this non-audit service would not affect the independence and objectivity of the external auditors and has recommended the re-appointment of Moore Stephens LLP as external auditors for the ensuing year. The aggregate amount of fees paid to external auditors, as well as their fees for non-audit services is disclosed in Note 8 of the Notes to the Financial Statements as set out in this Annual Report.

The “Whistle-Blowing Policy” programme provides an avenue for staff of the Group to raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and appropriate follow-up actions to be taken. No reports of whistle-blowing incidents were recorded in FY2018.

The ARC has been briefed by the external auditors on the new accounting standards. The Group has adopted all of the new or revised accounting standards that are effective for the financial period beginning 1 January 2018 and are relevant to its operations.

## Principle 13 : Internal Audit

The Group’s internal audit function is outsourced to BDO LLP. The Internal Auditor reports directly to the Chairman of the ARC on audit matters and the CEO on administrative matters. The ARC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. BDO LLP has unfettered access to all the Company’s documents, records, properties and personnel, including access to the ARC.

The ARC also ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. The internal audit function is also adequately staffed with persons with the relevant qualifications and experience.

The internal audit function is carried out accordingly based on the BDO Global Internal Audit methodology which is consistent with the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

# REPORT ON CORPORATE GOVERNANCE

The ARC, on an annual basis, assesses the effectiveness of the internal audit by examining the scope of the internal audit work and results of the areas reviewed, getting the appropriate confirmation that there were no observable material weakness during their internal audit review, the Internal Auditor's reports and recommendations, and Management's implementation of such recommendations.

## **Principle 14 : Shareholder Rights**

## **Principle 15 : Communication with Shareholders**

## **Principle 16 : Conduct of Shareholder Meetings**

In line with its continuous disclosure obligations, the Group is committed to maintaining regular and proactive communication with shareholders. It is the Board's policy that shareholders are informed of all major developments that impact the Group, on a timely basis.

Information is communicated to shareholders on a timely basis and is made through:

- (a) annual reports that are prepared and issued to all shareholders;
- (b) financial statements containing a summary of the financial information and affairs of the Group for the year published through the SGXNet and the AIM Regulatory News Service ("RNS");
- (c) notices of and explanatory memoranda for annual and extraordinary general meetings;
- (d) press releases on major developments of the Group; and
- (e) the Company's website which provides, *inter alia*, corporate announcements, press releases, annual reports and profile of the Group at [www.globalinvacom.com](http://www.globalinvacom.com).

At the AGM, shareholders will be given the opportunity to voice their views and seek clarifications. Further, all resolutions will be put to vote by way of a poll, and the detailed results will be announced via SGXNet after the conclusion of the meeting.

The Chairmen of the ARC, RC and NC and the external auditors are normally available at the AGM to answer shareholders' queries.

To better understand the views of shareholders and investors, the Company conducts meetings with the investment community from time to time to discuss the Company's financial performance and corporate developments. To encourage communication with investors, the Company's Annual Reports and press releases provide Investor Relations contact information (email address and telephone number) as channels to address inquiries from shareholders and investors.

The Company does not have a fixed dividend policy. The form, frequency, and/or amount of dividends will depend on the Company's cash, earnings, gearings, financial performance and position, projected capital expenditure, future investment plans, funding requirements and any other factors that the directors consider relevant. The Company will communicate any dividend pay-outs to shareholders via announcements released to SGX-ST via SGXNet and the AIM Market via RNS. Due to the operating conditions faced by the Group and to preserve cashflow, no dividend was declared for FY2018.

## **Securities Transactions**

The Group has adopted an internal compliance code of conduct which provides guidance to directors, officers and all employees with regards to dealing in the Company's securities. Directors, officers and all employees are reminded not to deal directly or indirectly in the Company's securities on short-term considerations and to be mindful of the law on insider trading. In addition, directors, officers and employees are prohibited from dealing in securities of the Company one month before the release of quarterly and half-yearly results, two months before the release of the full-year results, and at all times whilst in possession of price-sensitive information. The Group confirms that it has adhered to its policy for securities transactions for FY2018.

# REPORT ON CORPORATE GOVERNANCE

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are submitted in a timely manner to the ARC for review and approval and that all such transactions are conducted at arm's length basis.

There were no transactions with interested persons falling within the definition of Chapter 9 of the Listing Manual of the SGX-ST.

## Material Contracts

No material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of any Executive Director, director or controlling shareholder of the Company during FY2018.

## Risk Management

Enterprise Risk Management is a process of systematically identifying major risks that confront an organisation, estimating the significance of those risks in business processes, addressing the risks in a consistent and structured manner and identifying key individuals responsible for managing critical risks within the scope of their responsibilities.

Each entity within the Group updates its own risk register quarterly and the risks are then collated by the Chief Risk Officer. The top ten operational and strategic risks facing the Group are then reviewed at every ARC meeting along with the associated key risk indicators and counter-measures. This process identifies existing and emerging risks and assigns specific personnel as risk owners.

In addition, Control Self Assessment ("CSA") checklists are updated quarterly by each entity. These checklists assess the operations of key internal controls identified during the internal audit. A summary of the CSA checklist status is reported at each ARC meeting.

The Group's financial risk management is described under Note 31 of the Notes to the Financial Statements as set out in this Annual Report.

## Corporate Social Responsibility Statement

The Group views the principles of Corporate Social Responsibility as an essential part of our business. The Group believes that all people are entitled to free, safe and healthy living and working environments. This commitment extends beyond the Group's employees and the communities in which the Group operates, to the Group's suppliers, business partners and customers. The Group works with its suppliers and business partners to ensure a safe working environment for the employees.

As a fully integrated satellite equipment and electronics manufacturing service provider, the Group seeks to be a sustainable and profitable organisation besides protecting the environment and society with like-minded business partners. As the Group further develops its business, it strives to continue to contribute to a sustainable and better world by focusing on the environment and the well-being of the community that it serves. More details can be found in our Sustainability Report for FY2018 on pages 12 to 24 in this Annual Report.

## The requirements under Rule 720(6) of the Listing Manual are set out below:

|  |                      |                      |
|--|----------------------|----------------------|
| <b>Date of appointment</b>                         | 18 August 2010       | 23 September 2015    |
| <b>Date of last re-appointment (if applicable)</b> | 27 April 2016        | 27 April 2016        |
| <b>Name of person</b>                              | Malcolm John Burrell | Kenny Sim Mong Keang |
| <b>Age</b>   | 60                   | 50                   |
| <b>Country of principal residence</b>              | United Kingdom       | Singapore            |



# REPORT ON CORPORATE GOVERNANCE

|   |  |  |
|---|--|--|
| <b>Name of person</b>   | Malcolm John Burrell   | Kenny Sim Mong Keang   |
| <b>The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)</b>  | After assessing Mr Burrell's experience and contribution, the Nominating Committee has recommended that Mr Burrell be re-elected as director of the Company.   | After assessing Mr Sim's experience and contribution, the Nominating Committee has recommended that Mr Sim be re-elected as director of the Company.   |
| <b>Whether appointment is executive, and if so, the area of responsibility</b>  | Executive<br>Chief Risk Officer, Chief Technical Officer, and is also a director of Global Invacom Holdings Limited and its subsidiaries   | Non-Executive  |
| <b>Job title (e.g. Lead ID, AC Chairman, AC Member etc.)</b>  | Executive Director   | Non-Executive Director   |
| <b>Professional qualifications</b>  | <ul style="list-style-type: none"> <li>• Bachelor of Science Engineering (Electronic Engineering) degree from the University of Southampton in the United Kingdom</li> <li>• Certificate in Management (CIM)</li> </ul>  | <ul style="list-style-type: none"> <li>• Bachelor of Commerce degree from Murdoch University, Western Australia</li> <li>• Diploma in Electronics Engineering from Ngee Ann Polytechnic, Singapore</li> </ul>  |
| <b>Working experience and occupation(s) during the past 10 years</b>  | <p>Mr Burrell is the Chief Risk Officer, Chief Technical Officer, and is also a director of Global Invacom Holdings Limited and other Group subsidiaries, having first joined the Company in 1997.</p> <p>He is a Chartered Engineer with 37 years of radio-frequency (RF) design, technical management and corporate management experience, gained while working in businesses within the consumer electronics, satellite earth station and military communications sectors.</p> <p>Prior to joining Global Invacom Limited, he was a Senior Development Engineer at Marconi Communication Systems Ltd from September 1981 to September 1987.</p> <p>From October 1987 to December 1991, he was the Technical Manager at Multipoint Communications Ltd, and thereafter a Principal Systems Engineer at Marconi Radar Systems Ltd from January 1992 to October 1997.</p> | <p>Mr Sim is the founder and Chief Executive Officer of both I2 Capital Pte Ltd and CESK Capital Pte Ltd, specialising in investment and corporate advisory services, respectively.</p> <p>He currently serves on the boards of telecommunications company Oden Technology Pte Ltd and property investment firms Maximus Fortune Pte Ltd and ZACD Group Ltd.</p> <p>ZACD Group Ltd is listed on the Hong Kong Exchange. Mr Sim also founded the Plexus group of companies in 1997, which under his leadership became a regional electronics components distributor with 18 offices across Asia.</p> <p>Prior to founding his current companies, Mr Sim was the Group Managing Director and CEO of SGX Catalyst-listed WE Holdings Ltd, acquired in 2011 through a reverse takeover of Westech Electronics Ltd by Plexus Components.</p> <p>With Mr Sim at the helm till 2013, WE Holdings Ltd underwent a debt restructuring process and strengthened its balance sheet, raising US\$20 million through private placements and rights issue exercises.</p> |
| <b>Shareholding interest in the listed issuer and its subsidiaries</b>  | 11,139,702   | Nil  |
| <b>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</b> | Nil  | Nil  |

# REPORT ON CORPORATE GOVERNANCE

|   |   |  |
|---|---|--|
| <b>Name of person</b>   | Malcolm John Burrell                              | Kenny Sim Mong Keang   |
| <b>Conflict of interest (including any competing business)</b>  | Nil   | Nil  |
| <b>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer</b>  | Yes   | Yes  |
| <b>Other Principal Commitments* including directorships#</b><br><br>* "Principal Commitments" has the same meaning as defined in the Code.<br><br># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) | Nil   | <ul style="list-style-type: none"> <li>● I2 Capital Pte Ltd</li> <li>● FSK Advisory Pte Ltd</li> </ul>   |
| <b>Past (for the last 5 years)</b>  | Nil   | <ul style="list-style-type: none"> <li>● WE Holdings Ltd</li> <li>● WE Components Pte Ltd</li> <li>● WE Systems Pte Ltd</li> <li>● WE Microelectronics Pte Ltd</li> <li>● WE Dragon Resources Pte Ltd</li> <li>● W Solutions Pte Ltd</li> <li>● CESK Resources Pte Ltd</li> <li>● CESK Holdings Ltd</li> <li>● Ricco Investments Limited</li> <li>● SM Ventures Inc</li> <li>● Kinwai Technology Pte Ltd</li> <li>● Aquarius Tech Pte Ltd</li> </ul> |
| <b>Present</b>  | Global Invacom Group Limited and its subsidiaries | <ul style="list-style-type: none"> <li>● Global Invacom Group Limited</li> <li>● ZACD Group Ltd</li> <li>● CESK Capital Pte Ltd</li> <li>● I2 Capital Pte Ltd</li> <li>● Oden Technology Pte Ltd</li> <li>● Maximus Fortune Pte Ltd</li> <li>● Legend Property Pte Ltd</li> <li>● FSK Advisory Pte Ltd</li> </ul>  |
| <b>Disclosure applicable to the appointment of director only</b>  |   |  |
| <b>Any prior experience as a director of an issuer listed on the Exchange?</b>  | NA  | NA   |
| <b>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.</b>   | NA  | NA   |
| <b>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).</b>   | NA  | NA   |

# DIRECTORS' STATEMENT

31 December 2018

The directors present their statement to the members together with the audited consolidated financial statements of Global Invacom Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors:

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

## 1 Directors

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

|                         |                           |
|-------------------------|---------------------------|
| Anthony Brian Taylor    | Executive Chairman        |
| Malcolm John Burrell    | Executive Director        |
| Matthew Jonathan Garner | Executive Director        |
| John Lim Yew Kong       | Lead Independent Director |
| Basil Chan              | Independent Director      |
| Cosimo Borrelli         | Independent Director      |
| Kenny Sim Mong Keang    | Non-Executive Director    |

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

Except for the Global Invacom Share Option Scheme 2013 (the "2013 Scheme"), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 3 Directors' Interests in Shares and Debentures

- (a) As recorded in the register of directors' shareholdings under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the directors holding office at the end of the financial year had any interest in the shares of the Company and its related corporations, except as follows:

|                          | Direct Interest |            | Deemed Interest |            |
|--------------------------|-----------------|------------|-----------------|------------|
|                          | 1.1.2018        | 31.12.2018 | 1.1.2018        | 31.12.2018 |
| <u>The Company</u>       |                 |            |                 |            |
| (No. of ordinary shares) |                 |            |                 |            |
| Anthony Brian Taylor     | 11,139,702      | 11,139,702 | -               | -          |
| Malcolm John Burrell     | 11,139,702      | 11,139,702 | -               | -          |
| Basil Chan               | 15,000          | 165,000    | -               | -          |
| John Lim Yew Kong        | 15,000          | 15,000     | -               | -          |
| Cosimo Borrelli          | -               | -          | -               | 497,900    |

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

# DIRECTORS' STATEMENT

31 December 2018

## 3 Directors' Interests in Shares and Debentures (cont'd)

- (b) According to the register of directors' shareholdings, the following directors holding office at the end of the financial year had options to subscribe for ordinary shares of the Company granted pursuant to the 2013 Scheme as set out below and as in Note 4 of this report.

|                         | Number of unissued ordinary shares under options held by director |            |           |
|-------------------------|---|------------|-----------|
|                         | 1.1.2018  | 31.12.2018 | 21.1.2019 |
| Anthony Brian Taylor    | 3,780,000   | 3,780,000  | 3,780,000 |
| Malcolm John Burrell    | 650,000   | 650,000    | 650,000   |
| Matthew Jonathan Garner | 650,000   | 650,000    | 650,000   |

For details, please refer to "Share Options - Global Invacom Share Option Scheme 2013" in Note 4 of this report.

## 4 Share Options - Global Invacom Share Option Scheme 2013

The Global Invacom Share Option Scheme 2013 (the "2013 Scheme") was approved and adopted by the shareholders at an Extraordinary General Meeting held on 17 September 2013 and renewed at an Annual General Meeting held on 25 April 2018. The 2013 Scheme replaced the Global Invacom Group Employee Share Option Scheme of the Group which was adopted on 15 June 2012 (the "2012 Scheme") and the Enterprise Management Incentive Share Option Scheme (the "EMI Scheme").

The Remuneration Committee administering the 2013 Scheme comprises directors, Messrs Basil Chan (Chairman of the Remuneration Committee), Cosimo Borrelli and John Lim Yew Kong.

The 2013 Scheme forms an integral and important component of the employee compensation plan, which is designed to primarily reward and retain executive directors, non-executive directors and employees of the Group whose services are integral to the success and the continued growth of the Group.

### Principal Terms of the 2013 Scheme

#### (a) Participants

Under the rules of the 2013 Scheme, executive and non-executive directors (including independent directors) and employees of the Group, who are not controlling shareholders or their associates, are eligible to participate in the 2013 Scheme.

#### (b) Size of the 2013 Scheme

The aggregate number of shares over which the Remuneration Committee may grant options on any date, when added to the number of shares issued and issuable in respect of all options granted under the 2013 Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

#### (c) Options, Exercise Period and Exercise Price

The options that are granted under the 2013 Scheme may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "Market Price") equal to the weighted average share price of the shares for the 5 consecutive Market Days immediately preceding the relevant date of grant of the option or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price ("Discounted Option") may only be exercised after the second anniversary from the date of grant of the options. Options granted under the 2013 Scheme to all employees (including executive directors) and non-executive directors will have a life span of 10 and 5 years respectively.

# DIRECTORS' STATEMENT

31 December 2018

## 4 Share Options - Global Invacom Share Option Scheme 2013 (cont'd)

### Principal Terms of the 2013 Scheme (cont'd)

#### (d) Grant of Options

Under the rules of the 2013 Scheme, there are no fixed periods for the grant of options during the options life span. As such, offers for the grant of options may be made at any time at the discretion of the Remuneration Committee.

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

#### (e) Termination of Options

Special provisions in the rules of the 2013 Scheme deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's employment by the Group, the bankruptcy of the participant, the death of the participant, a take-over of the Company and the winding-up of the Company.

#### (f) Acceptance of Options

The grant of options shall be accepted within 30 days from the date of offer. Offers of options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay the Company a consideration of S\$1.00.

#### (g) Duration of the 2013 Scheme

The 2013 Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

### Options Granted

No options were granted during the financial year ended 31 December 2018. As at the end of the financial year, the details of the options granted pursuant to the 2013 Scheme are as follows:

| Date of grant of options | Exercise price S\$ | Options outstanding as at 1.1.2018 | Options granted | Options exercised | Options lapsed | Options outstanding as at 31.12.2018 | Number of option holders as at 31.12.2018 | Exercising period |
|--------------------------|--------------------|------------------------------------|-----------------|-------------------|----------------|--------------------------------------|---|-------------------|
| 7.7.2013                 | 0.17               | 1,415,000                          | -               | -                 | -              | 1,415,000                            | 3   | (1)               |
| 7.7.2013                 | 0.17               | 1,415,000                          | -               | -                 | -              | 1,415,000                            | 3   | (2)               |
| 22.6.2015                | 0.311              | 3,480,000                          | -               | -                 | (290,000)      | 3,190,000                            | 11  | (3)               |
| 22.6.2015                | 0.311              | 3,480,000                          | -               | -                 | (290,000)      | 3,190,000                            | 11  | (4)               |
| 9.3.2016                 | 0.12               | 1,725,000                          | -               | -                 | (200,000)      | 1,525,000                            | 10  | (5)               |
| 9.3.2016                 | 0.12               | 1,725,000                          | -               | -                 | (200,000)      | 1,525,000                            | 10  | (6)               |

(1) The options granted to employees, including a director, have an exercising period of 7 years commencing from 7 July 2016 to 6 July 2023.

(2) The options granted to employees, including a director, have an exercising period of 6 years commencing from 7 July 2017 to 6 July 2023.

# DIRECTORS' STATEMENT

31 December 2018

## 4 Share Options - Global Invacom Share Option Scheme 2013 (cont'd)

### Options Granted (cont'd)

- (3) The options granted to employees, including 3 directors, have an exercising period of 9 years commencing from 22 June 2016 to 21 June 2025.
- (4) The options granted to employees, including 3 directors, have an exercising period of 8 years commencing from 22 June 2017 to 21 June 2025.
- (5) The options granted to employees have an exercising period of 8 years commencing from 9 March 2018 to 8 March 2026.
- (6) The options granted to employees have an exercising period of 7 years commencing from 9 March 2019 to 8 March 2026.

The above options granted under the 2012 Scheme continue to be effective and exercisable according to the terms and conditions of the 2013 Scheme.

Except as disclosed, there were:

- (a) no options granted to take up unissued shares of the Company or its subsidiaries during the financial year;
- (b) no shares of the Company and its subsidiaries issued by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries during the financial year; and
- (c) no unissued shares of the Company or its subsidiaries under options at the end of the financial year.

Details of options granted to the directors of the Company are as follows:

|                         | <b>Options granted<br/>for the financial<br/>year ended<br/>31.12.2018</b> | <b>Aggregate<br/>granted since<br/>commencement<br/>of the 2013<br/>Scheme to<br/>31.12.2018</b> | <b>Aggregate<br/>exercised since<br/>commencement<br/>of the 2013<br/>Scheme to<br/>31.12.2018</b> | <b>Aggregate<br/>options<br/>outstanding<br/>as at 31.12.2018</b> |
|-------------------------|--|--|--|---|
| Anthony Brian Taylor    | –  | 3,780,000  | –  | 3,780,000   |
| Malcolm John Burrell    | –  | 650,000  | –  | 650,000   |
| Matthew Jonathan Garner | –  | 650,000  | –  | 650,000   |

Except as disclosed, no share options have been granted to the controlling shareholders of the Company or their associates and its subsidiaries and no other participant has received 5% or more of the total number of share options available under the 2013 Scheme. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. No options have been granted at a discount.

# DIRECTORS' STATEMENT

31 December 2018

## 5 Performance Share Plan - Global Invacom Performance Share Plan 2013

The Global Invacom Performance Share Plan 2013 (the "Global Invacom PSP") was approved and adopted by the shareholders at an Extraordinary General Meeting held on 17 September 2013 and renewed at an Annual General Meeting held on 25 April 2018. The primary objectives of the Global Invacom PSP are to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key staff.

The Remuneration Committee administering the Global Invacom PSP comprises directors, Messrs Basil Chan (Chairman of the Remuneration Committee), Cosimo Borrelli and John Lim Yew Kong. The Global Invacom PSP shall continue in force, at the discretion of the Remuneration Committee, subject to a maximum of 10 years commencing from 17 September 2013. Any awards of shares granted pursuant to the rules of the Global Invacom PSP ("Award") made to participants prior to such expiry or termination will continue to remain valid.

### Principal Terms of the Global Invacom PSP

(a) Participants

Under the rules of the Global Invacom PSP, executive and non-executive directors (including independent directors) and employees of the Group, who are not controlling shareholders or their associates, are eligible to participate.

(b) Size of the Global Invacom PSP

The aggregate number of shares over which Awards may be granted under the Global Invacom PSP, when added to the number of shares issued and/or issuable in respect of (i) all Awards granted thereunder; (ii) all options granted under the 2013 Scheme; and (iii) all Awards/options granted under any other schemes implemented by the Company (if any) shall not exceed 15% of the total issued share capital of the Company (excluding treasury shares) on the day preceding the relevant Award date.

(c) Grant of Awards

Under the rules of the Global Invacom PSP, there are no fixed periods for the grant of Awards. As such, offers for the Awards may be made at any time at the discretion of the Remuneration Committee. In considering an award to be granted to a participant, the Remuneration Committee may take into account, *inter alia*, the participant's performance and/or contribution to the Company.

(d) Vesting Period

Awards will typically vest only after the satisfactory completion of performance-related award conditions and/or other conditions such as vesting period(s) applicable for the release of the Awards. No minimum vesting periods are prescribed under the Global Invacom PSP, and the length of the vesting period(s) in respect of each Award will be determined on a case-by-case basis.

(e) Termination of the Global Invacom PSP

Special provisions in the rules of the Global Invacom PSP deal with the lapse or earlier vesting of the Awards in circumstances which include the termination of the participant's employment by the Group, the bankruptcy of the participant, the death of the participant, a take-over of the Company and the winding-up of the Company.

(f) Duration of the Global Invacom PSP

The Global Invacom PSP shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

# DIRECTORS' STATEMENT

31 December 2018

## 5 Performance Share Plan - Global Invacom Performance Share Plan 2013 (cont'd)

### Share Awards Granted

No share awards were granted during the financial year ended 31 December 2018. As at the end of the financial year, the details of share awards granted pursuant to the Global Invacom PSP are as follows:

|                   | <b>Shares awarded for the<br/>financial year ended 31.12.2018</b> | <b>Aggregate shares awarded<br/>since commencement of the<br/>Global Invacom PSP to 31.12.2018</b> |
|-------------------|---|--|
| Basil Chan        | –   | 15,000   |
| John Lim Yew Kong | –   | 15,000   |

## 6 Audit and Risk Committee

The Audit and Risk Committee (the "ARC") comprises all non-executive directors. The members of the ARC are:

John Lim Yew Kong (Chairman)  
Basil Chan  
Cosimo Borrelli

The ARC carried out its functions in accordance with Section 201B(5) of the Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the revised Code of Corporate Governance, which includes the following:

- (a) Reviews the audit plans of the external and internal auditors of the Company and the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- (b) Reviews the quarterly, half-yearly and full year announcements on financial performance, annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- (c) Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors;
- (d) Meets with the external auditors, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARC;
- (e) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (f) Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- (g) Reviews the compensation, nature and extent of non-audit services provided by the external auditors;
- (h) Recommends to the Board of Directors the external auditors to be nominated and reviews the scope and results of the audit;
- (i) Reports actions and minutes of the ARC to the Board of Directors with such recommendations as the ARC considers appropriate;
- (j) Reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- (k) Reviews the risks identified by the Enterprise Risk Management process and the effectiveness of the Company's management of risks;



# DIRECTORS' STATEMENT

31 December 2018

## 6 Audit and Risk Committee (cont'd)

- (l) Reviews whistle-blowing report (if any); and
- (m) Undertakes such other functions and duties as may be agreed to by the ARC and the Board of Directors.

Further details regarding the ARC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The ARC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

## 7 Independent Auditors

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

On behalf of the Board of Directors

ANTHONY BRIAN TAYLOR  
Director

MATTHEW JONATHAN GARNER  
Director

Singapore  
4 April 2019

# INDEPENDENT AUDITOR'S REPORT

To the Members of Global Invacom Group Limited

## Report on the audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Global Invacom Group Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

### Basis of 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.

| Key Audit Matters  | How our audit addressed the key audit matters  |
|--|--|
| <p><u>Valuation of inventories</u></p> <p>We refer to Note 4(a)(i) under "Critical judgements in applying accounting policies" and Note 18 to the consolidated financial statements.</p> <p>Inventories make up 34% of the Group's total assets and are stated at the lower of cost and net realisable value. Reviews are made periodically by management for excess inventories, obsolescence and decline in net realisable value below cost. This assessment requires the exercise of significant judgement as the allowances are made based on historical obsolescence and slow-moving history. Key factors being considered include the nature of the inventory, its ageing, shelf life and turnover rate.</p> | <p>We reviewed inventory aging records and historical trends on whether there were significant inventories written off or reversal of allowances for inventory obsolescence. We performed testing on the cost of inventories to assess whether inventories are stated at lower of cost and net realisable value. We reviewed and evaluated management's assessment of allowance for inventory obsolescence by observing the condition of the inventories during the inventory count and verifying subsequent sales. Subsequent selling prices are compared against the carrying amounts of the inventories at the reporting date.</p> <p>We found that management's assessment of the allowance for inventory obsolescence to be reasonable based on available evidence.</p> |

# INDEPENDENT AUDITOR'S REPORT

To the Members of Global Invacom Group Limited

## Key Audit Matters (cont'd)

| Key Audit Matters   | How our audit addressed the key audit matters   |
|---|---|
| <p><u>Valuation of goodwill</u></p> <p>We refer to Note 4(b)(ii) under “Key sources of estimation uncertainty” and Note 13 to the consolidated financial statements.</p> <p>The Group has goodwill of US\$0.9 million, US\$3.3 million and US\$5.2 million allocated to OnePath Networks Limited, The Waveguide Solution Limited and Satellite Acquisition Corporation cash-generating units (CGUs) as at 31 December 2018.</p> <p>These CGUs are tested for impairment annually. Management applies the value-in-use (VIU) method to determine the recoverable amount of each CGU. Any shortfall of the recoverable amounts against the carrying amounts are recognised as impairment loss. The recoverable amount is determined based on estimates of forecasted revenue, growth rates, profit margins and discount rates. These estimates require significant judgement and the determination of the recoverable amount is a key focus area for our audit.</p> | <p>Our audit procedures focused on evaluating the key assumptions used by management in conducting the impairment review. We assessed management’s estimates applied in the VIU model based on our knowledge of the CGUs’ operations and compared them against historical forecast and performance and industry benchmarks. This included obtaining an understanding of management’s planned strategies, revenue growth strategies and cost initiatives, negotiations with target customers, and the review of secured and lost contracts. We also performed a sensitivity analysis by changing the key assumptions used in the VIU calculations and assessed the impact to the recoverable amount of the CGUs.</p> <p>We found that the estimates and assumptions used in management’s assessment of the VIU calculations to be relevant and reasonable based on available audit evidence.</p> |

## 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 IFRS, 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.

## Auditors’ Responsibility 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.

# INDEPENDENT AUDITOR'S REPORT

*To the Members of Global Invacom Group Limited*

## **Auditors' Responsibility for the Audit of the Financial Statements** (cont'd)

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 subsidiaries 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 Christopher Bruce Johnson.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
4 April 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

|  | Note | Group            |                  |
|--|------|------------------|------------------|
|  |      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Revenue  | 5    | 122,292          | 115,706          |
| Cost of sales  |      | (97,104)         | (91,515)         |
| Gross profit   |      | 25,188           | 24,191           |
| Other income   |      | 569              | 1,335            |
| Distribution costs   |      | (322)            | (290)            |
| Administrative expenses  |      | (22,913)         | (20,950)         |
| Other operating expenses   |      | (14)             | (139)            |
| Finance income   | 6    | 96               | 30               |
| Finance costs  | 7    | (523)            | (483)            |
| <b>Profit before income tax</b>  | 8    | 2,081            | 3,694            |
| Income tax expense   | 9    | (545)            | (745)            |
| <b>Profit after income tax attributable to equity holders<br/>of the Company</b>                 |      | 1,536            | 2,949            |
| <b>Other comprehensive income:</b>   |      |                  |                  |
| Items that may be reclassified subsequently to profit or loss                                    |      |                  |                  |
| - Exchange differences on translation of foreign subsidiaries                                    |      | (417)            | 114              |
| <b>Other comprehensive (loss)/income for the year, net of tax</b>                                |      | (417)            | 114              |
| <b>Total comprehensive income for the year attributable<br/>to equity holders of the Company</b> |      | 1,119            | 3,063            |
| <b>Earnings per share (cents)</b>  | 10   |                  |                  |
| - Basic  |      | 0.57             | 1.09             |
| - Diluted  |      | 0.57             | 1.08             |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

|                                     | Note | Group            |                  | Company          |                  |
|-------------------------------------|------|------------------|------------------|------------------|------------------|
|                                     |      | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>ASSETS</b>                       |      |                  |                  |                  |                  |
| <b>Non-current Assets</b>           |      |                  |                  |                  |                  |
| Property, plant and equipment       | 11   | 12,606           | 12,393           | 85               | 7                |
| Investments in subsidiaries         | 12   | –                | –                | 44,892           | 44,874           |
| Goodwill                            | 13   | 9,352            | 9,352            | –                | –                |
| Intangible assets                   | 14   | 3,656            | 2,172            | –                | –                |
| Other financial assets              | 15   | 1,519            | 8                | 1,511            | –                |
| Deferred tax assets                 | 16   | 109              | 198              | –                | –                |
| Other receivables and prepayments   | 20   | 55               | 55               | 9,608            | 9,154            |
|                                     |      | <u>27,297</u>    | <u>24,178</u>    | <u>56,096</u>    | <u>54,035</u>    |
| <b>Current Assets</b>               |      |                  |                  |                  |                  |
| Due from subsidiaries               | 17   | –                | –                | 939              | 1,895            |
| Inventories                         | 18   | 31,625           | 29,022           | –                | –                |
| Trade receivables                   | 19   | 24,874           | 19,268           | –                | –                |
| Other receivables and prepayments   | 20   | 1,900            | 3,361            | 3,433            | 5,263            |
| Tax receivables                     |      | 15               | 11               | –                | –                |
| Cash and cash equivalents           | 21   | 8,381            | 7,152            | 526              | 733              |
|                                     |      | <u>66,795</u>    | <u>58,814</u>    | <u>4,898</u>     | <u>7,891</u>     |
| <b>Total assets</b>                 |      | <u>94,092</u>    | <u>82,992</u>    | <u>60,994</u>    | <u>61,926</u>    |
| <b>EQUITY AND LIABILITIES</b>       |      |                  |                  |                  |                  |
| <b>Equity</b>                       |      |                  |                  |                  |                  |
| Share capital                       | 22   | 60,423           | 60,423           | 74,240           | 74,240           |
| Treasury shares                     | 22   | (1,656)          | (1,656)          | (1,656)          | (1,656)          |
| Reserves                            | 23   | (2,161)          | (3,297)          | (13,988)         | (13,320)         |
| <b>Total equity</b>                 |      | <u>56,606</u>    | <u>55,470</u>    | <u>58,596</u>    | <u>59,264</u>    |
| <b>Non-current Liabilities</b>      |      |                  |                  |                  |                  |
| Other payables                      | 24   | 104              | 111              | –                | –                |
| Deferred tax liabilities            | 16   | 406              | 489              | –                | –                |
|                                     |      | <u>510</u>       | <u>600</u>       | <u>–</u>         | <u>–</u>         |
| <b>Current Liabilities</b>          |      |                  |                  |                  |                  |
| Due to subsidiaries                 | 17   | –                | –                | 2,109            | 2,140            |
| Trade payables                      |      | 19,381           | 12,206           | –                | –                |
| Other payables                      | 24   | 5,326            | 6,528            | 221              | 454              |
| Borrowings                          | 25   | 11,974           | 8,025            | –                | –                |
| Provision for income tax            |      | 295              | 163              | 68               | 68               |
|                                     |      | <u>36,976</u>    | <u>26,922</u>    | <u>2,398</u>     | <u>2,662</u>     |
| <b>Total liabilities</b>            |      | <u>37,486</u>    | <u>27,522</u>    | <u>2,398</u>     | <u>2,662</u>     |
| <b>Total equity and liabilities</b> |      | <u>94,092</u>    | <u>82,992</u>    | <u>60,994</u>    | <u>61,926</u>    |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

| Group   | Share capital<br>US\$'000 | Treasury shares<br>US\$'000 | Merger reserves<br>US\$'000 | Capital redemption reserves<br>US\$'000 | Share options reserve<br>US\$'000 | Capital reserve<br>US\$'000 | Foreign currency translation reserve<br>US\$'000 | Retained profits<br>US\$'000 | Total<br>US\$'000 |
|---|---------------------------|-----------------------------|-----------------------------|---|-----------------------------------|-----------------------------|--|------------------------------|-------------------|
| Balance at 1 Jan 2018   | 60,423                    | (1,656)                     | (10,150)                    | 6                                       | 706                               | (3,695)                     | (872)  | 10,708                       | 55,470            |
| Share-based payments  | -                         | -                           | -                           | -                                       | 17                                | -                           | -  | -                            | 17                |
| Transfer to capital reserve in accordance with statutory requirements | -                         | -                           | -                           | -                                       | -                                 | 135                         | -  | (135)                        | -                 |
| Profit for the year   | -                         | -                           | -                           | -                                       | -                                 | -                           | -  | 1,536                        | 1,536             |
| Other comprehensive loss:   |                           |                             |                             |   |                                   |                             |  |                              |                   |
| Exchange differences on translating foreign operations                | -                         | -                           | -                           | -                                       | -                                 | -                           | (417)  | -                            | (417)             |
| Total other comprehensive (loss)/income for the year                  | -                         | -                           | -                           | -                                       | -                                 | -                           | (417)  | 1,536                        | 1,119             |
| Balance at 31 Dec 2018  | 60,423                    | (1,656)                     | (10,150)                    | 6                                       | 723                               | (3,560)                     | (1,289)  | 12,109                       | 56,606            |
| Balance at 1 Jan 2017   | 60,423                    | (1,656)                     | (10,150)                    | 6                                       | 613                               | (3,695)                     | (986)  | 7,759                        | 52,314            |
| Share-based payments  | -                         | -                           | -                           | -                                       | 93                                | -                           | -  | -                            | 93                |
| Profit for the year   | -                         | -                           | -                           | -                                       | -                                 | -                           | -  | 2,949                        | 2,949             |
| Other comprehensive income:   |                           |                             |                             |   |                                   |                             |  |                              |                   |
| Exchange differences on translating foreign operations                | -                         | -                           | -                           | -                                       | -                                 | -                           | 114  | -                            | 114               |
| Total other comprehensive income for the year                         | -                         | -                           | -                           | -                                       | -                                 | -                           | 114  | 2,949                        | 3,063             |
| Balance at 31 Dec 2017  | 60,423                    | (1,656)                     | (10,150)                    | 6                                       | 706                               | (3,695)                     | (872)  | 10,708                       | 55,470            |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

|   | Note | Group            |                  |
|---|------|------------------|------------------|
|   |      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Cash Flows from Operating Activities</b>   |      |                  |                  |
| Profit before income tax  |      | 2,081            | 3,694            |
| Adjustments for:  |      |                  |                  |
| Depreciation of property, plant and equipment   |      | 2,890            | 2,563            |
| Amortisation of intangible assets   |      | 673              | 628              |
| Loss on disposal of property, plant and equipment   |      | 5                | 6                |
| Impairment of property, plant and equipment   |      | –                | 86               |
| Impairment of intangible assets   |      | 93               | –                |
| Write-back for inventory obsolescence, net  |      | (412)            | (351)            |
| Impairment of allowance for trade receivables, net  |      | –                | 46               |
| Unrealised exchange loss/(gain)   |      | 166              | (203)            |
| Interest income   |      | (96)             | (30)             |
| Interest expense  |      | 523              | 483              |
| Share-based payments  |      | 17               | 93               |
| Gain on bargain purchase  |      | (482)            | –                |
| Write-back of payables  |      | (73)             | (578)            |
| Operating cash flow before working capital changes  |      | 5,385            | 6,437            |
| Changes in working capital:   |      |                  |                  |
| Inventories   |      | (2,191)          | 171              |
| Trade receivables   |      | (5,618)          | (2,242)          |
| Other receivables and prepayments   |      | 1,477            | (242)            |
| Trade and other payables  |      | 5,211            | (4,867)          |
| <b>Cash generated from/(used in) operating activities</b>                                 |      | 4,264            | (743)            |
| Interest paid   |      | (227)            | (333)            |
| Income tax (paid)/refund  |      | (271)            | 205              |
| <b>Net cash generated from/(used in) operating activities</b>                             |      | 3,766            | (871)            |
| <b>Cash Flows from Investing Activities</b>   |      |                  |                  |
| Interest received   |      | 85               | 30               |
| Purchase of property, plant and equipment   | 11   | (1,533)          | (1,923)          |
| Proceeds from disposal of property, plant and equipment                                   |      | 36               | 55               |
| Acquisition of a business   | 12   | (3,500)          | –                |
| Payment for financial asset, at fair value through profit or loss                         |      | (1,500)          | –                |
| Decrease in restricted cash   |      | –                | 1,200            |
| <b>Net cash used in investing activities</b>  |      | (6,412)          | (638)            |
| <b>Cash Flows from Financing Activities</b>   |      |                  |                  |
| Proceeds from borrowings  | 25   | 54,686           | 49,193           |
| Repayment of borrowings   | 25   | (50,811)         | (47,276)         |
| <b>Net cash generated from financing activities</b>                                       |      | 3,875            | 1,917            |
| <b>Net increase in cash and cash equivalents</b>  |      | 1,229            | 408              |
| <b>Cash and cash equivalents at the beginning of the year</b>                             |      | 7,152            | 6,742            |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies |      | –                | 2                |
| <b>Cash and cash equivalents at the end of the year</b>                                   | 21   | 8,381            | 7,152            |

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

## 1 General

Global Invacom Group Limited (the “Company”) is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Company is also listed on the AIM Market of the London Stock Exchange (“AIM”) in the United Kingdom (UK). The registered address of the Company and the principal place of business is at 8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary companies are set out in Note 12.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”)

### (a) Adoption of New/Revised IFRSs which are effective

On 1 January 2018, the Group and the Company adopted the following new/amended standards that are mandatory for annual financial periods beginning on or after 1 January 2018:

IFRS 9 *Financial Instruments*

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

The Group has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. Accordingly, requirements of IAS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Note 3(o)). Additionally, the Group is exempted from complying with IFRS 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by IFRS 7 relate to the items within the scope of IFRS 9. As a result, the requirements under IFRS are applied in place of the requirements under IFRS 7 and IFRS 9 to comparative information about items within the scope of IFRS 9.

The adoption did not have any significant impact to the Group’s opening retained profits and net assets.

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

#### (1) *Classification and measurement of financial instruments*

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of IFRS 9.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”) (cont’d)

### (a) Adoption of New/Revised IFRSs which are effective (cont’d)

IFRS 9 *Financial Instruments* (cont’d)

#### (1) Classification and measurement of financial instruments (cont’d)

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies for financial liabilities.

On the date of initial application of IFRS 9 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each of the Group’s financial assets as at 1 January 2018:

|   | Note | Group                                  |                | Carrying amount |          | Differences<br>US\$’000 |
|---|------|--|----------------|-----------------|----------|-------------------------|
|   |      | Measurement category                   |                | IAS 39          | IFRS 9   |                         |
|   |      | IAS 39                                 | IFRS 9         | US\$’000        | US\$’000 |                         |
| <u>Non-current financial assets</u>   |      |  |                |                 |          |                         |
| Other financial assets  | (b)  | AFS (at cost)                          | FVOCI          | 8               | 8        | –                       |
| Other receivables (excluding advance payments and GST/VAT receivables)  | (a)  | Loan and receivables (amortised cost)  | Amortised cost | 55              | 55       | –                       |
| <u>Current financial assets</u>   |      |  |                |                 |          |                         |
| Trade receivables   | (a)  | Loan and receivables (amortised cost)  | Amortised cost | 19,268          | 19,268   | –                       |
| Other receivables (excluding advance payments and GST/VAT receivables)  | (a)  | Loan and receivables (amortised cost)  | Amortised cost | 356             | 356      | –                       |
| Cash and cash equivalents   |      | Loan and receivables (amortised cost)  | Amortised cost | 7,152           | 7,152    | –                       |
| <u>Non-current financial liabilities</u>  |      |  |                |                 |          |                         |
| Other payables (excluding provision for litigation, provision for warranty, customers advances received and GST/VAT payables) |      | Financial liabilities (amortised cost) | Amortised cost | 111             | 111      | –                       |
| <u>Current financial liabilities</u>  |      |  |                |                 |          |                         |
| Trade payables  |      | Financial liabilities (amortised cost) | Amortised cost | 12,206          | 12,206   | –                       |
| Other payables (excluding provision for litigation, provision for warranty, customers advances received and GST/VAT payables) |      | Financial liabilities (amortised cost) | Amortised cost | 5,039           | 5,039    | –                       |
| Borrowings  |      | Financial liabilities (amortised cost) | Amortised cost | 8,025           | 8,025    | –                       |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”) (cont’d)

### (a) Adoption of New/Revised IFRSs which are effective (cont’d)

IFRS 9 *Financial Instruments* (cont’d)

(1) *Classification and measurement of financial instruments* (cont’d)

|   | Company                                |                |                    |                    | Differences<br>US\$’000 |
|---|--|----------------|--------------------|--------------------|-------------------------|
|   | Measurement category                   |                | Carrying amount    |                    |                         |
|   | IAS 39                                 | IFRS 9         | IAS 39<br>US\$’000 | IFRS 9<br>US\$’000 |                         |
| <u>Non-current financial assets</u>         |  |                |                    |                    |                         |
| Other receivables                           | Loan and receivables (amortised cost)  | Amortised cost | 9,154              | 9,154              | –                       |
| <u>Current financial assets</u>             |  |                |                    |                    |                         |
| Due from subsidiaries                       | Loan and receivables (amortised cost)  | Amortised cost | 1,895              | 1,895              | –                       |
| Other receivables                           | Loan and receivables (amortised cost)  | Amortised cost | 5,116              | 5,116              | –                       |
| Cash and cash equivalents                   | Loan and receivables (amortised cost)  | Amortised cost | 733                | 733                | –                       |
| <u>Current financial liabilities</u>        |  |                |                    |                    |                         |
| Due to subsidiaries                         | Financial liabilities (amortised cost) | Amortised cost | 2,140              | 2,140              | –                       |
| Other payables (excluding GST/VAT payables) | Financial liabilities (amortised cost) | Amortised cost | 450                | 450                | –                       |

#### (a) Trade receivables and other receivables

Trade receivables (Note 19) and other receivables (Note 20) that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

#### (b) Other financial assets

Unquoted equity investments, which are currently measured at cost, are re-measured to fair value under IFRS 9. The Group has elected to present fair value changes on these unquoted equity instruments in other comprehensive income under IFRS 9, because these instruments are not held for trading. Accordingly, these assets are categorised as “Equity instruments measured at fair value through other comprehensive income”. The difference between the cost and fair value of these financial assets as at 1 January 2018 was not significant upon the Group’s application of IFRS 9.

None of the reclassifications of financial assets have had any impact on the Group’s financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”) (cont’d)

### (a) Adoption of New/Revised IFRSs which are effective (cont’d)

IFRS 9 *Financial Instruments* (cont’d)

#### (2) *Impairment of financial assets*

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, but not to equity instruments. The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all receivables. The application of IFRS 9 impairment requirements at 1 January 2018 does not have significant effect on the Group and the Company. Additional information about how the Group and the Company measure the allowance for impairment is described in Note 31.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group adopted IFRS 15 in its financial statements using the retrospective approach.

The Group’s accounting policies for its revenue streams are disclosed in detail in Note 3(e) below. Apart from providing more extensive disclosures for the Group’s revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify that the measurement of cash-settled share-based payment transactions that include vesting or non-vesting conditions should follow the same measurement principals used for measuring equity-settled share-based payments. When a share-based payment is net-settled by withholding a specific portion of the shares to meet a statutory withholding obligation, the transaction should be accounted for as equity-settled in its entirety if it would have been classified as equity-settled if it had not included the net settlement feature.

The amendments also address situations where a cash-settled share-based payment changes to an equity-based share-based payment because of modifications of the terms and conditions. At the modification date, the liability for the original cash-settled share-based payment would be derecognised, and the equity-settled share-based payment would be measured at its fair value as at the modification date and recognised to the extent that the services have been rendered up to that date; and the difference between the carrying amount of the liability as at the modification date, and amount recognised in equity as at that date, would be recognised in profit or loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact on the financial statements and concluded that it does not have a significant impact.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”) (cont’d)

### (b) New/Revised IFRS issued but not yet effective

At the date of these financial statements, the following new or revised standards have been issued and are relevant to the Group but not yet effective:

|   |   | Effective for<br>accounting periods<br>beginning on or after |
|---|---|--|
| IFRS 16   | <i>Leases</i>                                 | 1 January 2019   |
| IFRIC 23  | <i>Uncertainty Over Income Tax Treatments</i> | 1 January 2019   |
| Annual Improvements to IFRSs<br>Standards 2015 – 2017 Cycle |   |  |
| - IAS 23  | <i>Borrowing Costs</i>                        | 1 January 2019   |
| Amendments to IAS 1 and IAS 8                               | <i>Definition of Material</i>                 | 1 January 2020   |
| Amendments to IFRS 3  | <i>Definition of a Business</i>               | 1 January 2020   |

The directors expected the adoption of the above new or revised standards will have no significant effect on the Group’s financial statements on application.

#### IFRS 16 *Leases*

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

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

As disclosed in Note 28, the Group has entered into non-cancellable operating leases of various factory buildings and office premises as lessee. The Group expects to record their existing ROU assets with corresponding lease liabilities under IFRS 16. The Group does not expect any significant impact on the financial statements based on the existing operating leases, when the standard is applied as of 1 January 2019. The nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 2 Application of New/Revised International Financial Reporting Standards (“IFRSs”) (cont’d)

### (b) New/Revised IFRS issued but not yet effective (cont’d)

#### IFRIC 23 *Uncertainty Over Income Tax Treatments*

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertainty tax treatment separately or together as a group. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. IFRIC 23 provides the following guidance on determining an entity’s accounting tax positions:

- If it is probable that the taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity’s income tax filings.
- If it is not probable, an entity should estimate the effect of uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Group does not expect the interpretation to have any significant impact.

#### IAS 23 *Borrowing Costs*

This amendment clarifies that after a qualifying asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that qualifying asset should be included within the pool of general borrowings used to calculate capitalised borrowing costs.

This amendment is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The Group is still in the process of assessing the impact of this new standard on the financial statements.

#### Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments refine the definition of ‘material’, provide guidance on its application, and align the definitions used across IFRS standards. Based on the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective from 1 January 2020 and are required to be applied prospectively. Early application is permitted. The Group is in the process of assessing the impact on the financial statements.

#### Amendments to IFRS 3 *Definition of a Business*

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value of the assets acquired is concentrated in a single asset or group of similar assets.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Group is in the process of assessing the impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies

### (a) Basis of Preparation

The financial statements for the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018 and its comparatives have been prepared in accordance with the Singapore Companies Act, Chapter 50 and International Financial Reporting Standards ("IFRS"). IFRS comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The financial statements, which are expressed in United States Dollar ("US\$"), are rounded to the nearest thousand (US\$'000), except as otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the reporting date, and the reported amounts of revenues and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in Note 4 "Critical accounting judgements and key sources of estimation uncertainty".

### (b) Consolidation

#### i. Subsidiaries

Subsidiaries are entities over which any of the Group companies have control. The Group companies control an entity if and only if they have power over the entity and when they are exposed to, or have rights to variable returns from their involvement with the entity, and have the ability to use their power over the entity to affect those returns. The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group companies and are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (b) Consolidation (cont'd)

#### ii. Acquisition of subsidiaries or businesses

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

#### iii. Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

#### iv. Disposal of subsidiaries or businesses

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (c) Investment in Subsidiary Companies

Investments in subsidiary companies are carried at cost less accumulated impairment losses in the statement of financial position of the Company. On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (d) Goodwill

Goodwill on acquisitions of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net fair value of the investee's identifiable assets and liabilities.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount (including the goodwill), an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and value-in-use. Impairment loss on goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

### (e) Revenue Recognition

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

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### Sale of satellite communications equipment

The Group provides a full range of antennas, low noise block receivers, fibre distribution equipment, transmitters, transceivers, switches and video distribution components and electronics manufacturing services in satellite communications as well as manufacturing services in military, medical, and consumer electronics industries. As a result of the unique nature of the Group's products, revenue is largely recognised at a point in time rather than over time.

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

#### *Rights of return*

It is the group's policy to sell its goods to the end customers with 12 to 24 months right of return. Therefore, a right to the returned goods is recognised in relation to satellite communications equipment expected to be returned. Accumulated experience is used to estimate the numbers of returns at the time of sale at a portfolio level using the expected value method. Because the level of product returns has been consistent over previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of the assumption and the estimated amount of returns are reassessed at each reporting date.

Sales-related warranties associated with the satellite communications equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for these warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its previous accounting treatment.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (f) Operating Leases

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

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

### (g) Functional and Foreign Currencies

#### *Functional and presentation currency*

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

For the purpose of the consolidated financial statements, the financial performance and financial position of each group entity are expressed in United States Dollars ("US\$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

#### *Transactions and balances*

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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

#### *Translation of group entities' financial statements*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income or expense for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (g) Functional and Foreign Currencies (cont'd)

#### Translation of group entities' financial statements (cont'd)

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

### (h) Borrowings

Borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

### (i) Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

### (j) Employee Benefits

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

#### Defined contribution plans

Defined contribution plans (including state-managed retirement benefit schemes) are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognised for services rendered by employees up to the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (j) Employee Benefits (cont'd)

#### Employee share options

##### - *Equity-settled share options*

The cost of equity-settled share options with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

The fair value determined at the grant date of the equity-settled options is recognised as an expense of employee share options in profit or loss with a corresponding increase in the share options reserve over the vesting period, based on the Company's estimate of shares that will eventually vest. Where the vesting conditions of a share-based compensation plan is not met, it shall be considered as forfeiture. The expense shall be revised to reflect the best available estimate of the number of equity instruments expected to vest. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

##### - *Cash-settled share options*

The cost of cash-settled share options is measured initially at fair value at the grant date taking into account the terms and conditions upon which the options were granted. This fair value is expensed over the vesting period with the recognition of a corresponding liability. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in profit or loss.

##### - *Group cash-settled share-based payment transactions*

If an entity in the Group is settling a share-based payment transaction, when another entity in the Group receives the goods or services, it shall recognise the transaction as an equity-settled share-based payment transaction only when it is settled in the entity's own equity instruments. Otherwise, the share-based payment transaction shall be recognised as a cash-settled share-based payment transaction.

### (k) Income Tax

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

#### Current tax

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

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (k) Income Tax (cont'd)

#### Deferred tax (cont'd)

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

#### Current and deferred tax for the period

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

### (l) Property, Plant and Equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment acquired with individual values under S\$1,000 are not capitalised, they are recognised as an expense in the statement of comprehensive income.

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (l) Property, Plant and Equipment (cont'd)

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment over the estimated useful lives of the assets as follows:

|                                   |   |               |
|-----------------------------------|---|---------------|
| Freehold property                 | - | 20 years      |
| Machinery and equipment           | - | 3 to 10 years |
| Furniture, fittings and equipment | - | 3 to 10 years |
| Motor vehicles                    | - | 3 to 10 years |
| Renovations                       | - | 1 to 5 years  |

Freehold property includes freehold land which has an unlimited useful life and therefore is not depreciated.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset.

The carrying amounts of property, 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 annually to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### (m) Intangible Assets

#### Research and development expenditure

Research expenditure is recognised in operating expenses in profit or loss as the expenditure is incurred. Development expenditure (relating to the application of research knowledge to plan or design new or substantially improved products for sale or use within the business) is recognised as an intangible asset from the point at which it is probable that the Group has the ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can be measured reliably. Any other development expenditure is recognised in operating expenses as incurred.

#### Capitalised development costs

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are capitalised as intangible assets only when the following criteria are met: (i) it is technically feasible to complete the product so that it will be available for use; (ii) management intends to complete the product and use it; (iii) there is an ability to use the product; (iv) it can be demonstrated how the product will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and use the product are available; and (vi) the expenditure attributable to the product during its development can be measured reliably.

Directly attributable costs are capitalised include relevant employee costs. Capitalised development costs are amortised on a straight line basis over a period of 5 years from the date that the product is brought into first use. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (m) Intangible Assets (cont'd)

#### Trading name

Trading name is measured initially at cost. Following initial recognition, trading name is measured at cost less any impairment losses. Trading name is assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the trading name is expected to generate economic benefits to the Group, including market presence and trading contacts. The indefinite useful life is reviewed annually to ensure the useful life assessment continues to be supportable.

Trading name is reviewed for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the trading name relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment loss on trading name is not reversed in a subsequent period.

#### Intellectual property rights

Intellectual property rights (comprising granted patents and patents pending) are measured initially at cost. Following initial recognition, intellectual property rights are measured at cost less accumulated amortisation and any accumulated impairment losses. Intellectual property rights are amortised on a straight line basis over a period of 10 years from the date that the patent is granted.

The useful life and amortisation method are reviewed annually to ensure that the method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the intellectual property rights.

### (n) Inventories

Inventories are stated at the lower of cost and net realisable value.

For satellite communications inventories which consist of finished goods held for sale, cost is determined on a first-in, first-out (FIFO) basis. For contract manufacturing inventories, cost is determined on a weighted average basis, which include the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, the cost of work-in-progress and finished goods comprises raw materials, direct labour and related production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

### (o) Financial Assets – accounting policies are applicable from 1 January 2018

#### i. Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

#### i. Classification and measurement (cont'd)

##### 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 a third party, if the trade receivables do not contain a significant financing component at initial recognition.

##### Subsequent Measurement

#### (a) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables. Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

##### Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For a debt instrument that is measured at amortised cost that is not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as a separate line item in profit or loss.

Interest income is recognised in profit or loss and is included in the "finance income" line item.

##### FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses (debt instruments measured at FVOCI that are not part of a designated hedging relationship) which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "finance income" using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in profit or loss.

##### FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. For a debt investment that is measured at FVPL that is not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Interest income from these financial assets is included in "finance income" using the effective interest rate method.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

#### i. Classification and measurement (cont'd)

##### Subsequent Measurement (cont'd)

#### (a) Debt instruments (cont'd)

In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### (b) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value of equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Dividends are included in the "other income" line item in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable.

Changes in fair value of equity instruments at FVOCI are recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

#### (c) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

#### ii. Impairment

The Group assesses on a forward looking basis the expected credit losses associated with the following financial instruments:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- contract assets (as defined in IFRS 15); and
- intra-group financial guarantee contracts.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

#### ii. Impairment (cont'd)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Simplified approach - Trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by IFRS 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### General approach - Other financial instruments and financial guarantee contracts

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts ("FGC"), which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

#### ii. Impairment (cont'd)

##### General approach - Other financial instruments and financial guarantee contracts (cont'd)

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost, and debt investments at FVOCI are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (e.g. being more than 60 days past due);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

#### iii. Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If the Group has elected on initial recognition to measure the equity instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

### (o) Financial Assets – accounting policies applied until 31 December 2017

As disclosed in Note 2(a), the Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

#### i. Classification

Until 31 December 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depended on the nature of the asset and the purpose for which the assets were acquired. Management determined the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### Loans and receivables

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

#### Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies applied until 31 December 2017 (cont'd)

#### ii. Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of an available-for-sale financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in other comprehensive income is recognised in profit and loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

#### iii. Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

#### iv. Subsequent measurement

##### Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### Financial assets, available-for-sale

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

#### v. Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

##### Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (o) Financial Assets – accounting policies applied until 31 December 2017 (cont'd)

#### v. Impairment (cont'd)

##### *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### (p) Impairment of Non-financial Assets

Non-financial assets (excluding goodwill and intangible assets with indefinite useful lives) are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (q) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (r) Provisions

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

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

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

### (s) Financial Guarantees

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position. Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

### (t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

### (u) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above less bank deposits pledged as security.

### (v) Trade and Other Payables

Trade and other payables, which are normally settled on 30 to 90 day terms, are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method. They are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated income statement.

### (w) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 3 Significant Accounting Policies (cont'd)

### (x) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### (y) Treasury Shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

#### (i) Allowance for inventory obsolescence

Reviews are made periodically by management in respect of inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

The Group has written back an allowance for inventory obsolescence for the financial year ended 31 December 2018 of US\$412,000 (2017: US\$351,000) (Note 8). The carrying amount of the Group's inventories as at 31 December 2018 was US\$31,625,000 (2017: US\$29,022,000) (Note 18).

#### (ii) Loss allowance for trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix which involves grouping receivables according to historical loss patterns (e.g. customer rating or product or by geographical location) and applying a historic provision rate which is based on days past due for groupings of various customer segments that have similar loss patterns. In devising such provision matrix, the Group uses its historical credit loss experience with forward-looking information (adjusted as necessary to reflect current conditions and forecast economic conditions) to estimate the lifetime expected credit losses on the trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

### (a) Critical Judgements in Applying Accounting Policies (cont'd)

#### (ii) Loss allowance for trade receivables (cont'd)

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 losses experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The Group has recognised a loss allowance of 22.3% against all receivables over 60 days past due because historical experience has indicated that these receivables are generally not recoverable. The Group has a specialist credit insurance policy in place to mitigate losses, by default of payment, on key client balances of US\$7.4 million. The information about the ECLs on the Group's trade receivables is disclosed in Note 31.

#### (iii) Capitalised development costs

Management determines the amount of development costs to be recognised as intangible assets at each reporting date. In making their judgement, management has considered the progress of each project and whether there is sufficient certainty that the product under development will be economically viable and that economic benefits will flow to the Group in accordance with the Group's accounting policy stated in Note 3(m).

No impairment of capitalised development costs was made for the financial year ended 31 December 2018 (2017: Nil) (Note 14). The carrying amount of the Group's capitalised development costs as at 31 December 2018 was US\$3,656,000 (2017: US\$2,079,000) (Note 14).

### (b) Key Sources of Estimation Uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 20 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2018 was US\$12,606,000 (2017: US\$12,393,000) (Note 11). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these property, plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such an estimate has been changed.

A 10% difference in the depreciation on property, plant and equipment from management's estimate will decrease/increase the Group's profit for the year by approximately US\$289,000 (2017: US\$256,300).

#### (ii) Impairment of goodwill

Goodwill arising from acquisition of subsidiaries is tested for impairment at least on an annual basis. This requires an estimation of the value in use of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating the value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill on consolidation as at 31 December 2018 was US\$9,352,000 (2017: US\$9,352,000) (Note 13).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries assessed as at 31 December 2018 (2017: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

### (b) Key Sources of Estimation Uncertainty (cont'd)

#### (iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses at each tax jurisdiction. 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 Group has recognised an income tax expense of US\$545,000 for the financial year ended 31 December 2018 (2017: US\$745,000) (Note 9). The carrying amounts of the Group's current tax receivables and income tax liabilities were US\$15,000 and US\$295,000 (2017: US\$11,000 and US\$163,000), respectively. The carrying amounts of the Group's deferred income tax assets and liabilities were US\$109,000 and US\$406,000 (2017: US\$198,000 and US\$489,000) respectively (Note 16) as at 31 December 2018.

## 5 Revenue

Disaggregation of revenue from contract with customers

The Group's revenue is disaggregated by principal geographical areas, major product lines and timing of revenue recognition. This is consistent with the revenue information as disclosed in Note 30 Segment Information.

|                                      | Group            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Principal geographical market</b> |                  |                  |
| <u>America</u>                       |                  |                  |
| - Sale of goods                      | 85,831           | 81,066           |
| <u>Europe</u>                        |                  |                  |
| - Sale of goods                      | 27,006           | 23,687           |
| <u>Asia</u>                          |                  |                  |
| - Sale of goods                      | 5,210            | 6,569            |
| <u>Rest of the World</u>             |                  |                  |
| - Sale of goods                      | 4,245            | 4,384            |
| Total                                | 122,292          | 115,706          |
| <b>Major product lines</b>           |                  |                  |
| Sale of goods                        | 122,292          | 115,706          |

The Group recognises revenue from sale of goods at a point in time, when the Group satisfies a performance obligation and the customers obtain control of the goods.

# NOTES TO THE FINANCIAL STATEMENTS

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## 6 Finance Income

|                                      | Group            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Interest income on bank deposits     | 85               | 30               |
| Interest income on convertible notes | 11               | –                |
|                                      | 96               | 30               |

## 7 Finance Costs

|                                | Group            |                  |
|--------------------------------|------------------|------------------|
|                                | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Interest expense on borrowings | 523              | 483              |

## 8 Profit Before Income Tax

|  | Group            |                  |
|--|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| This is arrived at after charging/(crediting):   |                  |                  |
| Cost of inventories recognised as an expense (included in cost of sales)                 | 97,104           | 91,515           |
| Amortisation of intangible assets  | 673              | 628              |
| Depreciation of property, plant and equipment included in:                               |                  |                  |
| - cost of sales  | 2,351            | 2,135            |
| - administrative expenses  | 539              | 428              |
| Audit fees - Company's auditors  | 78               | 82               |
| - Other auditors   | 414              | 493              |
| Non-audit fees - Other auditors  | 91               | 91               |
| Loss on disposal of property, plant and equipment (included in other operating expenses) | 5                | 6                |
| Impairment of property, plant and equipment (included in other operating expenses)       | –                | 86               |
| Impairment of intangible assets (included in administrative expenses)                    | 93               | –                |
| Operating lease expense  | 3,212            | 2,857            |
| Write-back for inventory obsolescence, net (Note 18)                                     | (412)            | (351)            |
| Allowance for impairment of trade receivables, net                                       | –                | 46               |
| Write-back of payables (included in other income)  | (73)             | (578)            |
| Loss/(Gain) on foreign exchange<br>(included in other income/other operating expenses)   | 9                | (599)            |
| Research and development expense (included in administrative expenses)                   | 2,805            | 1,646            |
| Gain on bargain purchase (included in other income)                                      | (482)            | –                |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 9 Income Tax Expense

|   | Group    |          |
|---|----------|----------|
|   | 2018     | 2017     |
|   | US\$'000 | US\$'000 |
| Income tax expense attributable to the results is made up of: |          |          |
| Current income tax  |          |          |
| - current year  | 553      | 350      |
| - (over)/under provision in prior year                        | (180)    | 314      |
| Deferred tax (Note 16)  |          |          |
| - current year  | 106      | (3)      |
| Withholding tax   |          |          |
| - current year  | 66       | 84       |
|   | 545      | 745      |

The income tax expense on the profit before income tax varies from the amount of income tax determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following factors:

|   | Group    |          |
|---|----------|----------|
|   | 2018     | 2017     |
|   | US\$'000 | US\$'000 |
| Profit before income tax  | 2,081    | 3,694    |
| Income tax expense calculated at applicable tax rates               | 451      | 826      |
| Non-deductible expenses   | 573      | 846      |
| Non-taxable income  | (368)    | (271)    |
| Deferred tax on tax losses not recognised                           | 95       | 321      |
| Utilisation of unrecognised deferred tax assets                     | (7)      | (1,121)  |
| Research and development credits                                    | (85)     | (254)    |
| (Over)/Under provision of income tax and deferred tax in prior year | (180)    | 314      |
| Withholding tax   |          |          |
| - current year  | 66       | 84       |
|   | 545      | 745      |

The applicable tax rates used for the reconciliations above are the corporate tax rates payable by entities on taxable profits under tax law in the following jurisdictions:

|                            | 2018 | 2017   |
|----------------------------|------|--------|
| Singapore                  | 17%  | 17%    |
| England and Wales          | 19%  | 19.25% |
| Malaysia                   | 24%  | 24%    |
| People's Republic of China | 25%  | 25%    |
| Israel                     | 23%  | 24%    |
| United States of America   | 21%  | 32%    |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 9 Income Tax Expense (cont'd)

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

Expenses not deductible for tax purpose comprise mainly exchange loss arising from revaluation of non-trade balances and certain non-deductible professional and administrative expense.

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1 of the People's Republic of China ("PRC"), only the profits earned by a foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be exempted from withholding tax. Whereas, dividends distributed out of the profit generated thereafter, shall be subject to EIT at 10% (or at the concessionary rate of 5%, if applicable) and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules.

As at 31 December 2018, withholding tax on the portion of the undistributed earnings derived by the Group's subsidiaries in the PRC which is expected to be distributed out as dividends in the foreseeable future amounted to approximately US\$61,000 (2017: Nil) has been accrued to the Group's financial statements.

## 10 Earnings Per Share

### (a) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

|  | 2018    | 2017    |
|--|---------|---------|
| Net profit for the year attributable to equity holders of the Company (US\$'000)                       | 1,536   | 2,949   |
| Weighted average number of ordinary shares outstanding for basic earnings per share computation ('000) | 271,662 | 271,662 |
| Basic earnings per share (US cents)  | 0.57    | 1.09    |

### (b) Diluted Earnings Per Share

For the purpose of calculating diluted earnings per share, the total number of ordinary shares is adjusted for the effects of all dilutive potential ordinary shares, being the share options granted and remained outstanding, if any, as at reporting date.

For share options, a calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to the profit (numerator).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

|   | 2018    | 2017    |
|---|---------|---------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share ('000) | 271,662 | 271,662 |
| Shares deemed to be issued for no consideration in respect of:  |         |         |
| Employee options ('000)   | –       | 254     |
|   | 271,662 | 271,916 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 10 Earnings Per Share (cont'd)

### (b) Diluted Earnings Per Share (cont'd)

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

|  | 2018    | 2017    |
|--|---------|---------|
| Net profit for the year attributable to equity holders of the Company (US\$'000)                         | 1,536   | 2,949   |
| Weighted average number of ordinary shares outstanding for diluted earnings per share computation ('000) | 271,662 | 271,916 |
| Diluted earnings per share (US cents)  | 0.57    | 1.08    |

## 11 Property, Plant and Equipment

|  | Freehold<br>property<br>US\$'000 | Machinery &<br>equipment<br>US\$'000 | Furniture,<br>fittings &<br>equipment<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Renovations<br>US\$'000 | Construction<br>in progress<br>US\$'000 | Total<br>US\$'000 |
|--|----------------------------------|--------------------------------------|---|-------------------------------|-------------------------|---|-------------------|
| <b>Group</b>                                       |                                  |                                      |   |                               |                         |   |                   |
| <b>2018</b>  |                                  |                                      |   |                               |                         |   |                   |
| <u>Cost</u>  |                                  |                                      |   |                               |                         |   |                   |
| Balance at 1 January                               | 2,807                            | 23,130                               | 7,649   | 208                           | 1,308                   | –                                       | 35,102            |
| Currency realignment                               | –                                | 32                                   | (7)   | –                             | 1                       | –                                       | 26                |
| Additions  | –                                | 1,111                                | 321   | 9                             | 92                      | –                                       | 1,533             |
| Acquisition of a business<br>(Note 12 (a))         | –                                | 2,232                                | –   | –                             | –                       | –                                       | 2,232             |
| Disposals  | –                                | (216)                                | –   | –                             | –                       | –                                       | (216)             |
| Write-off  | –                                | (261)                                | (17)  | –                             | (71)                    | –                                       | (349)             |
| Balance at 31 December                             | 2,807                            | 26,028                               | 7,946   | 217                           | 1,330                   | –                                       | 38,328            |
| <u>Accumulated depreciation<br/>and impairment</u> |                                  |                                      |   |                               |                         |   |                   |
| Balance at 1 January                               | 141                              | 14,793                               | 6,360   | 199                           | 1,216                   | –                                       | 22,709            |
| Currency realignment                               | 646                              | 4                                    | (1)   | (3)                           | 1                       | –                                       | 647               |
| Depreciation charge                                | 33                               | 2,256                                | 522   | 21                            | 58                      | –                                       | 2,890             |
| Disposals  | –                                | (175)                                | –   | –                             | –                       | –                                       | (175)             |
| Write-off  | –                                | (261)                                | (17)  | –                             | (71)                    | –                                       | (349)             |
| Balance at 31 December                             | 820                              | 16,617                               | 6,864   | 217                           | 1,204                   | –                                       | 25,722            |
| <u>Net book value</u>                              |                                  |                                      |   |                               |                         |   |                   |
| Balance at 31 December                             | 1,987                            | 9,411                                | 1,082   | –                             | 126                     | –                                       | 12,606            |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 11 Property, Plant and Equipment (cont'd)

|  | Freehold<br>property<br>US\$'000 | Machinery &<br>equipment<br>US\$'000 | Furniture,<br>fittings &<br>equipment<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Renovations<br>US\$'000 | Construction<br>in progress<br>US\$'000 | Total<br>US\$'000 |
|--|----------------------------------|--------------------------------------|---|-------------------------------|-------------------------|---|-------------------|
| <b>Group</b>                                   |                                  |                                      |   |                               |                         |   |                   |
| <b>2017</b>                                    |                                  |                                      |   |                               |                         |   |                   |
| <u>Cost</u>                                    |                                  |                                      |   |                               |                         |   |                   |
| Balance at 1 January                           | 2,803                            | 21,384                               | 7,545   | 219                           | 1,418                   | 15                                      | 33,384            |
| Currency realignment                           | 4                                | 940                                  | (197)   | (19)                          | (163)                   | (15)                                    | 550               |
| Additions                                      | –                                | 1,416                                | 394   | 30                            | 83                      | –                                       | 1,923             |
| Disposals                                      | –                                | (242)                                | (71)  | (22)                          | (30)                    | –                                       | (365)             |
| Write-off                                      | –                                | (368)                                | (22)  | –                             | –                       | –                                       | (390)             |
| Balance at 31 December                         | 2,807                            | 23,130                               | 7,649   | 208                           | 1,308                   | –                                       | 35,102            |
| <u>Accumulated depreciation and impairment</u> |                                  |                                      |   |                               |                         |   |                   |
| Balance at 1 January                           | 106                              | 12,590                               | 6,137   | 189                           | 1,185                   | –                                       | 20,207            |
| Currency realignment                           | 3                                | 654                                  | (99)  | (1)                           | (10)                    | –                                       | 547               |
| Depreciation charge                            | 32                               | 2,058                                | 398   | 34                            | 41                      | –                                       | 2,563             |
| Disposals                                      | –                                | (229)                                | (61)  | (14)                          | –                       | –                                       | (304)             |
| Write-off                                      | –                                | (368)                                | (22)  | –                             | –                       | –                                       | (390)             |
| Impairment                                     | –                                | 88                                   | 7   | (9)                           | –                       | –                                       | 86                |
| Balance at 31 December                         | 141                              | 14,793                               | 6,360   | 199                           | 1,216                   | –                                       | 22,709            |
| <u>Net book value</u>                          |                                  |                                      |   |                               |                         |   |                   |
| Balance at 31 December                         | 2,666                            | 8,337                                | 1,289   | 9                             | 92                      | –                                       | 12,393            |

During the previous financial year ended 31 December 2017, an impairment loss of US\$86,000 was recognised in respect of technically obsolete plant and equipment. Those assets belonged to the Group's Contract Manufacturing segment.

The impairment loss has been included in the line item "other operating expenses" in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

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## 11 Property, Plant and Equipment (cont'd)

| <b>Company</b>                  | <b>Furniture,<br/>fittings &amp;<br/>equipment</b> | <b>Renovations</b> | <b>Total</b>    |
|---------------------------------|--|--------------------|-----------------|
|                                 | <b>US\$'000</b>                                    | <b>US\$'000</b>    | <b>US\$'000</b> |
| <b>2018</b>                     |  |                    |                 |
| <u>Cost</u>                     |  |                    |                 |
| Balance at 1 January            | 36   | 71                 | 107             |
| Additions                       | 24   | 80                 | 104             |
| Write-off                       | (2)  | (71)               | (73)            |
| Balance at 31 December          | 58   | 80                 | 138             |
| <u>Accumulated depreciation</u> |  |                    |                 |
| Balance at 1 January            | 29   | 71                 | 100             |
| Depreciation charge             | 7  | 19                 | 26              |
| Write-off                       | (2)  | (71)               | (73)            |
| Balance at 31 December          | 34   | 19                 | 53              |
| <u>Net book value</u>           |  |                    |                 |
| Balance at 31 December          | 24   | 61                 | 85              |
| <b>2017</b>                     |  |                    |                 |
| <u>Cost</u>                     |  |                    |                 |
| Balance at 1 January            | 35   | 71                 | 106             |
| Additions                       | 4  | –                  | 4               |
| Disposals                       | (3)  | –                  | (3)             |
| Balance at 31 December          | 36   | 71                 | 107             |
| <u>Accumulated depreciation</u> |  |                    |                 |
| Balance at 1 January            | 31   | 71                 | 102             |
| Depreciation charge             | 1  | –                  | 1               |
| Disposals                       | (3)  | –                  | (3)             |
| Balance at 31 December          | 29   | 71                 | 100             |
| <u>Net book value</u>           |  |                    |                 |
| Balance at 31 December          | 7  | –                  | 7               |



# NOTES TO THE FINANCIAL STATEMENTS

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## 12 Investments in Subsidiaries

|                                       | Company          |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Unquoted equity shares, at cost       | 43,458           | 43,458           |
| Accounting for employee share options | 723              | 706              |
| Currency realignment                  | 711              | 710              |
|                                       | <u>44,892</u>    | <u>44,874</u>    |

Details of the subsidiaries as at the end of the financial year are as follows:

| Name of subsidiaries<br>and country of incorporation                   | Principal activities<br>and place of business  | Percentage of<br>equity held by<br>the Company |      | Cost of investment<br>by the Company |               |
|--|--|--|------|--------------------------------------|---------------|
|  |  | 2018   | 2017 | 2018                                 | 2017          |
|  |  | %  | %    | US\$'000                             | US\$'000      |
| <b><i>Held by the Company</i></b>                                      |  |  |      |                                      |               |
| Global Invacom Holdings Limited <sup>(1)</sup><br>England and Wales    | Investment holding<br>England and Wales        | 100  | 100  | 30,500                               | 30,500        |
| Global Invacom Sdn. Bhd. <sup>(2)</sup><br>Malaysia                    | Trading and manufacturing<br>Malaysia          | 100  | 100  | 33                                   | 33            |
| Global Invacom Manufacturing<br>Pte. Ltd. <sup>(3)</sup><br>Singapore  | Trading and investment<br>holding<br>Singapore | 100  | 100  | 10,000                               | 10,000        |
| Radiance Cayman Limited <sup>(5)(15)</sup><br>Cayman Islands           | Marketing and promotion<br>Cayman Islands      | 100  | 100  | #                                    | #             |
| Radiance Electronics (Shenzhen)<br>Co., Ltd <sup>(15)(16)</sup><br>PRC | Electronics manufacturing<br>services<br>PRC   | 100  | 100  | 2,925                                | 2,925         |
|  |  |  |      | <u>43,458</u>                        | <u>43,458</u> |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 12 Investments in Subsidiaries (cont'd)

| Name of subsidiaries<br>and country of incorporation  | Principal activities and<br>place of business   | Percentage of equity<br>held by the Group |           |
|---|---|---|-----------|
|   |   | 2018<br>%                                 | 2017<br>% |
| <b><i>Held by Subsidiary</i></b>  |   |   |           |
| Global Invacom Manufacturing (Shanghai)<br>Co., Ltd <sup>(7)(15)</sup><br>PRC                             | Electronics manufacturing services<br>PRC   | 100                                       | 100       |
| Global Invacom Limited <sup>(1)(8)</sup><br>England and Wales   | Design of products for reception and<br>transmission of satellite signals<br>England and Wales    | 100                                       | 100       |
| Global Skyware Limited (formerly known<br>as GI Provision Limited) <sup>(1)(8)</sup><br>England and Wales | Design and manufacture of satellite<br>antennas and VSAT <sup>(18)</sup><br>England and Wales     | 100                                       | 100       |
| Invacom Holdings Limited <sup>(1)(9)</sup><br>England and Wales   | Dormant<br>England and Wales  | 100                                       | 100       |
| Invacom Limited <sup>(1)(10)</sup><br>England and Wales   | Dormant<br>England and Wales  | 100                                       | 100       |
| Invacom Systems Limited <sup>(1)(10)</sup><br>England and Wales   | Dormant<br>England and Wales  | 100                                       | 100       |
| The Waveguide Solution Limited <sup>(1)(8)</sup><br>England and Wales                                     | Design and manufacture of microwave<br>waveguide components and applications<br>England and Wales | 100                                       | 100       |
| Global Invacom Manufacturing (UK)<br>Limited <sup>(1)(8)</sup><br>England and Wales                       | Manufacture and supply of antennas and<br>related products<br>England and Wales                   | 100                                       | 100       |
| OnePath Networks Limited <sup>(6)(8)</sup><br>Israel  | Design and manufacture of product in<br>radio frequency over fiber technology<br>Israel           | 100                                       | 100       |
| OnePath Networks Inc. <sup>(6)(11)</sup><br>United States of America                                      | Sales and marketing<br>United States of America   | 100                                       | 100       |
| Satellite Acquisition Corporation <sup>(4)</sup><br>United States of America                              | Investment holding<br>United States of America  | 100                                       | 100       |
| Raven Antenna Systems, Inc. <sup>(4)(12)</sup><br>United States of America                                | Manufacture and distribution of antennas<br>and related products<br>United States of America      | 100                                       | 100       |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 12 Investments in Subsidiaries (cont'd)

| Name of subsidiaries<br>and country of incorporation                              | Principal activities and<br>place of business  | Percentage of equity<br>held by the Group |           |
|---|--|---|-----------|
|   |  | 2018<br>%                                 | 2017<br>% |
| <b>Held by Subsidiary (cont'd)</b>  |  |   |           |
| ASC Signal (Shenzhen) Consulting Services<br>Co Limited <sup>(4)(13)</sup><br>PRC | Provision of technical support and<br>procurement of electronic components<br>and parts<br>PRC | 100                                       | 100       |
| Global Invacom Japan Kabushiki<br>Kaisha <sup>(5)(14)(17)</sup><br>Japan          | Promotion of satellite communications<br>products<br>Japan                                     | 100                                       | -         |

(1) Audited by Kreston Reeves LLP, London.

(2) Audited by Moore Stephens Associates PLT, Malaysia.

(3) Audited by Moore Stephens LLP, Singapore.

(4) Audited by Plante & Moran, PLLC, United States of America.

(5) Not required to be audited by law in its country of incorporation.

(6) Audited by KPMG, Israel.

(7) Wholly-owned subsidiary of Global Invacom Manufacturing Pte. Ltd.

(8) Wholly-owned subsidiary of Global Invacom Holdings Limited.

(9) Wholly-owned subsidiary of Global Invacom Limited.

(10) Wholly-owned subsidiary of Invacom Holdings Limited.

(11) Wholly-owned subsidiary of OnePath Networks Limited.

(12) Wholly-owned subsidiary of Satellite Acquisition Corporation.

(13) Wholly-owned subsidiary of Raven Antenna Systems, Inc.

(14) Wholly-owned subsidiary of Global Invacom Sdn. Bhd.

(15) The financial statements were audited in accordance with IFRS for consolidation purposes by Moore Stephens LLP, Singapore.

(16) The subsidiary commenced liquidation on 4 July 2017.

(17) The subsidiary commenced liquidation on 30 November 2018.

(18) The principal activities of the subsidiary for the previous financial year ended 31 December 2017 was design and sales of HD video transmission and reception technology.

# denotes less than US\$1,000

### (a) Acquisition of a business

During the current financial year, Global Skyware Limited, a subsidiary of the Group, acquired certain assets, together with the associated intellectual property, research and development team and inventory from a number of companies across the Skyware Technologies Group. Skyware Technologies Group comprises Skyware Technologies (Ireland) Ltd, Skyware Technologies (UK) Ltd, Skyware Radio Systems GmbH and Skyware Technologies Asia Inc.

The fair value of the identifiable assets and liabilities of the acquired business as at the date of acquisition were:

|   | <b>2018</b><br><b>US\$'000</b> |
|---|--------------------------------|
| Property, plant and equipment (Note 11) | 2,232                          |
| Capitalised development costs (Note 14) | 2,250                          |
| Total identifiable net assets           | 4,482                          |
| Less: Consideration paid in cash        | (3,500)                        |
| Less: Deferred consideration (Note 24)  | (500)                          |
| Gain on bargain purchase                | 482                            |

# NOTES TO THE FINANCIAL STATEMENTS

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## 13 Goodwill

|                                  | Group            |                  |
|----------------------------------|------------------|------------------|
|                                  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Cost</b>                      |                  |                  |
| At beginning and end of the year | 9,352            | 9,352            |

### Impairment Test of Goodwill

#### Allocation of goodwill

Goodwill has been allocated to the Group's cash generating unit ("CGU") identified according to the business segment as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Satellite Communications   |                  |                  |
| - The Waveguide Solution Limited ("TWS") – England and Wales           | 3,260            | 3,260            |
| - OnePath Networks Limited ("OPN") – Israel                            | 893              | 893              |
| - Satellite Acquisition Corporation ("SAC") – United States of America | 5,199            | 5,199            |
|  | 9,352            | 9,352            |

The Group assessed the recoverable amount of goodwill based on value in use calculations which uses cash flow projections based on financial forecast provided by management covering a 5-year period. The key assumptions for the value in use calculations are as follows:

|  | 2018       |            |            | 2017       |            |            |
|--|------------|------------|------------|------------|------------|------------|
|  | OPN        | TWS        | SAC        | OPN        | TWS        | SAC        |
| (i) Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGUs | 5.4%       | 8.4%       | 9.1%       | 8.0%       | 8.0%       | 17.5%      |
| (ii) Growth rates used to calculate the terminal value based on industry growth forecasts                                  | 0%         | 0%         | 0%         | 3%         | 3%         | 3%         |
| (iii) Gross margin*  | 52% to 54% | 41% to 45% | 38% to 40% | 50% to 51% | 35% to 40% | 38% to 41% |

\* excluding labour overheads

These assumptions were used for the analysis of the CGUs. Management recognises the speed of technological change and the possibility of new entrants that can have a significant impact on the growth rate assumptions. The effect of new entrants is not expected to have a significant adverse impact on the forecasts included in the budget. The budgeted gross margin is based on past performance and expectations of market development.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 13 Goodwill (cont'd)

### Impairment Test of Goodwill (cont'd)

#### Sensitivity analysis

Management considered the possibility of an increase in the discount rate used.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount. Based on management's review of the recoverable amounts of the CGUs, no impairment on goodwill was required during the financial year ended 31 December 2018 (2017: Nil).

## 14 Intangible Assets

|  | Trading name<br>US\$'000 | Intellectual property rights<br>US\$'000 | Capitalised development costs<br>US\$'000 | Total<br>US\$'000 |
|--|--------------------------|--|---|-------------------|
| <b>Group</b>                           |                          |  |   |                   |
| <b>2018</b>                            |                          |  |   |                   |
| <u>Cost</u>                            |                          |  |   |                   |
| Balance at 1 January                   | 16                       | 145                                      | 4,823                                     | 4,984             |
| Acquisition of a business (Note 12(a)) | –                        | –  | 2,250                                     | 2,250             |
| Balance at 31 December                 | 16                       | 145                                      | 7,073                                     | 7,234             |
| <u>Amortisation and impairment</u>     |                          |  |   |                   |
| Balance at 1 January                   | 16                       | 52                                       | 2,744                                     | 2,812             |
| Amortisation charge                    | –                        | –  | 673                                       | 673               |
| Impairment                             | –                        | 93                                       | –   | 93                |
| Balance at 31 December                 | 16                       | 145                                      | 3,417                                     | 3,578             |
| <u>Net book value</u>                  |                          |  |   |                   |
| Balance at 31 December                 | –                        | –  | 3,656                                     | 3,656             |
| <b>2017</b>                            |                          |  |   |                   |
| <u>Cost</u>                            |                          |  |   |                   |
| Balance at 1 January                   | 16                       | 166                                      | 4,823                                     | 5,005             |
| Currency realignment                   | –                        | (21)                                     | –   | (21)              |
| Balance at 31 December                 | 16                       | 145                                      | 4,823                                     | 4,984             |
| <u>Amortisation and impairment</u>     |                          |  |   |                   |
| Balance at 1 January                   | 16                       | 32                                       | 2,129                                     | 2,177             |
| Amortisation charge                    | –                        | 12                                       | 616                                       | 628               |
| Currency realignment                   | –                        | 8  | (1)                                       | 7                 |
| Balance at 31 December                 | 16                       | 52                                       | 2,744                                     | 2,812             |
| <u>Net book value</u>                  |                          |  |   |                   |
| Balance at 31 December                 | –                        | 93                                       | 2,079                                     | 2,172             |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 15 Other Financial Assets

|   |     | Group            |                  | Company          |                  |
|---|-----|------------------|------------------|------------------|------------------|
|   |     | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Available-for-sale financial assets</b>  |     |                  |                  |                  |                  |
| Unlisted equity securities  | (a) | -                | 8                | -                | -                |
| <b>Equity investments measured at fair value through other comprehensive income</b> |     |                  |                  |                  |                  |
| Unlisted equity securities  | (a) | 8                | -                | -                | -                |
| <b>Financial assets carried at fair value through profit or loss</b>                |     |                  |                  |                  |                  |
| Financial asset, fair value through profit or loss                                  | (b) | 1,511            | -                | 1,511            | -                |
|   |     | <u>1,519</u>     | <u>8</u>         | <u>1,511</u>     | <u>-</u>         |
| Presented as:   |     |                  |                  |                  |                  |
| Non-current   |     | <u>1,519</u>     | <u>8</u>         | <u>1,511</u>     | <u>-</u>         |

(a) Unlisted equity securities

The Group acquired an unquoted equity instrument – Fibre TV to Home Limited (“FTTH”), a company incorporated in England and Wales, for US\$7,955 in 2009. Fibre TV provides end to end TV Services, Digital Terrestrial TV and Digital Audio Broadcast Radio Digital TV and radio solutions for housing developments, apartment blocks and offices. The Group considers their investment in FTTH is not significant.

(b) Financial asset, fair value through profit or loss

During the current financial year, the Company entered into a sales and purchase agreement (“SPA”) with Tactilis Pte. Limited for the acquisition of Tactilis Sdn. Bhd. (“Tactilis”). As part of the terms of the SPA, the Company entered into a 5% convertible notes (“CN”) agreement with Tactilis for a total principal of US\$2,000,000.

The Company has the right to convert the total CN of US\$2,000,000 into 2% of the equity interest of Tactilis, provided all interest accrued up to the conversion date is fully repaid by Tactilis. In the event that shareholders of the Company approve the acquisition of Tactilis, all outstanding CN will automatically be converted into the equity interest of Tactilis. The CN matures on 24 October 2020. The Company can redeem the CN upon maturity or if the proposed acquisition is terminated under certain circumstances.

As at 31 December 2018, the Company invested a total sum of US\$1,500,000 in the CN in Tactilis. Interest accrued from the date of drawdown to the reporting date is US\$11,000 (2017: Nil).

## 16 Deferred Tax Assets/(Liabilities)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statement of financial position as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Deferred income tax assets to be recovered after 1 year    | <u>109</u>       | <u>198</u>       |
| Deferred income tax liabilities to be settled after 1 year | <u>(406)</u>     | <u>(489)</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 16 Deferred Tax Assets/(Liabilities) (cont'd)

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

|                                      | <b>Group</b>    |                 |
|--------------------------------------|-----------------|-----------------|
|                                      | <b>2018</b>     | <b>2017</b>     |
|                                      | <b>US\$'000</b> | <b>US\$'000</b> |
| Balance at the beginning of the year | (291)           | (326)           |
| Charge for the year (Note 9)         | 106             | (3)             |
| Currency realignment                 | (112)           | 38              |
| Balance at the end of the year       | <u>(297)</u>    | <u>(291)</u>    |

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

|                                       | <b>Deferred tax liabilities –<br/>Property, plant and equipment</b> | <b>Deferred tax assets –<br/>Unused tax losses and<br/>unabsorbed capital allowances</b> | <b>Total</b>    |
|---------------------------------------|---|--|-----------------|
|                                       | <b>US\$'000</b>   | <b>US\$'000</b>  | <b>US\$'000</b> |
| Balance at 1 January 2017             | (681)   | 355  | (326)           |
| Currency realignment                  | (7)   | 45   | 38              |
| Credit/(Charge) for the year (Note 9) | 199   | (202)  | (3)             |
| Balance at 31 December 2017           | (489)   | 198  | (291)           |
| Currency realignment                  | (112)   | –  | (112)           |
| Credit/(Charge) for the year (Note 9) | 195   | (89)   | 106             |
| Balance at 31 December 2018           | <u>(406)</u>  | <u>109</u>   | <u>(297)</u>    |

### Unrecognised tax losses

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

As at 31 December 2018, the Group has unutilised tax losses of approximately US\$45,102,000 (2017: US\$45,877,000) which can be carried forward and used to offset against future taxable income of those Group entities in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which they operate. Deferred tax assets arising from these unutilised tax losses carried forward have not been recognised in accordance with the Group's accounting policy stated in Note 3(k). The deferred tax assets not recognised are estimated to be US\$2,781,000 (2017: US\$2,849,000).

## 17 Due From/(To) Subsidiaries

|                          | <b>Company</b>  |                 |
|--------------------------|-----------------|-----------------|
|                          | <b>2018</b>     | <b>2017</b>     |
|                          | <b>US\$'000</b> | <b>US\$'000</b> |
| Due from subsidiaries    | 939             | 1,895           |
| Due to subsidiaries      | (2,109)         | (2,140)         |
| Due to subsidiaries, net | <u>(1,170)</u>  | <u>(245)</u>    |

As at 31 December 2018, the amounts due from subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

The non-trade amounts due from subsidiaries were unsecured, interest-free and were set off against the non-trade amounts due to subsidiaries following an offsetting agreement.

Management has evaluated impairment assessment on the amounts due from subsidiaries in Note 20.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17 Due From/(To) Subsidiaries (cont'd)

Financial assets and financial liabilities that are offset in the Company's statement of financial position as at 31 December 2018 are as follows:

|                                       | Gross amounts of<br>recognised financial<br>assets/(liabilities)<br>US\$'000 | Gross amounts of<br>recognised financial<br>assets/(liabilities)<br>offset in the<br>statement of<br>financial position<br>US\$'000 | Net amounts of<br>financial assets/<br>(liabilities) presented<br>in the statement of<br>financial position<br>US\$'000 |
|---------------------------------------|--|---|---|
| <b>2018</b>                           |  |   |   |
| <b>Types of financial assets</b>      |  |   |   |
| Amount due from subsidiaries          |  |   |   |
| – Non-trade                           | 1,486  | (547)   | 939   |
| <b>Types of financial liabilities</b> |  |   |   |
| Amount due to subsidiaries            |  |   |   |
| – Non-trade                           | (2,656)  | 547   | (2,109)   |
| <b>2017</b>                           |  |   |   |
| <b>Types of financial assets</b>      |  |   |   |
| Amount due from subsidiaries          |  |   |   |
| – Non-trade                           | 2,233  | (338)   | 1,895   |
| <b>Types of financial liabilities</b> |  |   |   |
| Amount due to subsidiaries            |  |   |   |
| – Non-trade                           | (2,478)  | 338   | (2,140)   |

## 18 Inventories

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Finished products                                 | 13,656           | 15,074           |
| Work-in-progress                                  | 2,455            | 1,653            |
| Raw materials                                     | 15,514           | 12,295           |
|   | 31,625           | 29,022           |
| Analysis of allowance for inventory obsolescence: |                  |                  |
| Balance at the beginning of the year              | 2,543            | 2,798            |
| Currency realignment                              | (72)             | 96               |
| Write-back for inventory obsolescence             | (412)            | (351)            |
| Write-off of inventory obsolescence               | (694)            | –                |
| Balance at the end of the year                    | 1,365            | 2,543            |



# NOTES TO THE FINANCIAL STATEMENTS

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## 19 Trade Receivables

|                      | Group            |                  |
|----------------------|------------------|------------------|
|                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Trade receivables    | 28,925           | 23,222           |
| Less: Loss allowance | (4,051)          | (3,954)          |
|                      | 24,874           | 19,268           |

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are non-interest bearing and generally due for settlement within 30 to 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy note 3(o)(ii). The Group has recognised a loss allowance of 22.3% against all receivables over 60 days past due because historical experience has indicated that these receivables are generally not recoverable. The Group has a specialist credit insurance policy in place to mitigate losses, by default of payment, on key client balances of US\$7.4 million. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

The Group's credit risk exposure in relation to trade receivables from contracts with customers under IFRS 9 as at 31 December 2018 are set out in the provision matrix as presented below. The Group's provision for loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

|  | Trade receivables past due (days) |                         |                       | Total<br>US\$'000 |
|--|-----------------------------------|-------------------------|-----------------------|-------------------|
|  | Current<br>US\$'000               | 0 – 60 days<br>US\$'000 | > 60 days<br>US\$'000 |                   |
| <b>Group</b>   |                                   |                         |                       |                   |
| Expected credit loss rate                            | 0.05%                             | 0.1%                    | 22.3%                 |                   |
| Trade receivables – gross carrying amount at default | 17,750                            | 5,818                   | 5,357                 | 28,925            |
| Loss allowance – lifetime ECL                        | (9)                               | (6)                     | (217) <sup>(1)</sup>  | (232)             |
| Loss allowance – specific provision                  | –                                 | –                       | (3,819)               | (3,819)           |
| Total allowance for impairment losses                | (9)                               | (6)                     | (4,036)               | (4,051)           |
|  |                                   |                         |                       | 24,874            |

- (1) Loss allowance – lifetime ECL of US\$232,000 is computed at 22.3% of gross trade receivables of US\$974,000 as US\$3,819,000 pertains to a specific debtor for which specific loss allowance has been made. The Group also has a specialist credit insurance policy in place to mitigate losses, by default of payment, on key client balances of US\$564,000 for trade receivables past due over 60 days.

# NOTES TO THE FINANCIAL STATEMENTS

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## 19 Trade Receivables (cont'd)

The movements in credit loss allowance for impairment of trade receivables during the year are as follows:

|   | <b>Group<br/>Lifetime ECL<br/>US\$'000</b> |
|---|--|
| At 1 January 2018 per IAS 39                              | 3,954                                      |
| Adjustment on initial application of IFRS 9               | –  |
| At 1 January 2018 per IFRS 9                              | 3,954                                      |
| Impairment loss recognised profit or loss during the year |  |
| - Assets acquired/originated                              | –  |
| - Currency realignment                                    | 97   |
|   | 97   |
| As at 31 December 2018 per IFRS 9                         | <u>4,051</u>                               |

### Previous accounting policy for impairment of trade receivables

As at 31 December 2017, trade receivables disclosed above include amounts which are past due at the end of the reporting period but for which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

|  | <b>Group<br/>2017<br/>US\$'000</b> |
|--|------------------------------------|
| <u>Ageing of past due but not impaired</u> |                                    |
| - 0 to 60 days                             | 5,212                              |
| - Over 60 days                             | 454                                |
|  | <u>5,666</u>                       |

|   | <b>Group<br/>2017<br/>US\$'000</b> |
|---|------------------------------------|
| <u>Movement in the loss allowance</u>       |                                    |
| Balance at beginning of the year            | 3,899                              |
| Impairment losses recognised on receivables | 46                                 |
| Currency realignment                        | 9                                  |
| Balance at end of the year                  | <u>3,954</u>                       |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 20 Other Receivables and Prepayments

|                                  | Group            |                  | Company          |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <u>Other receivables</u>         |                  |                  |                  |                  |
| Deposits                         | 227              | 265              | 37               | 63               |
| Advanced payments                | 301              | 121              | -                | -                |
| GST/VAT receivables              | 668              | 2,262            | -                | -                |
| Other debtors                    | 158              | 146              | -                | -                |
| Loans to subsidiaries            | (a) -            | -                | 12,838           | 14,207           |
|                                  | 1,354            | 2,794            | 12,875           | 14,270           |
| Prepaid expenses                 | 601              | 622              | 166              | 147              |
|                                  | 1,955            | 3,416            | 13,041           | 14,417           |
| Presented as:                    |                  |                  |                  |                  |
| Non-current                      | 55               | 55               | 9,608            | 9,154            |
| Current                          | 1,900            | 3,361            | 3,433            | 5,263            |
|                                  | 1,955            | 3,416            | 13,041           | 14,417           |
| <u>(a) Loans to subsidiaries</u> |                  |                  |                  |                  |
| Non-current                      | -                | -                | 9,608            | 9,154            |
| Current                          | -                | -                | 3,230            | 5,053            |
|                                  | -                | -                | 12,838           | 14,207           |

### (a) Loans to subsidiaries

- (i) Loan from the Company to Global Invacom Holdings Limited ("GIHL")

On 10 November 2014, the Company advanced a loan of US\$3,500,000 to GIHL at an interest rate equivalent to 4% per annum above the base rate of the Bank of England, with the loan repayable immediately upon notice from either lender or borrower, to finance the acquisition of the entire issued share capital of OPN. The funds were raised during the listing of the Company's shares on AIM and were earmarked for mergers and acquisitions. US\$2,000,000 (2017: Nil) of the loan was repaid during the financial year. Interest accrued from the date of drawdown to the reporting date is US\$708,000 (2017: US\$531,000).

- (ii) Loan from the Company to GIHL

On 1 January 2018, the Company advanced a loan of US\$8,752,000 to GIHL at an interest rate equivalent to 4.25% per annum above the base rate of the Bank of England, with the loan due for repayment 5 years from the date of agreement, to finance the transfer of the entire issued share capital of Satellite Acquisition Corporation ("SAC") from the Company to GIHL. Interest accrued from the date of drawdown to the reporting date is US\$856,000 (2017: US\$402,000).

- (iii) Loan from the Company to SAC

On 1 May 2017, the Company advanced a loan of US\$1,000,000 to SAC for refinancing an existing borrowing from a bank. The loan was unsecured, interest free and repayable upon the notice from the borrower.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 20 Other Receivables and Prepayments (cont'd)

For the purpose of impairment assessment, other receivables and amounts due from subsidiaries (Note 17) are considered to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There is no allowance for doubtful debts arising from these outstanding balances as the expected credit losses are not material. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables and amounts due from subsidiaries.

## 21 Cash and Cash Equivalents

|                        | Group            |                  | Company          |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Cash and bank balances | 8,351            | 7,122            | 496              | 703              |
| Fixed deposits         | 30               | 30               | 30               | 30               |
|                        | <b>8,381</b>     | <b>7,152</b>     | <b>526</b>       | <b>733</b>       |

The fixed deposits mature on short-term period and earned interest of 0.5% per annum during the current financial year (2017: 0.4%).

For the purpose of presentation in the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Cash and bank balances   | 8,351            | 7,122            |
| Fixed deposits   | 30               | 30               |
| Cash and cash equivalents per the consolidated statement of cash flows | <b>8,381</b>     | <b>7,152</b>     |

## 22 Share Capital and Treasury Shares

|  | Group                                   |                              | Company                                 |                              |
|--|---|------------------------------|---|------------------------------|
|  | Number of<br>ordinary<br>shares<br>'000 | Share<br>capital<br>US\$'000 | Number of<br>ordinary<br>shares<br>'000 | Share<br>capital<br>US\$'000 |
| <u>Issued and fully paid</u>                     |   |                              |   |                              |
| Balance at 31 December 2017 and 31 December 2018 | 282,402                                 | 60,423                       | 282,402                                 | 74,240                       |

Ordinary shares of the Company do not have any par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 22 Share Capital and Treasury Shares (cont'd)

### Treasury Shares

|  | Group and Company               |                    |                                 |                    |
|--|---------------------------------|--------------------|---------------------------------|--------------------|
|  | 2018                            |                    | 2017                            |                    |
|  | Number of<br>treasury<br>shares | Treasury<br>shares | Number of<br>treasury<br>shares | Treasury<br>shares |
|  | '000                            | US\$'000           | '000                            | US\$'000           |
| Balance at beginning and end of the year | 10,740                          | 1,656              | 10,740                          | 1,656              |

The Group held 10,740,000 treasury shares at 31 December 2018 (2017: 10,740,000) in the Company.

The shareholders, by an ordinary resolution passed at an Extraordinary General Meeting held on 17 September 2013 and renewed at the Annual General Meeting held on 25 April 2018, approved the Company's plan to repurchase its own ordinary shares for the adoption of the Global Invacom Share Option Scheme 2013.

During the financial year ended 31 December 2018, no issued ordinary shares were repurchased by the Company (2017: Nil). The shares repurchased in the previous financial years are being held as treasury shares in accordance with Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore.

## 23 Reserves

|                                       | Group            |                  | Company          |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Merger reserves                       | (10,150)         | (10,150)         | -                | -                |
| Capital redemption reserves           | 6                | 6                | -                | -                |
| Share options reserve (Note 26(b))    | 723              | 706              | 723              | 706              |
| Capital reserve                       | (3,560)          | (3,695)          | (4,481)          | (4,481)          |
| Foreign currency translation reserve  | (1,289)          | (872)            | (1,927)          | (1,927)          |
| Retained profits/(Accumulated losses) | 12,109           | 10,708           | (8,303)          | (7,618)          |
|                                       | (2,161)          | (3,297)          | (13,988)         | (13,320)         |

Movements in reserves for the Group are set out in the consolidated statement of changes in equity.

### Merger reserve

GIHL was incorporated on 7 November 2008 and on 23 February 2009 a management buyout took place of GIL whereby the entire issued share capital in GIL was transferred to GIHL. The consideration for the Group's restructuring involving the transfer of shares amounting to US\$11,748,199 and was settled as follows:

- A share for share exchange with the shareholders of GIL whereby GIHL issued 354,542 ordinary £0.10 shares, with a corresponding value of US\$3,802,527; and
- A payment of cash and issue of loan notes to various shareholders in GIL amounting to US\$7,945,672.

Accordingly, the reorganisation is considered to be outside the scope of IFRS 3 and the Group has applied the pooling of interests method to prepare the consolidated financial statements. Assets, liabilities, income and expenditure have been brought together on a line by line basis.

Other share related transactions with entities in the Group prior to the restructuring taking place have also been reflected in the merger reserves.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 23 Reserves (cont'd)

### Capital reserve

Capital reserve comprise the following items:

|                             |       | Group            |                  | Company          |                  |
|-----------------------------|-------|------------------|------------------|------------------|------------------|
|                             |       | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Statutory reserve fund      | (i)   | 921              | 786              | -                | -                |
| Sale of treasury shares     | (ii)  | (416)            | (416)            | (416)            | (416)            |
| Issuance of treasury shares | (iii) | (4,065)          | (4,065)          | (4,065)          | (4,065)          |
|                             |       | <u>(3,560)</u>   | <u>(3,695)</u>   | <u>(4,481)</u>   | <u>(4,481)</u>   |

- (i) In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC are required to set aside a statutory reserve fund by way of appropriation of 10% of their profit after tax as reported in the PRC statutory financial statements each year.

The statutory reserve fund may be used to offset any accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the relevant PRC authorities. The appropriation is required until the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital. The statutory reserve is not available for dividend distribution to shareholders.

- (ii) During the financial year ended 31 December 2015, 12,000,000 treasury shares were sold to SCE Enterprise Pte Ltd, a wholly-owned subsidiary of Serial System Ltd for a net consideration of S\$3,480,000 (approximately US\$2,361,000), resulting in a movement in treasury shares of US\$2,777,000 and decrease in capital reserve of US\$416,000.
- (iii) During the financial year ended 31 December 2015, 27,957,828 treasury shares were issued for the acquisition of SAC Group for a share consideration of US\$3,752,000, resulting in a movement in treasury shares of US\$7,817,000 and decrease in capital reserve of US\$4,065,000.

### Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of group entities whose functional currency is different from that of the Group's presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 24 Other Payables

|                                     | Group            |                  | Company          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Accrued operating expenses          | 3,214            | 3,579            | 180              | 400              |
| Provision for litigation (a)        | -                | 269              | -                | -                |
| Provision for warranty (b)          | 254              | 210              | -                | -                |
| Deferred consideration (Note 12(a)) | 500              | -                | -                | -                |
| Customers advances received         | 71               | 937              | -                | -                |
| GST/VAT payables                    | 124              | 73               | 7                | 4                |
| Other creditors                     | 1,267            | 1,571            | 34               | 50               |
|                                     | <b>5,430</b>     | <b>6,639</b>     | <b>221</b>       | <b>454</b>       |
| Presented as:                       |                  |                  |                  |                  |
| Non-current                         | 104              | 111              | -                | -                |
| Current                             | 5,326            | 6,528            | 221              | 454              |
|                                     | <b>5,430</b>     | <b>6,639</b>     | <b>221</b>       | <b>454</b>       |
| <u>Provision for litigation</u>     |                  |                  |                  |                  |
| Balance at 1 January                | 269              | 275              | -                | -                |
| Utilised during the year            | (269)            | (6)              | -                | -                |
| Balance at 31 December              | -                | 269              | -                | -                |
| <u>Provision for warranty</u>       |                  |                  |                  |                  |
| Balance at 1 January                | 210              | 153              | -                | -                |
| Claimed during the year             | (27)             | (69)             | -                | -                |
| Arose during the year               | 71               | 126              | -                | -                |
| Balance at 31 December              | 254              | 210              | -                | -                |

(a) The Group had made provision for litigation in relation to a legal action brought by a former supplier in relation to an alleged breach of contract. During the financial year ended 31 December 2016, the dispute with a former supplier was settled. The outstanding legal cost was paid in the financial year ended 31 December 2018.

(b) The Group provides limited repair or replacement warranties on certain of its manufactured products. The warranty period ranges from 12 to 18 months based upon the specific product category. The Group recognised warranty obligations at the time products are sold based on historical rates of warranty claims and estimated current costs of repair or replacement. Warranty expense recognised in the current financial year amounted to US\$71,000 (2017: US\$126,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 25 Borrowings

|                      | Group            |                  |
|----------------------|------------------|------------------|
|                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Borrowings - current | 11,974           | 8,025            |

The borrowings as at 31 December 2018 were secured over the assets of the subsidiaries and corporate guarantees (Note 29) provided by the Company and its subsidiaries. As at 31 December 2018, the tenure of the borrowings was between 1 – 12 months (2017: 1 – 12 months). Interest was charged at 2.50% to 7.25% (2017: 2.16% to 9.25%) per annum during the financial year.

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

|                      | 1 January<br>2018 | Cash flow |            | Other change | 31 December<br>2018 |
|----------------------|-------------------|-----------|------------|--------------|---------------------|
|                      | US\$'000          | Proceeds  | Repayments | US\$'000     | US\$'000            |
|                      |                   | US\$'000  | US\$'000   |              |                     |
| Borrowings – current | 8,025             | 54,686    | (50,811)   | 74           | 11,974              |

|                      | 1 January<br>2017 | Cash flow |            | Other change | 31 December<br>2017 |
|----------------------|-------------------|-----------|------------|--------------|---------------------|
|                      | US\$'000          | Proceeds  | Repayments | US\$'000     | US\$'000            |
|                      |                   | US\$'000  | US\$'000   |              |                     |
| Borrowings – current | 6,108             | 49,193    | (47,276)   | –            | 8,025               |

## 26 Employee Benefits

### (a) Staff Costs

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Salaries, bonuses and related costs (including executive directors) | 27,020           | 26,832           |
| Defined contribution plans  | 2,505            | 2,469            |
| Share-based payments  | 17               | 93               |
|   | 29,542           | 29,394           |

### (b) Employee Share Options

Pursuant to a resolution passed in the Extraordinary General Meeting held on 17 September 2013 and renewed at the Annual General Meeting held on 25 April 2018, the Global Invacom Share Option Scheme 2013 (the "2013 Scheme") was adopted whereby it may grant options to executive and non-executive directors (including independent directors) and employees of the Group who have contributed significantly to the success and development of the Group to subscribe for shares of the Company. The 2013 Scheme replaced the Global Invacom Group Employee Share Option Scheme of the Group which was adopted on 15 June 2012 (the "2012 Scheme") and the Enterprise Management Incentive Share Option Scheme (the "EMI Scheme"). An expense of US\$17,000 (2017: US\$93,000) has been included in the administrative expenses for the year ended 31 December 2018 with a corresponding credit to the share option reserve (Note 23), and where it relates to key management, has been included in their remuneration disclosed in Note 26(a) above.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 26 Employee Benefits (cont'd)

### (b) Employee Share Options (cont'd)

Details of the schemes are as follows:

#### (i) 2013 Scheme

The maximum number of shares in respect of which options may be granted when added to the number of shares issued and issuable in respect of all options granted under the 2013 Scheme shall not exceed 15% of the issued share capital of the Company as set out in the circular of the Company dated 26 August 2013. Each employee share option converts into one ordinary share of the Company on exercise. Recipient shall pay S\$1.00 as consideration or such other amounts as the administering committee may require on acceptance of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

At the end of the financial year, the details of the options granted pursuant to the 2013 Scheme are as follows:

| 1.1.2018   | Granted | Exercised/<br>(Lapsed) | 31.12.2018 | Exercise price | Exercise period              |
|------------|---------|------------------------|------------|----------------|------------------------------|
| 1,415,000  | -       | -                      | 1,415,000  | S\$0.17        | 7 July 2016 to 6 July 2023   |
| 1,415,000  | -       | -                      | 1,415,000  | S\$0.17        | 7 July 2017 to 6 July 2023   |
| 3,480,000  | -       | (290,000)              | 3,190,000  | S\$0.311       | 22 June 2016 to 21 June 2025 |
| 3,480,000  | -       | (290,000)              | 3,190,000  | S\$0.311       | 22 June 2017 to 21 June 2025 |
| 1,725,000  | -       | (200,000)              | 1,525,000  | S\$0.12        | 9 March 2018 to 8 March 2026 |
| 1,725,000  | -       | (200,000)              | 1,525,000  | S\$0.12        | 9 March 2019 to 8 March 2026 |
| 13,240,000 | -       | (980,000)              | 12,260,000 |                |                              |

| 1.1.2017   | Granted | Exercised/<br>(Lapsed) | 31.12.2017 | Exercise price | Exercise period              |
|------------|---------|------------------------|------------|----------------|------------------------------|
| 1,415,000  | -       | -                      | 1,415,000  | S\$0.17        | 7 July 2016 to 6 July 2023   |
| 1,415,000  | -       | -                      | 1,415,000  | S\$0.17        | 7 July 2017 to 6 July 2023   |
| 3,630,000  | -       | (150,000)              | 3,480,000  | S\$0.311       | 22 June 2016 to 21 June 2025 |
| 3,630,000  | -       | (150,000)              | 3,480,000  | S\$0.311       | 22 June 2017 to 21 June 2025 |
| 2,275,000  | -       | (550,000)              | 1,725,000  | S\$0.12        | 9 March 2018 to 8 March 2026 |
| 2,275,000  | -       | (550,000)              | 1,725,000  | S\$0.12        | 9 March 2019 to 8 March 2026 |
| 14,640,000 | -       | (1,400,000)            | 13,240,000 |                |                              |

The weighted average fair value of the share options granted during the previous financial year was S\$0.035. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the competitors' historical share price volatility.

#### Outstanding options for the year ended 31 December 2018

|                              | 7 July 2013 | 22 June 2015 | 9 March 2016 |
|------------------------------|-------------|--------------|--------------|
| Grant date                   | 7 July 2013 | 22 June 2015 | 9 March 2016 |
| Vesting period (years)       | 3 - 4       | 1 - 2        | 2 - 3        |
| Grant date share price (S\$) | 0.161       | 0.311        | 0.117        |
| Exercise price (S\$)         | 0.170       | 0.311        | 0.120        |
| Expected volatility          | 90%         | 43%          | 51%          |
| Option life (years)          | 6.85        | 2.0          | 5.0          |
| Expected dividend yield      | 2.5%        | 1.6%         | 4.4%         |
| Risk-free interest rate      | 2.43%       | 1.05%        | 1.72%        |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 26 Employee Benefits (cont'd)

### (b) Employee Share Options (cont'd)

#### (i) 2013 Scheme (cont'd)

The following table lists the movements in the weighted average values as follows:

|  | 2018       |                                 | 2017        |                                 |
|--|------------|---------------------------------|-------------|---------------------------------|
|  | Number     | Weighted average exercise price | Number      | Weighted average exercise price |
| Balance at the beginning of the year                 | 13,240,000 | S\$0.231                        | 14,640,000  | S\$0.224                        |
| Granted during the year                              | –          | –                               | –           | –                               |
| Lapsed during the year                               | (980,000)  | S\$0.233                        | (1,400,000) | S\$0.161                        |
| Balance at the end of the year                       | 12,260,000 | S\$0.231                        | 13,240,000  | S\$0.231                        |
| Weighted average remaining contractual life in years | 6.2 years  |                                 | 7.3 years   |                                 |

The above options which were granted under the 2012 Scheme continue to be effective and exercisable according to the terms and conditions of the 2013 Scheme.

#### (ii) 2012 Scheme

The maximum number of shares in respect of which options may be granted when added to the number of shares issued and issuable in respect of all options granted under this scheme shall not exceed 15% of the issued share capital of the Company as set out in the circular of the Company dated 16 May 2012. Each employee share option converts into one ordinary share of the Company on exercise. Recipient shall pay S\$1.00 as consideration or such other amounts as the administering committee may require on acceptance of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The 2012 Scheme was terminated on 17 September 2013 and replaced by the 2013 Scheme.

### (c) Performance Share Plan

The Global Invacom Performance Share Plan 2013 (the "Global Invacom PSP") was approved by the members of the Company at an Extraordinary General Meeting held on 17 September 2013 and renewed at the Annual General Meeting on 25 April 2018. The primary objectives of the Global Invacom PSP are to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key staff.

The Global Invacom PSP is administered by the Remuneration Committee ("RC") and shall continue to be in force at the discretion of the RC, subject to a maximum of 10 years commencing from 17 September 2013. Any awards of shares granted pursuant to the rules of the Global Invacom PSP ("Award") made to participants prior to such expiry or termination will continue to remain valid.

A participant's Award under the Global Invacom PSP will be determined at the sole discretion of the RC. In considering an Award to be granted to a participant, the RC may take into account, *inter alia*, the participant's performance and/or contribution to the Company.

Awards granted under the Global Invacom PSP will typically vest only after the satisfactory completion of performance-related award conditions and/or other conditions such as vesting period(s) applicable for the release of the Award. No minimum vesting periods are prescribed under the Global Invacom PSP, and the length of the vesting period(s) in respect of each Award will be determined on a case-by-case basis.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 26 Employee Benefits (cont'd)

### (c) Performance Share Plan (cont'd)

No share awards were granted during the financial year ended 31 December 2018. As at the end of the financial year, the details of share awards granted to the directors of the Company are as follows:

| 1.1.2018 | Granted | Exercised/(Lapsed) | 31.12.2018 |
|----------|---------|--------------------|------------|
| 30,000   | -       | -                  | 30,000     |

## 27 Related Party Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity, (b) an entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity.

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

### Compensation of directors and key management

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Salaries, bonuses and related costs | 1,382            | 1,742            |
| Directors' fees                     | 264              | 288              |
| Defined contribution plans          | 279              | 119              |
| Share-based payments                | 6                | 56               |
|                                     | <u>1,931</u>     | <u>2,205</u>     |
| Comprise amounts paid/payable to:   |                  |                  |
| - Directors of the Company          | 1,024            | 1,147            |
| - Key management                    | 907              | 1,058            |
|                                     | <u>1,931</u>     | <u>2,205</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 28 Commitments

### *Operating lease commitment*

As at 31 December 2018, the Group had entered into several operating lease commitments for factory buildings and office premises. These leases have an average lease life of between 1 and 5 (2017: 1 and 5) years with no restrictions placed upon the Group by entering into these leases. The leases have varying terms, escalation clauses and renewal rights.

At the end of the financial year, the future minimum rentals payable under non-cancellable operating leases are as follows:

|                                | Group            |                  | Company          |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Future minimum lease payments: |                  |                  |                  |                  |
| Within 1 year                  | 2,152            | 2,650            | 120              | 143              |
| Between 1 to 5 years           | 1,131            | 2,638            | 155              | 280              |
| After 5 years                  | –                | –                | –                | –                |

## 29 Financial Guarantee

As disclosed in Note 25, the Company and its subsidiaries have provided corporate guarantees of US\$10,169,000 (2017: US\$9,100,000) to banks for facilities and loans granted to the subsidiaries of the Group. The borrowings outstanding were approximately US\$11,974,000 as at 31 December 2018 (2017: US\$8,205,000).

The fair value of the above corporate guarantees has not been recognised in the financial statements of the Company, as the amount involved is, in the opinion of the Board of Directors, not material to the Company and has no impact on the consolidated financial statements of the Group.

## 30 Segment Information

The business of the Group is organised into the following product segments:

- Satellite Communications ("Sat Comms")
- Contract Manufacturing ("CM")

For management purposes, the Group is organised into business segments based on their products as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each product segment represents a strategic business unit and management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of the reportable segments are the same as the Group's accounting policies discussed in Note 3(t). Segment results represent the profit earned by each segment without allocation of finance income/costs and taxation. Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprised mainly corporate assets and liabilities, borrowings and income tax. Segment revenue includes transfers between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. No operating segments have been aggregated to form the following reportable operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

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## 30 Segment Information (cont'd)

### (a) Reportable Operating Segments

|   | Sat<br>Comms<br>US\$'000 | CM<br>US\$'000 | Group<br>US\$'000 |
|---|--------------------------|----------------|-------------------|
| <b>2018</b>                                   |                          |                |                   |
| Revenue                                       | 114,110                  | 8,182          | 122,292           |
| Operating profit/(loss)                       | 2,682                    | (174)          | 2,508             |
| Finance income                                |                          |                | 96                |
| Finance costs                                 |                          |                | (523)             |
| Income tax expense                            |                          |                | (545)             |
| <b>Profit for the year</b>                    |                          |                | <b>1,536</b>      |
| Amortisation of intangible assets             | 673                      | –              | 673               |
| Depreciation of property, plant and equipment | 2,729                    | 161            | 2,890             |
| Addition to property, plant and equipment     | 1,468                    | 65             | 1,533             |
| Impairment of intangible assets               | 93                       | –              | 93                |
| Gain on bargain purchase                      | 482                      | –              | 482               |
| Write-back for inventory obsolescence, net    | (412)                    | –              | (412)             |
| <b>Assets and liabilities</b>                 |                          |                |                   |
| Segment assets                                | 85,054                   | 6,507          | 91,561            |
| <u>Unallocated assets</u>                     |                          |                |                   |
| - Non-current assets                          |                          |                | 1,597             |
| - Other receivables                           |                          |                | 230               |
| - Deferred tax assets                         |                          |                | 109               |
| - Cash and cash equivalents                   |                          |                | 580               |
| - Tax receivables                             |                          |                | 15                |
| <b>Total assets</b>                           |                          |                | <b>94,092</b>     |
| Segment liabilities                           | 21,229                   | 3,300          | 24,529            |
| <u>Unallocated liabilities</u>                |                          |                |                   |
| - Other payables                              |                          |                | 282               |
| - Provision for income tax                    |                          |                | 295               |
| - Deferred tax liabilities                    |                          |                | 406               |
| - Borrowings                                  |                          |                | 11,974            |
| <b>Total liabilities</b>                      |                          |                | <b>37,486</b>     |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 30 Segment Information (cont'd)

### (a) Reportable Operating Segments (cont'd)

|  | Sat<br>Comms<br>US\$'000 | CM<br>US\$'000 | Group<br>US\$'000 |
|--|--------------------------|----------------|-------------------|
| <b>2017</b>  |                          |                |                   |
| Revenue  | 109,314                  | 6,392          | 115,706           |
| Operating profit                                   | 3,494                    | 653            | 4,147             |
| Finance income                                     |                          |                | 30                |
| Finance costs                                      |                          |                | (483)             |
| Income tax expense                                 |                          |                | (745)             |
| <b>Profit for the year</b>                         |                          |                | <b>2,949</b>      |
| Amortisation of intangible assets                  | 628                      | –              | 628               |
| Depreciation of property, plant and equipment      | 2,479                    | 84             | 2,563             |
| Addition to property, plant and equipment          | 1,816                    | 107            | 1,923             |
| Impairment of property, plant and equipment        | –                        | 86             | 86                |
| Write-back for inventory obsolescence, net         | (351)                    | –              | (351)             |
| Allowance for impairment of trade receivables, net | 46                       | –              | 46                |
| <b>Assets and liabilities</b>                      |                          |                |                   |
| Segment assets                                     | 73,930                   | 7,857          | 81,787            |
| <u>Unallocated assets</u>                          |                          |                |                   |
| - Non-current assets                               |                          |                | 9                 |
| - Other receivables                                |                          |                | 254               |
| - Deferred tax assets                              |                          |                | 198               |
| - Cash and cash equivalents                        |                          |                | 733               |
| - Tax receivables                                  |                          |                | 11                |
| <b>Total assets</b>                                |                          |                | <b>82,992</b>     |
| Segment liabilities                                | 16,641                   | 1,711          | 18,352            |
| <u>Unallocated liabilities</u>                     |                          |                |                   |
| - Other payables                                   |                          |                | 493               |
| - Provision for income tax                         |                          |                | 163               |
| - Deferred tax liabilities                         |                          |                | 489               |
| - Borrowings                                       |                          |                | 8,025             |
| <b>Total liabilities</b>                           |                          |                | <b>27,522</b>     |

# NOTES TO THE FINANCIAL STATEMENTS

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## 30 Segment Information (cont'd)

### (b) Geographical Information

Revenue and non-current assets (excludes deferred tax assets and other financial assets) information based on the geographical location of customers and assets respectively are as follows:

|                                       | America<br>US\$'000 | Europe<br>US\$'000 | Asia<br>US\$'000 | Rest of<br>the World<br>US\$'000 | Group<br>US\$'000 |
|---------------------------------------|---------------------|--------------------|------------------|----------------------------------|-------------------|
| <b>2018</b>                           |                     |                    |                  |                                  |                   |
| Total revenue from external customers | 85,831              | 27,006             | 5,210            | 4,245                            | 122,292           |
| Non-current assets                    | 4,689               | 16,562             | 4,307            | 111                              | 25,669            |
| <b>2017</b>                           |                     |                    |                  |                                  |                   |
| Total revenue from external customers | 81,066              | 23,687             | 6,569            | 4,384                            | 115,706           |
| Non-current assets                    | 5,256               | 15,941             | 2,661            | 114                              | 23,972            |

### (c) Information about Major Customers

Included in revenue arising from the Sat Comms and CM segments are sales of approximately US\$86,552,000 (2017: US\$73,696,000) which are sales to the Group's 5 (2017: 5) largest customers (of which the largest single customer accounts for 31% (2017: 26%) of total revenue).

## 31 Financial Risk Management

The Group's activities expose it to a variety of market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process.

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

### (a) Market Risk

#### (i) Currency risk

Certain of the Group's transactions are denominated in foreign currencies such as Singapore Dollar ("SGD"), Renminbi ("RMB"), Sterling Pounds ("Sterling") and Malaysia Ringgit ("MYR"). As a result, the Group is exposed to movements in foreign currency exchange rates. The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions.

The Group is also exposed to currency translation risk arising from its net investments in foreign subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (a) Market Risk (cont'd)

#### (i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

|   | USD<br>US\$'000 | SGD<br>US\$'000 | RMB<br>US\$'000 | Sterling<br>US\$'000 | MYR<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|
| <b>Group</b>  |                 |                 |                 |                      |                 |                    |                   |
| <b>2018</b>   |                 |                 |                 |                      |                 |                    |                   |
| <u>Financial assets</u>   |                 |                 |                 |                      |                 |                    |                   |
| Cash and cash equivalents   | 7,378           | 161             | 201             | 212                  | 311             | 118                | 8,381             |
| Trade receivables   | 21,723          | -               | 44              | 2,233                | 538             | 336                | 24,874            |
| Other receivables (excluding advanced payments and GST/VAT receivables)   | 55              | 37              | 132             | 44                   | 13              | 104                | 385               |
| Other financial assets  | 1,519           | -               | -               | -                    | -               | -                  | 1,519             |
|   | <b>30,675</b>   | <b>198</b>      | <b>377</b>      | <b>2,489</b>         | <b>862</b>      | <b>558</b>         | <b>35,159</b>     |
| <u>Financial liabilities</u>  |                 |                 |                 |                      |                 |                    |                   |
| Trade and other payables (excluding provision for warranty, deferred consideration, customers advances received and GST/VAT payables)   | (13,603)        | (247)           | (6,948)         | (2,367)              | (152)           | (545)              | (23,862)          |
| Borrowings  | (11,974)        | -               | -               | -                    | -               | -                  | (11,974)          |
|   | <b>(25,577)</b> | <b>(247)</b>    | <b>(6,948)</b>  | <b>(2,367)</b>       | <b>(152)</b>    | <b>(545)</b>       | <b>(35,836)</b>   |
| <b>Net financial assets/(liabilities)</b>   | <b>5,098</b>    | <b>(49)</b>     | <b>(6,571)</b>  | <b>122</b>           | <b>710</b>      | <b>13</b>          | <b>(677)</b>      |
| (Less)/Add:   |                 |                 |                 |                      |                 |                    |                   |
| Net financial assets/liabilities denominated in the Group's entities functional currency  | (4,797)         | -               | -               | (612)                | (710)           | (45)               | (6,164)           |
| <b>Currency exposure</b>  | <b>301</b>      | <b>(49)</b>     | <b>(6,571)</b>  | <b>(490)</b>         | <b>-</b>        | <b>(32)</b>        | <b>(6,841)</b>    |
| <b>2017</b>   |                 |                 |                 |                      |                 |                    |                   |
| <u>Financial assets</u>   |                 |                 |                 |                      |                 |                    |                   |
| Cash and cash equivalents   | 6,199           | 226             | 186             | -                    | 420             | 121                | 7,152             |
| Trade receivables   | 16,301          | -               | 32              | 2,153                | 445             | 337                | 19,268            |
| Other receivables (excluding advanced payments and GST/VAT receivables)   | 57              | 63              | 133             | 42                   | 17              | 99                 | 411               |
| Other financial assets  | 8               | -               | -               | -                    | -               | -                  | 8                 |
|   | <b>22,565</b>   | <b>289</b>      | <b>351</b>      | <b>2,195</b>         | <b>882</b>      | <b>557</b>         | <b>26,839</b>     |
| <u>Financial liabilities</u>  |                 |                 |                 |                      |                 |                    |                   |
| Trade and other payables (excluding provision for warranty, provision for litigation, customers advances received and GST/VAT payables) | (8,955)         | (488)           | (5,178)         | (2,055)              | (216)           | (464)              | (17,356)          |
| Borrowings  | (8,025)         | -               | -               | -                    | -               | -                  | (8,025)           |
|   | <b>(16,980)</b> | <b>(488)</b>    | <b>(5,178)</b>  | <b>(2,055)</b>       | <b>(216)</b>    | <b>(464)</b>       | <b>(25,381)</b>   |
| <b>Net financial assets/(liabilities)</b>   | <b>5,585</b>    | <b>(199)</b>    | <b>(4,827)</b>  | <b>140</b>           | <b>666</b>      | <b>93</b>          | <b>1,458</b>      |
| (Less)/Add:   |                 |                 |                 |                      |                 |                    |                   |
| Net financial assets/liabilities denominated in the Group's entities functional currency  | (5,593)         | -               | -               | (217)                | (666)           | -                  | (6,476)           |
| <b>Currency exposure</b>  | <b>(8)</b>      | <b>(199)</b>    | <b>(4,827)</b>  | <b>(77)</b>          | <b>-</b>        | <b>93</b>          | <b>(5,018)</b>    |



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (a) Market Risk (cont'd)

#### (i) Currency risk (cont'd)

|   | USD<br>US\$'000 | SGD<br>US\$'000 | Sterling<br>US\$'000 | Total<br>US\$'000 |
|---|-----------------|-----------------|----------------------|-------------------|
| <b>Company</b>  |                 |                 |                      |                   |
| <b>2018</b>   |                 |                 |                      |                   |
| <u>Financial assets</u>   |                 |                 |                      |                   |
| Cash and cash equivalents   | 417             | 90              | 19                   | 526               |
| Due from subsidiaries   | 939             | –               | –                    | 939               |
| Other receivables   | 12,838          | 37              | –                    | 12,875            |
| Other financial assets  | 1,511           | –               | –                    | 1,511             |
|   | <u>15,705</u>   | <u>127</u>      | <u>19</u>            | <u>15,851</u>     |
| <u>Financial liabilities</u>  |                 |                 |                      |                   |
| Due to subsidiaries   | (2,109)         | –               | –                    | (2,109)           |
| Other payables (excluding GST/VAT payables)                                   | –               | (214)           | –                    | (214)             |
|   | <u>(2,109)</u>  | <u>(214)</u>    | <u>–</u>             | <u>(2,323)</u>    |
| <b>Net financial assets/(liabilities)</b>                                     | <u>13,596</u>   | <u>(87)</u>     | <u>19</u>            | <u>13,528</u>     |
| Less:   |                 |                 |                      |                   |
| Net financial liabilities denominated<br>in the Company's functional currency | (13,596)        | –               | –                    | (13,596)          |
| <b>Currency exposure</b>  | <u>–</u>        | <u>(87)</u>     | <u>19</u>            | <u>(68)</u>       |
| <b>2017</b>   |                 |                 |                      |                   |
| <u>Financial assets</u>   |                 |                 |                      |                   |
| Cash and cash equivalents   | 562             | 154             | 17                   | 733               |
| Due from subsidiaries   | 1,895           | –               | –                    | 1,895             |
| Other receivables   | 14,207          | 63              | –                    | 14,270            |
|   | <u>16,664</u>   | <u>217</u>      | <u>17</u>            | <u>16,898</u>     |
| <u>Financial liabilities</u>  |                 |                 |                      |                   |
| Due to subsidiaries   | (2,140)         | –               | –                    | (2,140)           |
| Other payables (excluding GST/VAT payables)                                   | –               | (450)           | –                    | (450)             |
|   | <u>(2,140)</u>  | <u>(450)</u>    | <u>–</u>             | <u>(2,590)</u>    |
| <b>Net financial assets/(liabilities)</b>                                     | <u>14,524</u>   | <u>(233)</u>    | <u>17</u>            | <u>14,308</u>     |
| Less:   |                 |                 |                      |                   |
| Net financial liabilities denominated<br>in the Company's functional currency | (14,524)        | –               | –                    | (14,524)          |
| <b>Currency exposure</b>  | <u>–</u>        | <u>(233)</u>    | <u>17</u>            | <u>(216)</u>      |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (a) Market Risk (cont'd)

#### (i) Currency risk (cont'd)

If the SGD, RMB, HKD, Sterling and MYR changed against the USD by 5% with all other variables, including tax rates, being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

|                      | Group                                    |  | Company                                |  |
|----------------------|--|--|--|--|
|                      | ← Increase/(Decrease) →                  | ← Increase/(Decrease) →                  | ← Increase/(Decrease) →                | ← Increase/(Decrease) →                |
|                      | Profit<br>before tax<br>2018<br>US\$'000 | Profit<br>before tax<br>2017<br>US\$'000 | Loss<br>before tax<br>2018<br>US\$'000 | Loss<br>before tax<br>2017<br>US\$'000 |
| SGD against USD      |  |  |  |  |
| - strengthened       | (2)                                      | (10)                                     | 4                                      | 12                                     |
| - weakened           | 2  | 10                                       | (4)                                    | (12)                                   |
| RMB against USD      |  |  |  |  |
| - strengthened       | (329)                                    | (241)                                    | -                                      | -                                      |
| - weakened           | 329                                      | 241                                      | -                                      | -                                      |
| Sterling against USD |  |  |  |  |
| - strengthened       | (25)                                     | (4)                                      | (1)                                    | (1)                                    |
| - weakened           | 25                                       | 4  | 1                                      | 1                                      |

#### (ii) 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 is exposed to interest rate risk because entities in the Group borrow funds both at fixed and floating interest rates. Information relating to the Group's interest rate exposure is disclosed in Note 25 on borrowings.

The Group usually obtains additional financing through bank borrowings and its policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks for better yield returns than cash at banks and/or to satisfy conditions for banking facilities granted to the Group.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates is higher/lower by 1% and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by US\$120,000 (2017: US\$80,000).

# NOTES TO THE FINANCIAL STATEMENTS

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## 31 Financial Risk Management (cont'd)

### (b) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or buying credit insurance, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with high credit quality counterparties as disclosed in Note 15, 19, 20 and 21, where the counterparty is considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Before accepting new customers, the Group's management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and other reliable references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the management; these limits are reviewed on a regular basis. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one to three months for individual and corporate customers. Furthermore, the Group reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

The Group's trade receivables consist of a large number of customers, spread across diverse geographical areas. Of the trade receivables balance at the end of the year, US\$9.1 million (2017: US\$6.8 million) is due from a single customer, the Group's largest customer. The Group has a significant concentration of credit risk from its trade receivables as approximately 71.2% (2017: 66.6%) of the trade receivables outstanding as at the end of the financial year are owing from not more than 5 (2017: 5) customers.

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount of the respective recognised financial assets as presented on the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantees are called on. The Company also provided corporate guarantees to banks on subsidiaries' borrowings.

#### Trade receivables

As disclosed in Note 3(o)(ii), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to trade receivables is disclosed in Note 19.

#### Cash and cash equivalents and other financial assets

Cash and cash equivalents are placed with banks and financial institutions which are regulated. Derivatives are entered into with a third party that the Group has assessed to have the financial capacity to meet the contractual cash flows obligations in the near future.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was immaterial. The Group uses a similar approach for assessment of ECLs for other financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (b) Credit Risk (cont'd)

#### Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

| Internal rating grades | Definition  | Basis of recognition of expected credit loss (ECL) |
|------------------------|---|--|
| i. Performing          | The counterparty has a low risk of default and does not have any past-due amounts.  | 12-month ECL                                       |
| ii. Under-performing   | There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 60 days past due)  | Lifetime ECL (not credit-impaired)                 |
| iii. Write-off         | There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 180 days past due). | Asset is written off                               |

#### Credit risk exposure and significant credit risk concentration

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

|   | Equivalent external credit rating | Internal credit rating | ECL                       | Gross carrying amount<br>US\$'000 | Loss allowance<br>US\$'000 | Net carrying amount<br>US\$'000 |
|---|-----------------------------------|------------------------|---------------------------|-----------------------------------|----------------------------|---------------------------------|
| <b>Group</b>  |                                   |                        |                           |                                   |                            |                                 |
| <u>31 December 2018</u>   |                                   |                        |                           |                                   |                            |                                 |
| Trade receivables (Note 19)   | –                                 | Note 1                 | Lifetime ECL (Simplified) | 28,925                            | (4,051)                    | 24,874                          |
| Other receivables (excluding advanced payments and GST/VAT receivables) (Note 20) | –                                 | Performing             | 12-month ECL              | 385                               | –                          | 385                             |
| <u>31 December 2017</u>   |                                   |                        |                           |                                   |                            |                                 |
| Trade receivables (Note 19)   | –                                 | Note 1                 | Lifetime ECL (Simplified) | 23,222                            | (3,954)                    | 19,268                          |
| Other receivables (excluding advanced payments and GST/VAT receivables) (Note 20) | –                                 | Performing             | 12-month ECL              | 411                               | –                          | 411                             |

For Note 1 – The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Note 19 and 20.

# NOTES TO THE FINANCIAL STATEMENTS

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## 31 Financial Risk Management (cont'd)

### (b) Credit Risk (cont'd)

#### Credit risk exposure and significant credit risk concentration (cont'd)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

|                             | <b>Equivalent<br/>external<br/>credit<br/>rating</b> | <b>Internal<br/>credit<br/>rating</b> | <b>ECL</b>   | <b>Gross<br/>carrying<br/>amount<br/>US\$'000</b> | <b>Loss<br/>allowance<br/>US\$'000</b> | <b>Net<br/>carrying<br/>amount<br/>US\$'000</b> |
|-----------------------------|--|---------------------------------------|--------------|---|--|---|
| <b>Company</b>              |  |                                       |              |   |  |   |
| <u>31 December 2018</u>     |  |                                       |              |   |  |   |
| Other receivables (Note 20) | –  | Performing                            | 12-month ECL | 12,875  | –                                      | 12,875  |
| <u>31 December 2017</u>     |  |                                       |              |   |  |   |
| Other receivables (Note 20) | –  | Performing                            | 12-month ECL | 14,270  | –                                      | 14,270  |

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under IFRS 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence does not expect significant credit losses arising from guarantees.

IAS 39 - *financial assets that are neither past due nor impaired*

As at 31 December 2017, trade and other receivables that are neither past due nor impaired are with credit-worthy debtors. Cash and cash equivalents and other financial assets are placed or entered into with reputable financial institutions.

### (c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (c) Liquidity Risk (cont'd)

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

|   | Carrying amount<br>US\$'000 | Contractual cash flows<br>US\$'000 | Less than 1 year<br>US\$'000 | Between 1 to 5 years<br>US\$'000 |
|---|-----------------------------|------------------------------------|------------------------------|----------------------------------|
| <b>Group</b>  |                             |                                    |                              |                                  |
| <b>2018</b>   |                             |                                    |                              |                                  |
| Trade and other payables (excluding provision for warranty, deferred consideration, customers advances received and GST/VAT payables)   | 23,862                      | 23,862                             | 23,758                       | 104                              |
| Borrowings  | 11,974                      | 12,423                             | 12,423                       | –                                |
| <b>2017</b>   |                             |                                    |                              |                                  |
| Trade and other payables (excluding provision for warranty, provision for litigation, customers advances received and GST/VAT payables) | 17,356                      | 17,356                             | 17,245                       | 111                              |
| Borrowings  | 8,025                       | 8,339                              | 8,339                        | –                                |
| <b>Company</b>  |                             |                                    |                              |                                  |
| <b>2018</b>   |                             |                                    |                              |                                  |
| Other payables (excluding GST/VAT payables)   | 214                         | 214                                | 214                          | –                                |
| <b>2017</b>   |                             |                                    |                              |                                  |
| Other payables (excluding GST/VAT payables)   | 450                         | 450                                | 450                          | –                                |

The table below shows the contractual expiry by maturity of the Company's and its subsidiaries' corporate guarantee. The maximum amount of the financial guarantee contract is allocated to the earliest period in which the guarantee could be called.

|                               | Less than 1 year |                  |
|-------------------------------|------------------|------------------|
|                               | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Financial guarantee (Note 29) | 10,169           | 9,100            |

### (d) Capital Risk

The Group and the Company's objectives when managing capital are to safeguard the ability of the Group and the Company to continue as going concerns and to maintain an optimal capital structure so as to maximise shareholders' value. The Group and the Company manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 2017.

As disclosed in Note 23, the Group's subsidiaries in the PRC are required 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 relevant subsidiaries for the financial years ended 31 December 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 31 Financial Risk Management (cont'd)

### (d) Capital Risk (cont'd)

The Group and the Company monitor capital using a net-debt-to-equity ratio, which is net debt divided by total equity. In general, the Group's and the Company's policy is to keep the ratio within 50%. The Group and the Company include within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Borrowings   | 11,974           | 8,025            | –                | –                |
| Trade and other payables                                 | 24,811           | 18,845           | 221              | 454              |
| Less: Cash and cash equivalents                          | (8,381)          | (7,152)          | (526)            | (733)            |
| Net debt/(cash)  | 28,404           | 19,718           | (305)            | (279)            |
| Equity attributable to the equity holders of the Company | 56,606           | 55,470           | 58,596           | 59,264           |
| Net-debt-to-equity ratio                                 | 50.2%            | 35.5%            | N.M.             | N.M.             |

N.M. – Not meaningful as the Company had net cash as at the end of the financial years ended 31 December 2018 and 2017.

## 32 Fair Value Financial Instruments

### (a) Fair value of the Group's and the Company's financial assets and liabilities that are measured at fair value on a recurring basis

The Group and the Company categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the financial assets and financial liabilities measurement at fair value as at the statement of financial position date by level of the fair value hierarchy:

|  | Level 1<br>US\$'000 | Level 2<br>US\$'000 | Level 3<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| <b>Group and Company</b>   |                     |                     |                     |                   |
| <u>2018</u>  |                     |                     |                     |                   |
| Financial asset at fair value through profit or loss             | –                   | –                   | 1,500               | 1,500             |
| Financial asset at fair value through other comprehensive income | –                   | –                   | 8                   | 8                 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 32 Fair Value Financial Instruments (cont'd)

### (a) Fair value of the Group's and the Company's financial assets and liabilities that are measured at fair value on a recurring basis (cont'd)

| Valuation techniques               | Significant unobservable inputs   | Relationship of unobservable inputs to fair value              |
|------------------------------------|---|--|
| Black-Scholes Option Pricing Model | 45% probability that conversion will take place before maturity                         | The higher the probability, the higher the fair value.         |
|                                    | 45% probability that the Group will exercise the conversion option on maturity          | The higher the probability, the higher the fair value.         |
|                                    | 10% probability that the conversion option will not be exercised for unforeseen reasons | The higher the probability, the lower the fair value.          |
|                                    | Risk free rate of between 2.51% to 2.60%  | The higher the risk free rates, the higher the fair value.     |
|                                    | Expected volatility of Tactilis's share price returns                                   | The higher the expected volatility, the higher the fair value. |
| Discounted cash flow               | Discount rate of between 13.69% and 14.90%  | The higher the discount rate, the lower the fair value.        |
|                                    | Discount for the lack of marketability  | The higher the discount, the lower the fair value.             |

The fair value of the Group and Company's financial asset, at fair value through profit or loss as at the statement of financial position date has been arrived at on the basis of a valuation carried out at that date by Asia Valuation & Advisory Services Pte Ltd, independent valuers not related to the Group. They have appropriate professional qualifications and relevant experience in the valuation industry.

### (b) Fair value of the Group's and the Company's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)

- (i) The carrying amounts of financial assets and liabilities with a maturity of less than 1 year, which include cash and cash equivalents, borrowings, receivables and payables are assumed to approximate their fair values due to their short-term maturities.
- (ii) The carrying amount of non-current portion of loans to subsidiaries (Note 20) and non-current portion of other payables (Note 24) to the financial statements are reasonable approximation of their fair value.

### (c) Valuation Policies and Procedures

The Group and the Company has established a control framework with respect to the measurement of fair values. This framework includes the finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Company's Audit and Risk Committee.

## 33 Subsequent Events

The Group is in the midst of de-registering its subsidiary, Global Invacom Japan Kabushiki Kaisha, in Japan.



# SHAREHOLDERS' INFORMATION

As at 18 March 2019

|  |   |                    |
|--|---|--------------------|
| Class of shares  | : | Ordinary Shares    |
| Issued and fully paid-up capital (including Treasury Shares) | : | S\$100,338,013     |
| Issued and fully paid-up capital (excluding Treasury Shares) | : | S\$98,041,956      |
| Number of shares issued (including Treasury Shares)          | : | 282,402,299        |
| Number of shares issued (excluding Treasury Shares)          | : | 271,662,227        |
| Number/Percentage of Treasury Shares                         | : | 10,740,072/3.95%   |
| Voting rights (excluding Treasury Shares)                    | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholding | No. of Shareholders | %             | No. of Shares      | %             |
|----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99               | 20                  | 1.78          | 937                | 0.00          |
| 100 - 1,000          | 129                 | 11.49         | 48,366             | 0.02          |
| 1,001 - 10,000       | 306                 | 27.25         | 1,799,706          | 0.66          |
| 10,001 - 1,000,000   | 643                 | 57.26         | 66,038,816         | 24.31         |
| 1,000,001 and above  | 25                  | 2.22          | 203,774,402        | 75.01         |
|                      | <b>1,123</b>        | <b>100.00</b> | <b>271,662,227</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholders                  | No. of Shares      | %            |
|-----|---------------------------------------|--------------------|--------------|
| 1.  | OCBC Securities Private Ltd           | 71,851,335         | 26.45        |
| 2.  | DBSN Services Pte Ltd                 | 24,334,179         | 8.96         |
| 3.  | Citibank Nominees Singapore Pte Ltd   | 20,929,311         | 7.70         |
| 4.  | DBS Nominees Pte Ltd                  | 16,345,674         | 6.02         |
| 5.  | RHB Securities Singapore Pte Ltd      | 16,338,743         | 6.01         |
| 6.  | SCE Enterprise Pte. Ltd.              | 13,197,500         | 4.86         |
| 7.  | Hong Joo Co Pte Ltd                   | 5,019,000          | 1.85         |
| 8.  | Maybank Kim Eng Securities Pte. Ltd.  | 3,396,500          | 1.25         |
| 9.  | Phillip Securities Pte Ltd            | 3,265,958          | 1.20         |
| 10. | UOB Kay Hian Pte Ltd                  | 2,984,975          | 1.10         |
| 11. | Raffles Nominees (Pte) Limited        | 2,932,600          | 1.08         |
| 12. | Fugeman, David Jonathan Wren          | 2,784,927          | 1.03         |
| 13. | Tan Seng Hock                         | 2,306,500          | 0.85         |
| 14. | Allplus Holdings Pte Ltd              | 2,057,500          | 0.76         |
| 15. | Kong Kok Choy                         | 2,000,000          | 0.74         |
| 16. | Sng Beng Hock Michael                 | 1,860,000          | 0.68         |
| 17. | OCBC Nominees Singapore Pte Ltd       | 1,720,600          | 0.63         |
| 18. | Huang Jie                             | 1,700,000          | 0.62         |
| 19. | Thong Soon Hwa                        | 1,500,000          | 0.55         |
| 20. | United Overseas Bank Nominees Pte Ltd | 1,384,400          | 0.51         |
|     | <b>Total</b>                          | <b>197,909,702</b> | <b>72.85</b> |

# SHAREHOLDERS' INFORMATION

As at 18 March 2019

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholder)

| Substantial Shareholders                 | Direct Interest |                  | Deemed Interest |                  | Total Interest |                  |
|--|-----------------|------------------|-----------------|------------------|----------------|------------------|
|  | No. of Shares   | % <sup>(1)</sup> | No. of Shares   | % <sup>(1)</sup> | No. of Shares  | % <sup>(1)</sup> |
| Gregory Knox Jones <sup>(2)</sup>        | –               | –                | 24,334,179      | 8.96             | 24,334,179     | 8.96             |
| EGCP II Satellite Holdings, LLC ("EGCP") | 24,334,179      | 8.96             | –               | –                | 24,334,179     | 8.96             |
| Neo Chee Beng <sup>(3)</sup>             | 7,000           | 0.002            | 18,231,000      | 6.71             | 18,238,000     | 6.71             |

Notes:

- (1) Percentage of shareholding is calculated based on 271,662,227 ordinary shares.
- (2) Mr Gregory Knox Jones is deemed interested in 24,334,179 ordinary shares held by EGCP, by virtue of Section 7 of the Companies Act.
- (3) Mr Neo Chee Beng is deemed interested in 18,231,000 ordinary shares assigned to nominees, by virtue of Section 7 of the Companies Act.

## SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available and to the best knowledge of the Company, as at 18 March 2019, approximately 67.48% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GLOBAL INVACOM GROUP LIMITED (the "Company") will be held at The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 24 April 2019 at 10.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to the following Regulation of the Company's Constitution:  

|                         |                  |                       |
|-------------------------|------------------|-----------------------|
| Mr Malcolm John Burrell | (Regulation 105) | <b>(Resolution 2)</b> |
| Mr Kenny Sim Mong Keang | (Regulation 105) | <b>(Resolution 3)</b> |
3. To approve the payment of Directors' fees of up to S\$346,500 for the year ending 31 December 2019, to be paid quarterly in arrears (FY2018: S\$355,274). **(Resolution 4)**  
*[See Explanatory Note (i)]*
4. To re-appoint Moore Stephens LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 6. Authority to Issue Shares

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

# NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 6)**

*[See Explanatory Note (ii)]*

## 7. Authority to Allot and Issue Shares Under the Global Invacom Share Option Scheme 2013

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Global Invacom Share Option Scheme 2013 (the "Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the Scheme, Global Invacom Performance Share Plan 2013, and any other share scheme which the Company may have in place, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

*[See Explanatory Note (iii)]*

**(Resolution 7)**

## 8. Authority to Offer and Grant Shares Under the Global Invacom Performance Share Plan 2013

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised to offer and grant awards in accordance with the provisions of the Global Invacom Performance Share Plan 2013 (the "Global Invacom PSP") and to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the Global Invacom PSP, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Global Invacom PSP, the Scheme, and any other share scheme which the Company may have in place, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

*[See Explanatory Note (iv)]*

**(Resolution 8)**

## 9. Renewal of Share Buyback Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchases (each a "Market Purchase") on the SGX-ST or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or
  - (ii) off-market purchases (each an "Off-Market Purchase") (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

# NOTICE OF ANNUAL GENERAL MEETING

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held;
  - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or
  - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

- (c) in this Resolution:

**"Prescribed Limit"** means that number of Shares representing 10% of the issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings);

**"Maximum Price"** in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase of a Share, 120% of the Average Closing Price,

where:

**"Average Closing Price"** is the average of the closing market prices of a Share over the last five (5) market days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to an Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs after the relevant five (5) market day period;

**"day of the making of the offer"** means the day on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

**"market day"** means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. **(Resolution 9)**

[See Explanatory Note (v)]

By Order of the Board

Yoo Loo Ping  
Company Secretary

Singapore  
9 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Resolutions to be passed:

- (i) The Ordinary Resolution 4 proposed in item 3 above, is to approve the payment of Directors' fees during the financial year in which the fees are incurred, that is, in financial year ending 31 December 2019, payable quarterly in arrears. Based on the remuneration structure as recommended by the Remuneration Committee and approved by the Board, the amount payable to the Non-Executive Director and Independent Directors for the financial year ending 31 December 2019 is S\$346,500.
- (ii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("AGM") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above AGM until the next AGM of the Company, to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company in accordance with the terms and conditions of the Scheme. The aggregate number of ordinary Shares which may be issued pursuant to the Scheme, the Global Invacom PSP and any other share scheme is limited to 15% of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time.
- (iv) Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above AGM until the next AGM of the Company, to offer and grant awards under the Global Invacom PSP in accordance with the provisions of the Global Invacom PSP and to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the Global Invacom PSP subject to the maximum number of Shares prescribed under the terms and conditions of the Global Invacom PSP. The aggregate number of ordinary Shares which may be issued pursuant to the Global Invacom PSP, the Scheme and any other share scheme is limited to 15% of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time.
- (v) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or the date on which purchases and acquisitions of shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix attached to this Notice of AGM.

## Notes:

1. A Member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988, not less than forty-eight (48) hours before the time appointed for holding the AGM.

## Personal Data Privacy:

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

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING 2019 DATED 9 APRIL 2019

This Appendix is circulated to Shareholders of Global Invacom Group Limited (the “**Company**”) together with the Company’s Annual Report. Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders’ approval for the proposed renewal of the Share Buyback Mandate, to be tabled at the Annual General Meeting of the Company to be held at The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 24 April 2019 at 10.30 a.m.

If you are in any doubts as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Appendix together with the Notice of the Annual General Meeting and the accompanying Proxy Form to the purchaser or the transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed in this Appendix.



**global invacom**  
completing the picture

## GLOBAL INVACOM GROUP LIMITED

(Company Registration Number: 200202428H)  
(Incorporated in the Republic of Singapore)

### APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

in relation to:

### THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

# APPENDIX

## DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

|                                |   |
|--------------------------------|---|
| <i>AGM</i>                     | The annual general meeting of the Company   |
| <i>Annual Report</i>           | Annual Report of the Company for the financial year ended 31 December 2018  |
| <i>Approval Date</i>           | The date on which the Share Buyback Mandate is approved by the Shareholders at the AGM  |
| <i>CDP</i>                     | The Central Depository (Pte) Limited  |
| <i>Constitution</i>            | The Constitution of the Company   |
| <i>Companies Act</i>           | The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time   |
| <i>Controlling shareholder</i> | A person who:<br><br>(a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or<br><br>(b) in fact exercises control over the Company                                       |
| <i>Director(s)</i>             | The director(s) of the Company as at the date of issue of this Appendix together with the Notice of AGM   |
| <i>EPS</i>                     | Earnings per Share  |
| <i>Group</i>                   | The Company and its subsidiaries and associated companies   |
| <i>Latest Practicable Date</i> | 25 March 2019, being the latest practicable date prior to the date of this Appendix   |
| <i>Listing Manual</i>          | The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time   |
| <i>Market Day</i>              | A day on which the SGX-ST is open for trading in securities   |
| <i>Market Purchase</i>         | Has the meaning ascribed to it in Section 2.3.3 of this Appendix  |
| <i>Maximum Price</i>           | Has the meaning ascribed to it in Section 2.3.4 of this Appendix  |
| <i>Notice of AGM</i>           | The notice of the AGM of the Company to be held at The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 24 April 2019 at 10.30 a.m.   |
| <i>NTA</i>                     | Net tangible assets   |
| <i>Off-Market Purchase</i>     | Has the meaning ascribed to it in Section 2.3.3 of this Appendix  |
| <i>Proxy Form</i>              | The proxy form sent with the Notice of AGM  |
| <i>Relevant Period</i>         | The period commencing from the date when the last AGM was held or was required by law to be held before the resolution relating to the Share Buyback Mandate is passed, and expiring on the date when the next AGM is or required by law to be held, whichever is the earlier after the said resolution is passed |



|                              |   |
|------------------------------|---|
| <i>Share Buyback Mandate</i> | The proposed general mandate given by Shareholders to authorise the directors to purchase or otherwise acquire its Shares, the terms of which are set out in Section 2 of this Appendix   |
| <i>S\$ and cents</i>         | Singapore dollars and cents respectively, being the lawful currency of Singapore  |
| <i>SGX-ST</i>                | Singapore Exchange Securities Trading Limited   |
| <i>Share Buyback</i>         | The purchase of Shares by the Company pursuant to the terms of the Share Buyback Mandate  |
| <i>Share(s)</i>              | Ordinary share(s) in the capital of the Company   |
| <i>Shareholder(s)</i>        | Registered holders of Shares in the register of members of the Company, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the depositors whose securities accounts maintained with CDP are credited with Shares |
| <i>Take-over Code</i>        | The Singapore Code on Take-overs and Mergers, as modified and amended from time to time, and all practice notes, rules and guidelines thereafter, as may be issued or amended from time to time   |
| <i>US\$ and US cents</i>     | United States dollars and cents respectively, being the lawful currency of the United States of America   |

# APPENDIX



**global invacom**  
completing the picture

## **GLOBAL INVACOM GROUP LIMITED**

(Company Registration Number: 200202428H)  
(Incorporated in the Republic of Singapore)

### **Directors**

Anthony Brian Taylor (Executive Chairman)  
Malcolm John Burrell (Executive Director)  
Matthew Jonathan Garner (Executive Director)  
John Lim Yew Kong (Lead Independent Director)  
Basil Chan (Independent Director)  
Cosimo Borrelli (Independent Director)  
Kenny Sim Mong Keang (Non-Executive Director)

9 April 2019

To: The Shareholders

Dear Sir/Madam,

### **Registered Office:**

8 Temasek Boulevard  
#18-02A Suntec Tower Three  
Singapore 038988

## **APPENDIX RELATING TO THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

### **1. INTRODUCTION**

The purpose of this Appendix is to provide Shareholders with the relevant information, and to seek Shareholders' approval at the AGM of the Company in relation to the renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares.

### **2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

#### **2.1 INTRODUCTION**

Shareholders' approval is being sought at the AGM for the proposed renewal of the Share Buyback Mandate for the purchase or acquisition by the Company of its issued Shares. If approved, the Share Buyback Mandate will take effect from the Approval Date and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, unless prior thereto, Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate will be put to Shareholders for renewal at each subsequent AGM of the Company.

Any purchase of Shares by the Company will have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Constitution, the rules of the Listing Manual, and such other laws and regulations as may for the time being be applicable.

## 2.2 RATIONALE AND BENEFITS

The rationale for the Share Buyback Mandate is as follows:

- (a) The Directors and management constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.
- (b) The Share Buyback Mandate provides the Company with an expedient and cost-effective mechanism to facilitate the return of surplus cash/funds over and above its ordinary capital requirements, which are in excess of the financial and possible investment needs of the Group, to its Shareholders.
- (c) The Share Buyback Mandate allows the Directors to optimise the share capital structure of the Group as well as provide flexibility (i) to purchase Shares; and (ii) over its dividend policy.
- (d) Short-term speculation may at times cause the market price of the Shares to be depressed below the true value of the Company and the Group. The Share Buyback Mandate provides the Directors with the means to restore investors' confidence and to protect existing Shareholders' investments in the Company in a depressed share-price situation through judicious Share Buybacks to enhance the EPS and/or the NAV per Share. The Share Buybacks enhance the NAV per Share if the share buybacks are made at a price below the NAV per Share.
- (e) In addition, Shares purchased or acquired pursuant to the Share Buyback Mandate and which are held as treasury shares may be utilised by the Company to satisfy options or awards granted under any employee share scheme, thus giving the Company greater flexibility to select the most beneficial method of providing Shares to employees.

If and when circumstances permit, the Directors will decide whether (a) to effect the Share Buybacks via market purchases or off-market purchases; (b) to make the Share purchases using the capital and/or the profits of the Company; and (c) the Shares purchased should be held as treasury shares or cancelled, after taking into account the amount of surplus cash (if any) available, the prevailing market conditions and the most cost-effective and efficient approach.

The Directors only propose to carry out purchases or acquisitions of Shares pursuant to the Share Buyback Mandate as and when they consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or financial position of the Group, or result in the Company being delisted from the SGX-ST.

## 2.3 TERMS

The authority and limitations placed on purchases of Shares by the Company under the Share Buyback Mandate are summarised below:

### 2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the total number of Shares of the Company as at the Approval Date (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time)). For purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.

**For illustrative purposes only**, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date of S\$98,041,956 comprising 271,662,227 Shares, and assuming that no further Shares are issued on or prior to the AGM, not more than 27,166,222 Shares (representing approximately 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

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## 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (i) the date on which the next AGM is held or required by law to be held;
- (ii) the date on which the Share Buyback is carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

## 2.3.3 Manner of Purchase of Shares

Purchases of Shares may be made by way of, *inter alia*:

- (i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST or, as the case may be, any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the following conditions:
  - (a) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued Shares;
  - (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
  - (c) the terms of all the offers are the same, except that there shall be disregarded:
    - (aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
    - (bb) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
    - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buyback;
- (d) the consequences, if any, of Share Buyback by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buyback, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) Whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

### 2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes,

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

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.4 STATUS OF PURCHASED SHARES

### 2.4.1 Cancellation of Shares

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act (as set out below), be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

### 2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company’s assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

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## (c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance of Singapore.

The Company will make immediate announcement of any sale, transfer, cancellation and/or usage of treasury shares in accordance with Rule 704(28) of the Listing Manual.

## 2.5 SOURCES OF FUNDS

In financing the Share Buyback, the Company may only apply funds legally available in accordance with its Constitution and the applicable laws in Singapore.

The Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Share Buyback by the Company shall be made out of the Company's capital and/or or distributable profits that are available for payment as dividends so long as the Company is solvent.

For the purposes of the Companies Act, the Company is solvent if it is able to pay its debts in full at the time of the payment for the Share Buyback and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment. In addition, the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities) and will not after the Share Buyback, become less than the value of its liabilities (including contingent liabilities).

In determining that the Company is solvent, the Directors must have regard to the most recently audited financial statements and all other relevant circumstances, and may rely on valuations or estimates of assets or liabilities that are reasonable in the circumstances. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any claims that the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company may use internal source of funds and/or external borrowings to finance purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

## 2.6 FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) that may be made pursuant to the Share Buyback Mandate as the financial effects on the Company and the Group will depend on factors such as, *inter alia*, the aggregate number of Shares purchased or acquired, the purchase prices at the relevant time of purchase or acquisition, the amount (if any) borrowed by the Company to fund the Share Buyback, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition.

Where the purchased or acquired Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. If, on the other hand, the purchased or acquired Shares are not cancelled but held in treasury, then there will be no change in the Company's issued capital.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and of the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through borrowings, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

### 2.6.1 Purchase or Acquisition Out of Capital and/or Profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

In any case, no purchase or acquisition of Shares, whether out of capital and/or profits, will be made in circumstances which would have or may have a material adverse effect on the liquidity, working capital requirements and gearing of the Company or the liquidity and capital adequacy position of the Group as a whole.

### 2.6.2 Number of Shares Acquired or Purchased

Based on 271,662,227 issued Shares as at the Latest Practicable Date and on the assumptions set out in Section 2.3.1, the purchase by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 27,166,222 Shares.

### 2.6.3 Based on Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or acquires 27,166,222 Shares (representing the maximum limit of 10% of its issued Shares) at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, S\$787,820.44 based on S\$0.029 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, S\$923,651.55 based on S\$0.034 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date).

The Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date was S\$0.028 (*Source: Bloomberg*).

**For illustrative purposes only**, on the basis of the assumptions set out above as well as the following:

- (a) the Share Buyback Mandate had been effective on 1 January 2018;
- (b) there was no issuance of Shares, whether pursuant to the exercise of share options and/or vesting of awards or otherwise, after the Latest Practicable Date;

# APPENDIX

(c) there was no usage and/or cancellation of treasury shares after the Latest Practicable Date; and

(d) such Share purchases are funded solely by internal resources and/or external borrowings,

the financial effects on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018 would have been as set out below.

|                                    | Market Purchase                   |                                  |                                   |                                  |
|------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|                                    | Company                           |                                  | Group                             |                                  |
|                                    | Before Share Purchase<br>US\$'000 | After Share Purchase<br>US\$'000 | Before Share Purchase<br>US\$'000 | After Share Purchase<br>US\$'000 |
| Total Equity                       | 58,596                            | 58,014                           | 56,606                            | 56,024                           |
| NTA                                | 58,596                            | 58,014                           | 43,598                            | 43,016                           |
| Current Assets                     | 4,898                             | 4,316                            | 66,795                            | 66,213                           |
| Current Liabilities                | 2,398                             | 2,398                            | 36,976                            | 36,976                           |
| Working Capital                    | 2,500                             | 1,918                            | 29,819                            | 29,237                           |
| Net Debt/(Net Cash)                | 1,804                             | 2,386                            | 28,404                            | 28,986                           |
| No. of Issued Shares (in Thousand) | 271,662                           | 244,496                          | 271,662                           | 244,496                          |
| <b>Financial Indicators</b>        |                                   |                                  |                                   |                                  |
| NTA per Share (US cents)           | 21.57                             | 23.73                            | 16.05                             | 17.59                            |
| Gearing (Net D/E)                  | 3.1%                              | 4.1%                             | 50.2%                             | 51.7%                            |
| Current Ratio (times)              | 2.04                              | 1.80                             | 1.81                              | 1.79                             |
| Basic EPS (US cents)               | (0.25)                            | (0.28)                           | 0.57                              | 0.63                             |

|                                    | Off-Market Purchase               |                                  |                                   |                                  |
|------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|                                    | Company                           |                                  | Group                             |                                  |
|                                    | Before Share Purchase<br>US\$'000 | After Share Purchase<br>US\$'000 | Before Share Purchase<br>US\$'000 | After Share Purchase<br>US\$'000 |
| Total Equity                       | 58,596                            | 57,913                           | 56,606                            | 55,923                           |
| NTA                                | 58,596                            | 57,913                           | 43,598                            | 42,915                           |
| Current Assets                     | 4,898                             | 4,215                            | 66,795                            | 66,112                           |
| Current Liabilities                | 2,398                             | 2,398                            | 36,976                            | 36,976                           |
| Working Capital                    | 2,500                             | 1,817                            | 29,819                            | 29,136                           |
| Net Debt/(Net Cash)                | 1,804                             | 2,487                            | 28,404                            | 29,087                           |
| No. of Issued Shares (in Thousand) | 271,662                           | 244,496                          | 271,662                           | 244,496                          |
| <b>Financial Indicators</b>        |                                   |                                  |                                   |                                  |
| NTA per Share (US cents)           | 21.57                             | 23.69                            | 16.05                             | 17.55                            |
| Gearing (Net D/E)                  | 3.1%                              | 4.3%                             | 50.2%                             | 52.0%                            |
| Current Ratio (times)              | 2.04                              | 1.76                             | 1.81                              | 1.79                             |
| Basic EPS (US cents)               | (0.25)                            | (0.28)                           | 0.57                              | 0.63                             |



Notes:

- (1) NTA means Net Tangible Assets; Net D/E means Net Debt-to-Equity; EPS means Earnings Per Share
- (2) The disclosed financial effects remain the same irrespective of whether:
  - (a) the purchase of the Shares is effected out of capital or profits; or
  - (b) the purchased Shares are held in treasury or are cancelled.
- (3) NTA equals total equity less non-controlling interests and intangible assets. NTA per Share is calculated based on the number of issued Shares excluding treasury shares.
- (4) Current Ratio equals Current Assets divided by Current Liabilities.
- (5) The exchange rate between S\$ and US\$ used for the Average Closing Price was S\$1.3526 to US\$1.00. (Source: Bloomberg)

**Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the analysis above is based on historical numbers, and is not necessarily representative of future financial performance of the Company. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of Shares issued by the Company as at the date that the Share Buyback Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the total number of Shares issued in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.**

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

## 2.7 TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or the tax implications of share repurchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

## 2.8 REPORTING REQUIREMENTS UNDER THE COMPANIES ACT

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

## 2.9 LISTING MANUAL RULES

Under the Listing Manual, a listed company may only purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average closing market price, being the average of the closing market prices of the shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.4 of this Appendix, conforms to this restriction.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of Off-Market Purchases, the Company has set a cap of 20% above the Average Closing Price of a Share as the Maximum Price for a Share to be purchased or acquired by way of an Off-Market Purchase.

Rule 886 of the Listing Manual specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) shall include, *inter alia*, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share (or the highest price and lowest price per share in the case of Market Purchases), the total consideration (including stamp duties and clearing charges) paid for the shares and the number of issued shares (excluding treasury shares) after purchase.

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While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings set out in the Listing Manual, the Company will not purchase or acquire any Shares during the period of one month before the announcement of the Company’s half-year and full year financial statements or, where the Company is required to announce quarterly financial statements, during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full year financial statements.

## 2.10 LISTING STATUS OF THE SGX-ST

The Listing Manual requires a listed company to ensure that at least 10% of equity securities (excluding preference shares and convertible equity securities) in any class that is listed is at all times held by the public. The “public”, as defined under the Listing Manual, are persons other than Directors, chief executive officer and substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there are 183,318,205 Shares in the hands of the public (as defined above), representing 67.48% of the issued and paid-up share capital of the Company. Assuming that the Company purchases 27,166,222 Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate, the number of Shares in the hands of the public would be reduced to 156,151,983 Shares, representing 57.48% of the issued and paid-up share capital of the Company as at the Latest Practicable Date.

In undertaking any purchases of its Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the Share Buyback(s) will not:

- (a) adversely affect the listing status of the Shares on the SGX-ST;
- (b) cause market illiquidity; or
- (c) adversely affect the orderly trading of Shares.

## 2.11 TAKE-OVER IMPLICATIONS UNDER THE TAKE-OVER CODE

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

### 2.11.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

Under Rule 14 of the Take-over Code, a person, unless exempted, will be required to make a general offer for a public company if:

- (i) he acquires 30% or more of the voting rights of the company; or
- (ii) he already holds between 30% and 50% of the voting rights of the company, and he increases his voting rights in the company by more than 1% in any period of six months.

### 2.11.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) a company with any of its directors; and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 2.11.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the Company's Share Purchases. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Share Purchases will be taken into account in determining whether a Shareholder and persons acting in concert with him have increase their voting rights by more than 1% in any period of six months.

The Directors are not aware of any facts or factors which suggest or imply that any particular Shareholder is, or may be regarded as, a party acting in concert such that his interests in voting Shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buyback Mandate.

The Directors are not aware of any Shareholder who may become obligated to make a mandatory offer in the event that the Company purchases the maximum number of Shares under the Share Buyback Mandate.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company pursuant to the Share Buyback Mandate.

## 2.12 SHARES PURCHASED BY THE COMPANY

The Company has not purchased any Shares in the 12 months preceding the Latest Practicable Date.

# APPENDIX

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

### 3.1 DIRECTORS' INTERESTS

The interests of the Directors, direct or indirect, in the Shares as extracted from the Company's Register of Directors' Shareholdings, as at the Latest Practicable Date, are as set out below:

|                         | Direct Interest  |                  | Deemed Interest        |                  |
|-------------------------|------------------|------------------|------------------------|------------------|
|                         | Number of Shares | % <sup>(1)</sup> | Number of Shares       | % <sup>(1)</sup> |
| <b>Director</b>         |                  |                  |                        |                  |
| Anthony Brian Taylor    | 11,139,702       | 4.10             | –                      | –                |
| Malcolm John Burrell    | 11,139,702       | 4.10             | –                      | –                |
| Matthew Jonathan Garner | –                | –                | –                      | –                |
| John Lim Yew Kong       | 15,000           | 0.005            | –                      | –                |
| Basil Chan              | 165,000          | 0.060            | –                      | –                |
| Cosimo Borrelli         | –                | –                | 497,900 <sup>(2)</sup> | 0.183            |
| Kenny Sim Mong Keang    | –                | –                | –                      | –                |

Notes:

(1) Percentage of shareholding is calculated based on 271,662,227 Shares.

(2) Mr Cosimo Borrelli is deemed interested in 497,900 Shares held by Joe Harper Limited, by virtue of Section 7 of the Companies Act.

The Executive Directors of the Company has been granted the following options under the Global Invacom Employee Share Option Scheme 2013:

|                         | Options Granted on<br>7 July 2013 | Options Granted on<br>22 June 2015 | Total<br>Options Granted |
|-------------------------|-----------------------------------|------------------------------------|--------------------------|
| Anthony Brian Taylor    | 1,890,000                         | 1,890,000                          | 3,780,000                |
| Malcolm John Burrell    | –                                 | 650,000                            | 650,000                  |
| Matthew Jonathan Garner | –                                 | 650,000                            | 650,000                  |

### 3.2 SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the substantial Shareholders, direct or indirect, in the Shares as extracted from the Company's Register of Substantial Shareholders, as at the Latest Practicable Date, are as set out below:

|  | Direct Interest  |                  | Deemed Interest  |                  |
|--|------------------|------------------|------------------|------------------|
|  | Number of Shares | % <sup>(1)</sup> | Number of Shares | % <sup>(1)</sup> |
| <b>Substantial Shareholders</b>          |                  |                  |                  |                  |
| Gregory Knox Jones <sup>(2)</sup>        | –                | –                | 24,334,179       | 8.96             |
| EGCP II Satellite Holdings, LLC ("EGCP") | 24,334,179       | 8.96             | –                | –                |
| Neo Chee Beng <sup>(3)</sup>             | 7,000            | 0.002            | 18,231,000       | 6.71             |

Notes:

(1) Percentage of shareholding is calculated based on 271,662,227 Shares.

(2) Mr Gregory Knox Jones is deemed interested in 24,334,179 Shares held by EGCP, by virtue of Section 7 of the Companies Act.

(3) Mr Neo Chee Beng is deemed interested in 18,231,000 Shares assigned to nominees, by virtue of Section 7 of the Companies Act.

## 4. DIRECTORS' RECOMMENDATION

Having fully considered the rationale and benefit of the proposed renewal of the Share Buyback Mandate, the Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. For the reasons set out in Section 2.2 of this Appendix, the Directors recommend that Shareholders vote in favour of Resolution 9, being the Ordinary Resolution relating to the proposed renewal of the Share Buyback Mandate at the forthcoming AGM to be held at The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 24 April 2019 at 10.30 a.m.

## 5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach at the registered office of the Company at 8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988, not less than 48 hours before the time fixed for the AGM. Appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

A depositor holding shares through CDP in Singapore shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register as certified by CDP, not less than 48 hours before the time fixed for the AGM.

## 6. INSPECTION OF DOCUMENTS

The Annual Report of the Company is available for inspection at the registered office of the Company at 8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988 during normal business hours from the date of this Appendix to the date of the AGM.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm that after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the matters stated in the Appendix, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

Yours faithfully  
For and on behalf of the Board of Directors  
**GLOBAL INVACOM GROUP LIMITED**

Anthony Brian Taylor  
Executive Chairman

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# GLOBAL INVACOM GROUP LIMITED

(Incorporated in Singapore)  
(Company Registration No: 200202428H)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. A relevant intermediary may appoint more than one (1) proxy to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.

### PERSONAL DATA PRIVACY

3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2019.

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of GLOBAL INVACOM GROUP LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at The National University of Singapore Society, Suntec City Guild House, 3 Temasek Boulevard, #02-401/402 Suntec City Mall, Singapore 038983 on Wednesday, 24 April 2019 at 10.30 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

| No. | Resolutions relating to:  | For | Against |
|-----|---|-----|---------|
| 1.  | Directors' Statement and Audited Financial Statements for the year ended 31 December 2018   |     |         |
| 2.  | Re-election of Mr Malcolm John Burrell as a Director  |     |         |
| 3.  | Re-election of Mr Kenny Sim Mong Keang as a Director  |     |         |
| 4.  | Approval of payment of Directors' fees for the financial year ending 31 December 2019 amounting to S\$346,500, payable quarterly in arrears |     |         |
| 5.  | Re-appointment of Moore Stephens LLP as Auditors  |     |         |
| 6.  | Authority to issue Shares   |     |         |
| 7.  | Authority to allot and issue Shares under the Global Invacom Share Option Scheme 2013   |     |         |
| 8.  | Authority to offer and grant Shares under the Global Invacom Performance Share Plan 2013  |     |         |
| 9.  | Renewal of the Share Buyback Mandate  |     |         |

Dated this \_\_\_\_\_ day of April 2019

| Total Number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

\_\_\_\_\_  
Signature of Shareholder(s)/  
and, Common Seal of Corporate Shareholder

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one (1) proxy to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one (1) proxy, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard, #18-02A Suntec Tower Three, Singapore 038988, not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

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



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Anthony Brian Taylor (*Executive Chairman*)  
Malcolm John Burrell (*Executive Director*)  
Matthew Jonathan Garner (*Executive Director*)  
John Lim Yew Kong (*Lead Independent Director*)  
Basil Chan (*Independent Director*)  
Cosimo Borrelli (*Independent Director*)  
Kenny Sim Mong Keang (*Non-Executive Director*)

## AUDIT AND RISK COMMITTEE

John Lim Yew Kong (*Chairman*)  
Basil Chan  
Cosimo Borrelli

## NOMINATING COMMITTEE

Cosimo Borrelli (*Chairman*)  
Basil Chan  
John Lim Yew Kong  
Anthony Brian Taylor

## REMUNERATION COMMITTEE

Basil Chan (*Chairman*)  
Cosimo Borrelli  
John Lim Yew Kong

## COMPANY SECRETARY

Yoo Loo Ping

## REGISTERED OFFICE

8 Temasek Boulevard  
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Tel: +65 6431 0788  
Fax: +65 6431 0799  
Website: [www.globalinvacom.com](http://www.globalinvacom.com)

## AUDITORS

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Public Accountants and Chartered Accountants  
10 Anson Road  
#29-15 International Plaza  
Singapore 079903  
Tel: +65 6221 3771  
Fax: +65 6221 3815

## AUDIT PARTNER-IN-CHARGE

Christopher Bruce Johnson  
Appointed with effect from financial year ended  
31 December 2018

## SHARE REGISTRAR

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**global invacom**  
completing the picture

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