completing the picture

EXPANDING BOUNDARIES

SEIZING OPPORTUNITIES

ANNUAL REPORT 2019

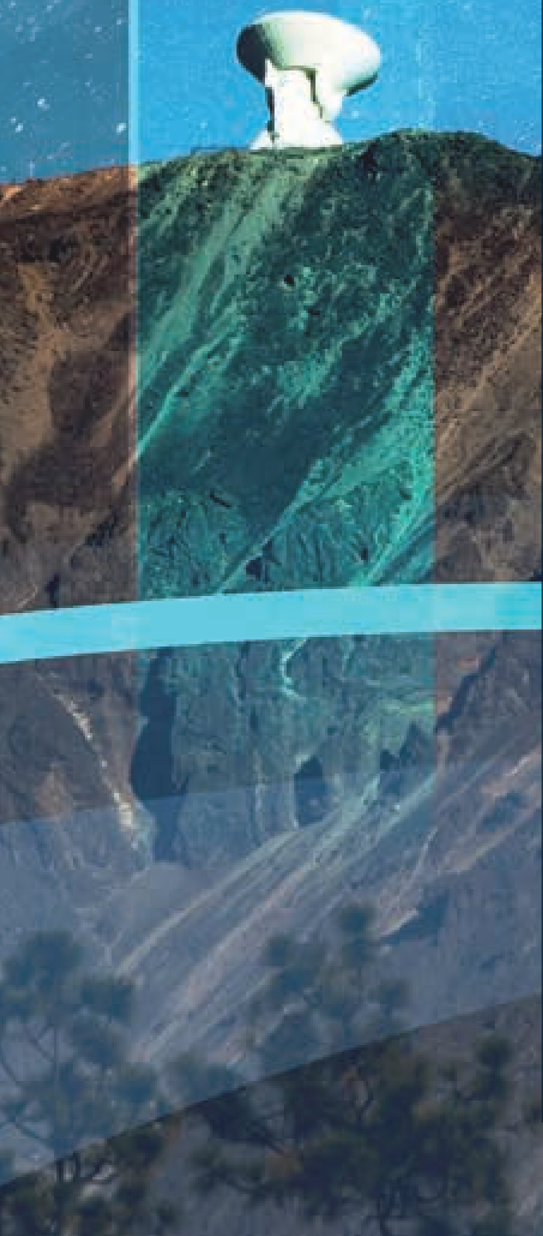
CONTENTS

CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") and AIM listed on the London Stock Exchange, Global Invacom Group Limited ("Global Invacom" or the "Group") is one of the world's leading satellite communication ground equipment solution providers. Boasting some of the world's largest suppliers of Direct to Home ("DTH") television services and Data Over Satellite ("DOS") services as customers, the Group is unique in its ability to design and manufacture both antennas and electronics across multiple frequency bands for both markets.

Global Invacom creates and provides a full range of dish antennas, low noise block receivers, transmitters, fibre distribution equipment, switches and video distribution components within the satellite communications ground equipment market, as well as related products for the medical and military industries.

From its origins in the DTH market, the Group began its expansion into the rapidly developing DOS market through its acquisition of Skyware Global in 2015 adding a suite of DOS antennas and related products. This was further strengthened by the acquisition of the business and technology of Skyware Technologies in late 2018 which added a range of DOS electronics to compliment the antenna technology acquired previously and adding new customers to the already strong list in existence. Continuing the development of the DOS market, in June 2019, the Group completed the acquisition of Apexsat Pte. Ltd., a group specialising in the design and manufacture of steerable earth station solutions and motorised and transportable antenna systems. These include systems capable of acquiring and retaining Low Earth Orbit ("**LEO**") and Medium Earth Orbit ("**MEO**") satellites and drone tracking opening the Group to the increasing potential in this fast expanding area of DOS.



As a notable innovator of satellite ground equipment communications technology, Global Invacom has multiple R&D sites in a number of different countries and continents employing over 50 engineers covering DTH and DOS requirements. It currently owns 76 patents, with a further 28 pending and 10 applied for, and has an established 35-year track record as a pioneer of the latest equipment designs working with customers and establishing market leading products.

In order to service its prestigious customer base, the Group maintains global sales and distribution teams covering the United States, EMEA (Europe, the Middle East and Africa) and Asia, providing sales and technical information on the same time zones as its customers.

Global Invacom also makes use of manufacturing plants located across different continents. In late 2019, following a major strategic review and to mitigate rising production costs in China, the Group began relocating its manufacturing operations from Shanghai, China to the Philippines. The move is expected to reduce risk as part of an asset-light strategy with production efficiencies expected to keep the Group competitive and is scheduled to be completed by June 2020.

Global Invacom continues to enjoy its position as a leader in the satellite communications industry.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present to 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 2019 ("**FY2019**").

The year under review has witnessed significant positive trends across the satellite communications ("**SatCom**") sector – specifically the strong growth of the Data Over Satellite ("**DOS**") segment – alongside a number of important management initiatives which have been undertaken. These actions, including a major decision to relocate our main Asian manufacturing activities from Shanghai, China to the Philippines, changes in the supply chain and the realignment of our global manufacturing footprint collectively mark the most significant strategic shift for the Company since we completed our reverse takeover in 2012.

FY2019 FINANCIAL REVIEW

We recorded revenue growth of 10.0% to US$134.5 million in FY2019 from US$122.3 million in FY2018. The increase in revenue reflected the growing demand for the Group's products in the global market, both for traditional Direct to Home ("**DTH**") products as well as for a new range of DOS products which are swiftly gaining traction around the world.

Geographically, we recognised higher revenue contributions from America (up US$7.8 million or 9.1%), Europe (up US$4.2 million or 15.5%) and Rest of the World (up US$1.3 million or 30.3%), offset by reductions in Asia by US$1.1 million (down 20.7%).

Gross profit for FY2019 decreased to US$24.1 million from US$25.2 million in FY2018, with the gross profit margin declining to 17.9% from 20.6%, mainly due to the impairment losses recognised during FY2019 in the Shanghai manufacturing facility following the relocation of its operations to the Philippines. However, excluding these, gross profit in FY2019 would have increased by US$3.0 million to US$28.2 million, with a gross profit margin of 20.9%, reflecting a strong underlying business across the Group.

Administrative expenses for FY2019 increased to US$27.4 million compared to US$22.9 million in FY2018, representing 20.4% and 18.7% of revenue, respectively. The increase is a result of the full year inclusion of salaries and related costs from the acquisition of Skyware Technologies in September 2018, the compensation to be made to employees in Shanghai following the relocation to the Philippines and a small-scale restructuring in one of the UK manufacturing facilities. Excluding the compensation and restructuring costs, administrative expenses for FY2019 would have been US$23.2 million, representing 17.3% of revenue.

The Group recorded a net loss of US$12.3 million in FY2019. Included within the net loss were accrued costs associated with the closure of our manufacturing facility in Shanghai, together with impairments for a loan to Tactilis and goodwill for one of the UK manufacturing facilities. The Group does not anticipate on-going further costs for these activities. On an underlying basis, excluding the one-off impairment losses, the Group would have posted a net profit of US$4.0 million, up from US$1.5 million in FY2018.

The impairment of these certain assets resulted in a decline in the net asset value per share to 16.22 US cents as at 31 December 2019 from 20.84 US cents as at 31 December 2018. We ended FY2019 with cash and cash equivalents of US$8.9 million, compared to US$8.4 million as at 31 December 2018. The net cash in the Group, combining cash and cash equivalents against borrowings, improved by US$3.6 million in FY2019.

DIVIDEND

No dividend has been declared for FY2019 in view of the uncertainty related to the COVID-19 pandemic and the termination payments required to be made to the employees as part of the closure of our Shanghai facility.

STRATEGIC DIRECTION AND OUTLOOK

The underlying performance of the business is strong and continues to improve as reflected in the increase in post-adjusted profitability.

As shareholders will recall, we announced a Corporate and Business Update and Profit Guidance on 15 January 2020. It captured the main trends and strategic actions taken in FY2019 which will spill into FY2020 and beyond and highlighted significant opportunities for the Group and our shareholders in both the DOS and developing Low Earth Orbit ("**LEO**") and Medium Earth Orbit ("**MEO**") markets.

We believe that DOS will overtake DTH in terms of revenue contribution from FY2020 onwards. The DTH segment will remain important as it continues to provide a strong and steady stream of revenue for the Group. In spite of the rise of Over-The-Top ("**OTT**") services, the demand for DTH connectivity continues and we continue to play a central role in the delivery of satellite broadcast services. Our unique expertise and extensive track record is reflected by the impressive customer base we have maintained over the years including leading DTH providers Sky in the UK, Shaw in Canada, Astro in Malaysia and Dish Network in the US. These DTH customers are equally matched by leading DOS providers such as Hughes Network Systems, Viasat, Gilat and ST Electronics/iDirect.

We also continue to pursue leaner and more agile manufacturing models to keep costs low and to maintain our flexibility in a rapidly changing industry.

NEW SPACE RACE IS CAUSING MAJOR CHANGES FOR DOS SECTOR

The SatCom industry is witnessing an unprecedented demand for DOS products in the existing Geostationary market where satellites appear to remain at one fixed point in the sky, but also for the growing potential of lower orbit constellations where the satellites move across the sky requiring a tracking antenna to follow them. Over the next few years, tens of thousands of smaller satellites will be launched in what is turning out to be a 21st century space race with LEO and MEO satellite constellations built by private companies such as Elon Musk's SpaceX and Jeff Bezos' Blue Origin, being joined by Asian companies who have recently announced that they will join this race. This represents a significant opportunity for the Group.

CHAIRMAN'S STATEMENT

"We also continue to pursue leaner and more agile manufacturing models to keep costs low and to maintain our flexibility in a rapidly changing industry."

It will usher in a new era of satellite internet connectivity bringing data access to many previously inaccessible regions where fibre optic cables are difficult to lay and in many cases, not financially viable. Most of these territories are in emerging markets such as Latin America, Africa, Greater China, Eastern Europe including the former Russian states and parts of Asia, but also includes regions in developed countries. Internet service providers will need a full suite of ground equipment including antennas and electronics which the Group is well positioned to supply.

The Group has been preparing for this through our continued commitment to R&D resulting in us holding 76 patents, making us a global leader in SatCom products.

Beyond the confines of the research laboratory, we completed the acquisition of Apexsat Pte. Ltd. ("**Apexsat**") in June 2019. Apexsat specialises in the design and manufacture of steerable earth station solutions and motorised and transportable antenna systems including systems capable of acquiring and retaining LEO and MEO satellites and drone tracking.

In March 2019, the Group's subsidiary, Global Skyware, made the first shipment of FiberGo, its fully integrated and cost-effective fibre Very Small Aperture Terminal ("**VSAT**") system which ensures that VSAT users are no longer restricted by the limitations of coax cable and can enjoy the many cost benefits of fibre, including transmission over long distances without signal quality degradation. It has been designed to be compact, flexible, easy to install and prepared for all working conditions. FiberGo was introduced to Asia and the Americas initially before extending to the rest of the world in the second half of 2019.

REALIGNMENT OF MANUFACTURING FOOTPRINT

For many years we have tried to counter the rising production costs in China and over the past six to seven years, China's economic model has shifted from being export-oriented to one that encourages domestic consumption. In 2016, we consolidated our Shenzhen operations but wage costs have continued to rise. This was compounded by the US-China trade wars which levied tariffs on exports of our products from China to the United States. We had a choice of relocating further inland to second and third-tier Chinese cities, although this would not have impacted the tariff levies or moving out of China altogether. In FY2019, we took the decisive step to change our Asian operations from in-house manufacturing to outsourced contract manufacturing.

We have appointed the EMS Group in the Philippines to carry out the bulk of manufacturing operations previously carried out in Shanghai. Our relocation crossed the 80% mark at the end of January and will be 100% completed by June 2020. We will retain a core team of procurement and supply chain specialists in Shanghai as we will continue to source many components from China. This relocation is a very important strategic shift to realign our global manufacturing footprint and the Smithfield operations of Global Skyware will become our largest in-house manufacturing facility.

The Board continues to monitor the COVID-19 pandemic carefully, both in terms of the health and safety of our global workforce and the potential disruption to our supply chain. To date, we have not seen any material impact on our employees and business.

SUSTAINABILITY

The Group has produced its third Sustainability Report, covering the period from 1 January 2019 to 31 December 2019. 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.

APPRECIATION

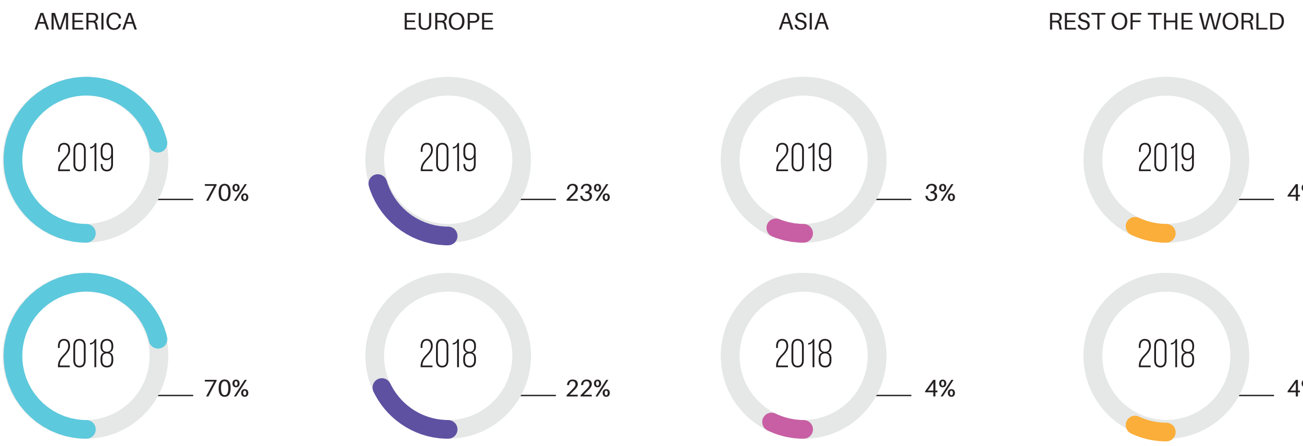
On behalf of the Board, I would like to express my heartfelt gratitude to our business partners, customers and shareholders for your loyalty and support as we go through this period of transition and weather the uncertain global situation. To my fellow directors, our management team and employees, I remain thankful for your dedicated efforts and loyalty as we grow together as a company.

Also, I take this opportunity to thank Mr Basil Chan, who is retiring at the forthcoming AGM, for his valuable insight and support to the Board. On behalf of the Board, I would like to wish him all the best in his future endeavours.

ANTHONY BRIAN TAYLOR
Executive Chairman

FINANCIAL AND OPERATIONS HIGHLIGHTS

REVENUE BY GEOGRAPHICAL SEGMENTS



REVENUE BY BUSINESS SEGMENTS

KEY FINANCIAL HIGHLIGHTS	FY2019	FY2018	CHANGE (%)
Revenue (US$'000)	134,509	122,292	10.0
Gross Profit (US$'000)	24,066	25,188	(4.5)
(Loss)/Profit After Tax (US$'000)	(12,289)	1,536	N.M.
(Loss)/Earnings per Share on a Fully Diluted Basis (US cents)	(4.52)	0.57	N.M.
Net Asset Value per Share (US cents)	16.22	20.84	(22.2)
Tax Paid (US$'000)	859	271	217.0
(LBITDA)/EBITDA	(5,020)	6,071	N.M.
Dividend Paid	Nil	Nil	Nil

RATIOS	FY2019	FY2018	CHANGE (%)
Current Ratio	1.66	1.81	(8.3)
Return on Equity	(0.28)	0.03	N.M.
Net Gearing	0.71	0.50	42.0
Cash Ratio	0.26	0.23	13.0

CORPORATE MILESTONES

2018, 2019

2019
- Global Skyware ships new compact single fibre VSAT, FiberGo
- Purchased assets and intellectual property from Apexsat Pte. Ltd.
- Formed PT Global Invacom Indonesia

2018
- Launch of Foxcom New Hangar Repeater Solution
- Purchased assets of Skyware Technologies

2015, 2016, 2017

2017
- Designed and manufactured new DCSS Western Arc Triple LNB
- Conception and live test of new video streaming technology

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

2015
- Purchased Satellite Acquisition Corporation

2011, 2012, 2013, 2014

2014
- Successfully dual listed on AIM Market in London
- Purchased Foxcom assets

2013
- Purchased Raven Manufacturing Limited (since renamed to Global Invacom Manufacturing (UK) Limited)

2012
- Listed on the Singapore Exchange following reverse takeover of Radiance Group Limited
- Purchased The Waveguide Solution Limited
- Formed Global Invacom Sdn Bhd

2011
- Purchased ProVision assets

2007, 2008, 2009, 2010

2010
- Purchased controlling interest in Radiance Group Limited
- Started dish manufacturing

2009
- Designed and manufactured the first cost effective optical LNB
- Management buyout of Global Invacom Limited. Global Invacom Holdings Limited was formed

2008
- Global Communications and Invacom merged to form Global Invacom Limited

2007
- Launched new Stacker De-stacker using one cable technology

2000, 2001, 2004, 2006

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

2004
- Launched the world's first circular/linear polar LNB

2001
- Launched the world's first integrated Very Small Aperture Terminal ("VSAT") LNB

2000
- Formed Invacom Limited

1992, 1993, 1997, 1998

1998
- Invented the tvLINK for BSkyB

1997
- Designed and manufactured the first DiSEqC switches

1993
- Designed and manfactured the first satellite TV frequency extender

1992
- Designed and manfactured the first Low Noise Block ("LNB") stacker

1985, 1988, 1990

1990
- Designed and manfactured the first Mini Magic Switch

1988
- Designed and manfactured the first Direct-Broadcast Satellite ("DBS") switch

1985
- Formed Global Communications (UK) Ltd

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 20 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 38 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 31 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 39 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 Fellow Chartered Accountant 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 30 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.

Mr Sim holds a Bachelor of Commerce degree from Murdoch University, Western Australia, and a Diploma in Electronics Engineering from Ngee Ann Polytechnic, Singapore. He currently serves as the Chairman of Bukit Timah Citizens' Consultative Committee.

KEY MANAGEMENT

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 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 36 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.

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 24 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.

JAN ULRICH TREIBER
Group Business Intelligence Director

Mr Jan Ulrich Treiber is the Group Business Intelligence Director, responsible for the Group's internal and external intelligence and special strategic projects. Previously, he was the General Manager of Global Invacom Limited, responsible for the day-to-day running of the Group's satellite electronics design and distribution business, and prior to that he oversaw Global Professional, the Group's specialist manufacturer of bespoke RF equipment. 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

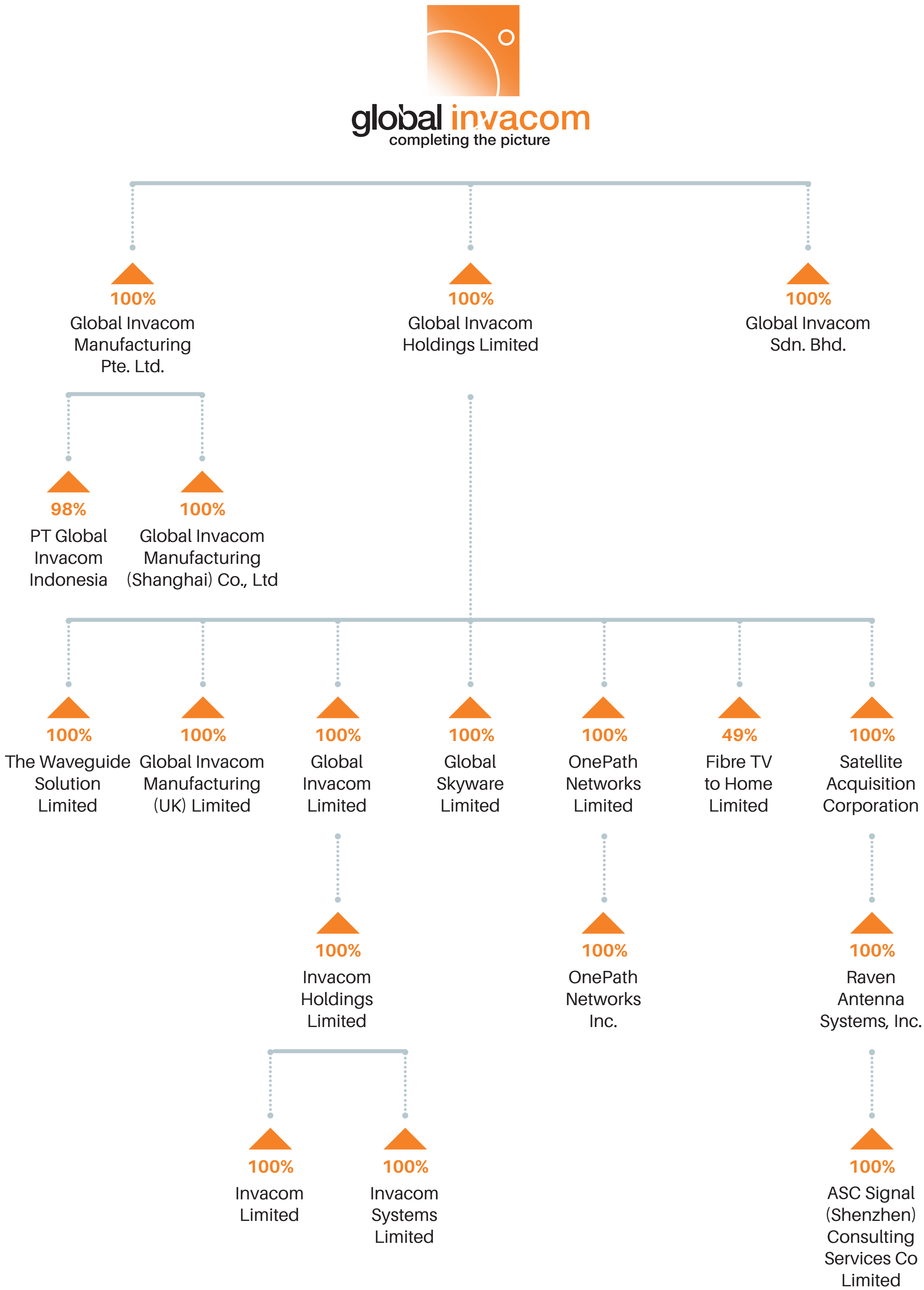
Mr Robert Bruce Lockhart is the General Manager of Satellite Acquisition Corporation ("**Global Skyware**"), responsible for the day-to-day running of the Group's satellite antenna design, manufacture and distribution business. Previously, he oversaw financial operations for Global Skyware. He has been working with Global Skyware since June 2010. Prior to joining Global Skyware, he had over 26 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.

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 29 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.

CORPORATE STRUCTURE



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 third sustainability report ("**SR**") to shareholders, for the financial year ended 31 December 2019.

During the year in review, the Board had assessed the material ESG factors and found that there was no requirement to include additional or to remove existing material factors. With climate change becoming an ever increasing global concern, the Board is mindful of the Group's operations and their environmental impact and the Group has now added carbon emissions into the SR.

The Group remains committed to creating 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 Group acts in the best interest of our shareholders' investment 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 third SR covers the period from 1 January 2019 to 31 December 2019 ("**2019**"). This SR was prepared in accordance with the Global Reporting Initiative Standards ("**GRI Standards**"): Core option. The SR had also sought reference from Rule 711A and 711B of the Listing Manual of the Singapore Stock Exchange ("**SGX-ST**").

Unless otherwise stated, this SR 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 number of entities included in the data within this SR has increased by two in the reporting period. This SR does not evaluate performance against any established targets yet but the Group remained committed to setting targets and goals as the SR matures.

In 2019, the Group transferred production of some products from the Group's own factory in China to a contract equipment manufacturer ("**CEM**") in the Philippines. With the exception of the data on employee numbers, the data in this SR includes the resources expended by the CEM for the manufacture of the Group's products.

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 Risk Officer and Chief Technical 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 23 to 39 as set out in this Annual Report 2019 ("**AR FY2019**").

WEBSITE AND FEEDBACK

To minimise environmental impact, the Group has adopted the practice of not printing any physical copies of this SR and has incorporated it into the AR FY2019. Stakeholders and shareholders can download the AR FY2019 online at www.globalinvacom.com.

Stakeholders' feedback is very important to us. Please let us have your feedback on this SR or any aspect of our sustainability performance. You can email your queries or feedback at SR@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 sound system of internal controls is 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 the AR FY2019.

CODE OF BUSINESS CONDUCT

The Group does not currently have any 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 Group has in place a Whistle-Blowing policy, overseen by our Audit and Risk Committee ("**ARC**"), 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 Group protects whistle-blowers from any form of retaliation, harassment or other discriminatory acts.

ANTI-BRIBERY AND CORRUPTION POLICY

The Group 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 2019.

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 2019.

CUSTOMER PRIVACY

In the course of ordinary business, the Group 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.

The Group has appointed Ms Teo Ser Cher as Data Protection Officer ("**DPO**") to oversee customer data collection in Singapore. Mr Malcolm John Burrell, 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 continues to adopt 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 2019, the material topics were reviewed so that they remained relevant and aligned. There was no recommended change of material topics subsequent to the review.

COMMITMENT AND DISCLOSURES OF KEY PERFORMANCE INDICATORS

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 mindful about being committed to set targets and goals for future reporting. 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 forwards. The following baseline continues to be in place to commit to certain targets using key performance indicators ("**KPIs**").

SUSTAINABILITY REPORT

PERFORMANCE INDICATORS	COMMITMENT (TARGET)	KPIs
Economic Performance	Grow profits and improve cash flow	• Revenue • Operating Costs • EBITDA
Energy Efficiency	Maintain and ideally reduce energy consumption through energy efficiency measures. Adopt energy efficient assets and renewable energy solutions and reduce air travel	• Energy consumption • Energy intensity, expressed as kWh per dollar of revenue • Combined carbon emission [new]
Water Conservation	Maintain and ideally reduce water consumption and encourage use of treated/recycled water	• Water consumption
Occupational Health & Safety	Provide a safe and healthy work environment. Reduce the injury rate and lost day rate year on year	• Work-related fatalities • Injury rate • Lost day rate
Training & Education	Improve employee competencies	• Programs implemented • Training hours per staff
Customer Health & Safety	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
Socioeconomic Compliance	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

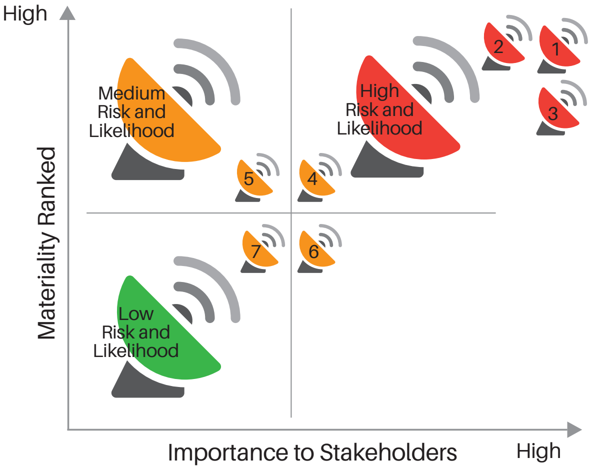
For 2019, the management and the Company Secretary had performed an internal assessment of key stakeholder groups, their concerns (if any) and expectations. As of the date of this SR, the Group has not yet sent out any survey forms to seek the views of stakeholders.

Here is the list of our stakeholders identified by the management internally and where the Group would engage them over their concerns and expectations. There was no significant change.

STAKEHOLDERS	EXPECTATION	ENGAGEMENT	OUR RESPONSE
GOVERNMENT & REGULATORS	• Regulatory compliance and feedback	• SGX/AIM quarterly announcements • Annual reports • Ongoing dialogues	• To comply with prevailing rules and legislation
CUSTOMERS	• Product quality and safety • User experience • Recycling of waste and consumables • Health and safety in workplace	• Feedback form • Meeting sessions and client management • Website/phone contact/ email	• Via regular communication whether formal or informal meetings. We also ensure that products delivered are quality to our end users
EMPLOYEES	• Remuneration and benefits • Career development and progression • Training opportunities • Job security • Health and safety in the workplace	• Annual performance appraisal system • Training and education opportunities • Face to face meetings • News via emails and circulars	• Be open and transparent about our human resource policies • Feedback obtained through formal appraisal and informal sessions
INVESTORS & SHAREHOLDERS	• Group's growth • Risk management and internal controls • Economic performances • Shareholders' return	• General meetings • Quarterly results and presentations • Annual reports • Company's corporate website	• Adhere to guidelines as recommended by regulators • Ensure transparent and timely dissemination of all material information to shareholders and stakeholders
CONTRACTORS & SUPPLIERS	• Environmental compliance • Ongoing certification and specification	• Face to face meeting • Email/phone contact • Feedback on product supplied and their quality	• To devise ethical procurement policies and internal processes to ensure equitable treatment of all our suppliers when selecting vendors or awarding contracts

SUSTAINABILITY REPORT

KEY MATERIAL FACTORS IDENTIFIED, RANKED AND CHOSEN BY MANAGEMENT



Materiality Ranked	Importance to Stakeholders	Map to GRI Standards
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

ENVIRONMENTAL HIGHLIGHTS

ENVIRONMENTAL	FY2017	FY2018	FY2019
Energy intensity (kWh per US$)	0.21	0.20	0.20
Energy used (kWh)	24,454,833	24,001,308	26,310,255
Combined carbon emissions ($kgCO_2$)#	6,868,873*	6,526,461	6,815,119
Carbon emission intensity (kg/US$)	0.059	0.053	0.051
Water consumption (m^3)	76,543	68,218	70,545
Water consumption intensity (m^3 per US$1,000)	0.66	0.55	0.52
Rainwater harvested (m^3)	0	635	2,979
Water recycled (m^3)	650	650	600
Non-hazardous waste (tonnes)	1,875	2,331	3,330
Non-hazardous waste recycled (tonnes)	1,471	2,154	2,834
Hazardous waste (tonnes)	5.5	13.0	19.0

Based on United Kingdom Government Conversion Factors for greenhouse gas (GHG) reporting.

* FY2017 emission factor: No data for GHG Scope 3 was compiled. Based on 0.28088 (1 kWh to $kgCO_2$)
FY2018 combined emission factor: 0.272 (1 kWh to $kgCO_2$)
FY2019 combined emission factor: 0.259 (1 kWh to $kgCO_2$)

SOCIAL HIGHLIGHTS

EMPLOYEES	FY2017	FY2018	FY2019
Number of employees	971	984	660
Permanent employees	961	984	649
Temporary employees	10	0	11
Permanent male employees	435	430	303
Permanent female employees	536	554	346
Average training hours per permanent employee (female)	26	28	22
Average training hours per permanent employee (male)	13	21	14
Average permanent new hires (Group basis)	10%	12%	10%
Average permanent employee turnover rate (Group basis)	12%	15%	25%
Fatal accidents	Nil	Nil	Nil

The number of employees reduced significantly in 2019 as a direct result of the transfer of production of some products from the Group's own factory in China to the CEM in the Philippines. The average training hours declined, and the employee turnover rate was unduly high, both as a direct result of this production transfer.

SUSTAINABILITY REPORT

ELECTRICITY AND GAS

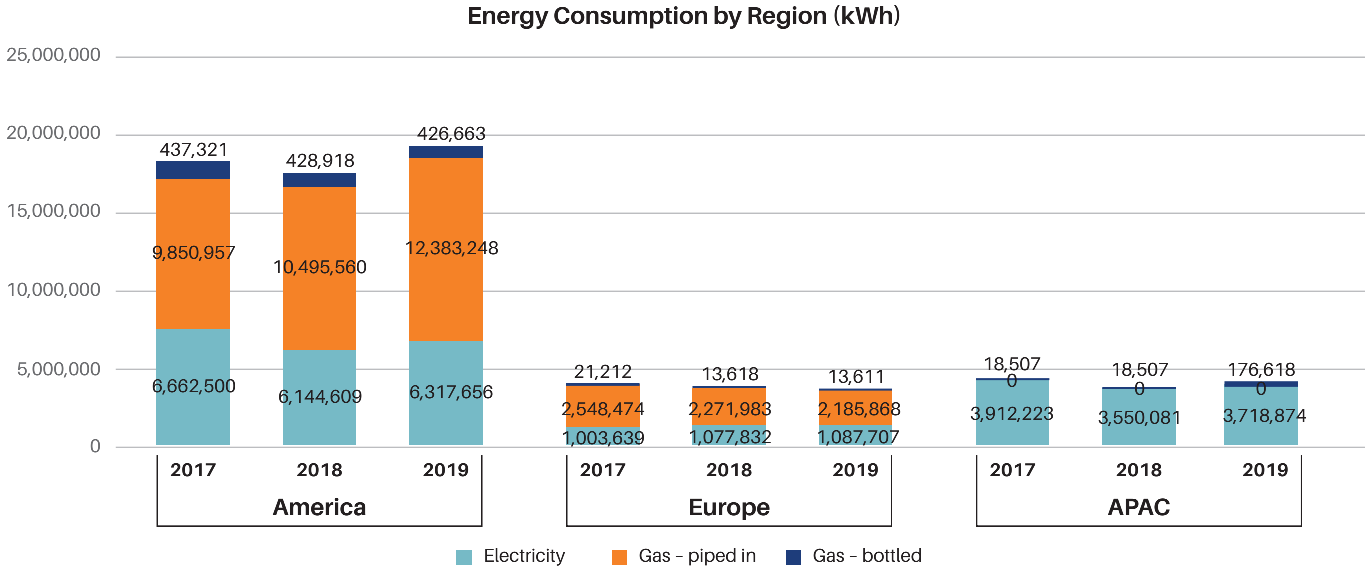
The Group consumes electricity and gas directly as an end user at our facilities, with the vast majority being used in our manufacturing plants. No renewable sources or self-generated energy was obtained internally.

In 2019, the Group's energy consumption by region is shown in the table below:

Regions	America	Europe	APAC	Group
Energy Type (kWh)				
Electricity	6,317,656	1,087,707	3,718,874	11,124,237
Gas – piped in	12,383,248	2,185,868	0	14,569,116
Gas – bottled	426,663	13,611	176,628	616,902
Total	**19,127,567**	**3,287,186**	**3,895,502**	**26,310,255**

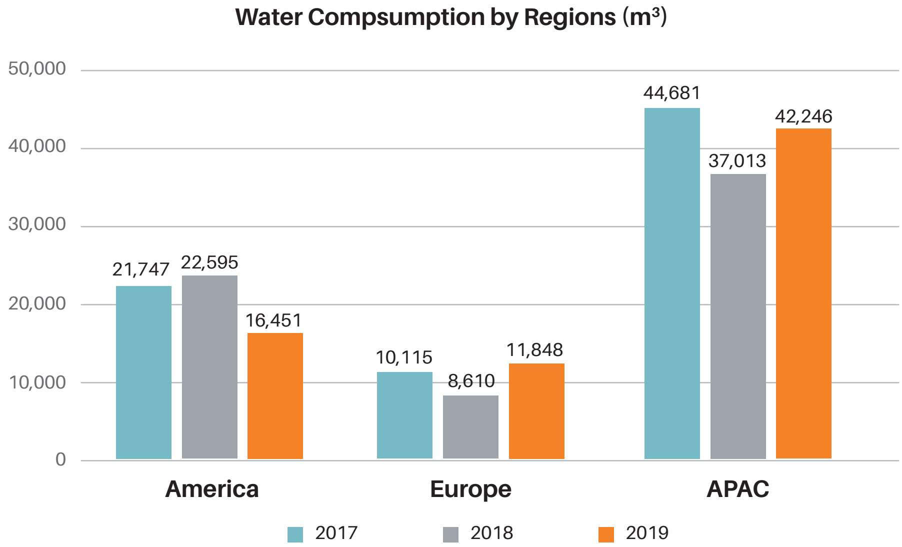
In 2019, the Group consumed a total 26,310,255 kWh, an increase of 9.6% from 24,001,308 kWh in 2018. The increase in energy consumption was a direct result of the increase in revenues. However, the energy intensity remained unchanged from 2018 at 0.20 kWh per US$.

The Group continues to identify and implement energy reduction initiatives going forwards, which may include the use of renewables.



WATER

The Group does not consume large volumes of water in its manufacturing processes. The Group only draws water from public utilities for our business operations. In 2019, our total water consumption was 70,545 m^3, compared with 68,218 m^3 in 2018. This increase of 3.4% was a direct result of the increase in revenues. However, our water consumption intensity fell slightly from 0.55 m^3 per US$1,000 in 2018 to 0.52 m^3 in 2019 .



SUSTAINABILITY REPORT

CARBON EMISSIONS

The Group has now commenced the reporting of its carbon emissions. This covers the emissions arising from the consumption of all energy types (electricity, piped in natural gas and bottled gas) at the various facilities within the Group and at the CEM in the Philippines as well as the emissions arising out of the Group's business travel. For the time being, the UK conversion factors for calculating greenhouse gas emissions have been used. Going forwards, we will be looking to use the conversion factors applicable in each country of operation. A breakdown of the emissions by contributing type and by country is shown below for 2018 and 2019:

2019 Carbon Emissions

Emissions Contributor	CO2e (kg) by Country							
	USA	UK	Israel	PRC	Malaysia	Singapore	Philippines	Group
Electricity	1,614,793	234,464	43,554	674,243	1,431	2,017	272,853	2,843,355
Gas - piped in	2,529,650	446,529	0	0	0	0	0	2,976,179
Gas - bottled	98,256	3,134	0	0	1,065	0	39,610	142,065
Business Travel	72,729	621,308	58,751	53,018	8,195	39,519	0	853,520
Total	**4,315,428**	**1,305,435**	**102,305**	**727,261**	**10,691**	**41,536**	**312,463**	**6,815,119**

2018 Carbon Emissions

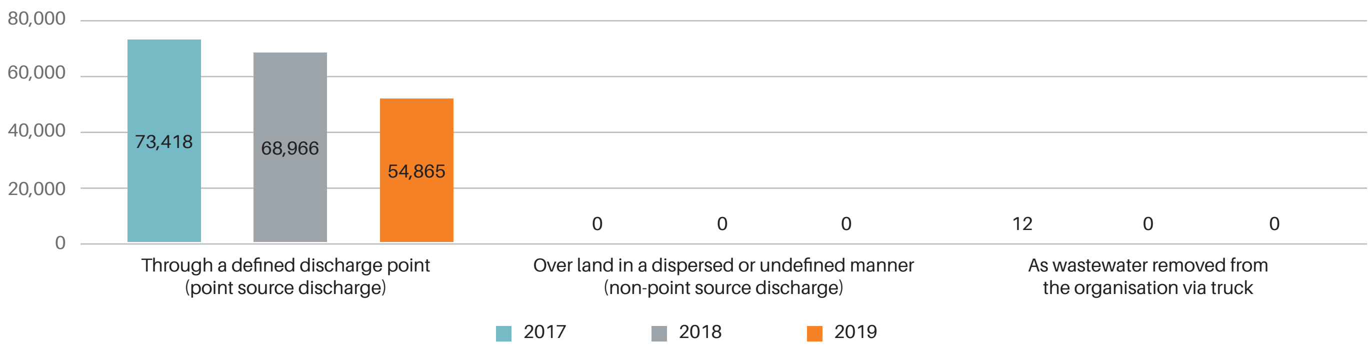
Emissions Contributor	CO2e (kg) by Country							
	USA	UK	Israel	PRC	Malaysia	Singapore	Philippines	Group
Electricity	1,739,354	259,584	45,518	999,907	2,205	2,609	0	3,049,177
Gas - piped in	2,144,977	464,325	0	0	0	0	0	2,609,302
Gas - bottled	98,780	3,182	0	0	4,262	0	0	106,224
Business Travel	55,550	590,345	45,953	45,111	5,618	19,181	0	761,758
Total	**4,038,661**	**1,317,436**	**91,471**	**1,045,018**	**12,085**	**21,790**	**0**	**6,526,461**

WATER RECYCLING AND DISCHARGE

Water used as part of the production process is largely discharged into the public sewage systems in the countries in which we operate. In 2019, we continued to recycle less than 1% of the water we consumed.

Discharge Destination	Vol (m^3) 2017	Vol (m^3) 2018	Vol (m^3) 2019
Through a defined discharge point (point source discharge)	73,418	68,966	54,865
Over land in a dispersed or undefined manner (non-point source discharge)	0	0	0
As wastewater removed from the organisation via truck	12	0	0
Total Water Discharged	**73,430**	**68,966**	**54,865**

Discharge Destination (m^3)



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

SUSTAINABILITY REPORT

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 2019, approximately 3,330 tonnes of non-hazardous waste were generated by the Group, of which approximately 2,834 tonnes (85.1%) was recycled. In 2018, the Group recycled 2,154 tonnes. Hazardous waste is disposed of by specialist waste contractors.

Hazardous Waste Disposal by Region (Weight (kg))

	America		Europe		APAC	
Disposal Method	**Hazardous**	**Non-hazardous**	**Hazardous**	**Non-hazardous**	**Hazardous**	**Non-hazardous**
Reuse	0	0	0	0	0	600
Recycling	0	1,269,023	2	1,330,858	1,900	234,428
Recovery	0	0	15,830	0	0	19,199
Incineration	0	4,428	0	0	0	0
Landfill	0	357,425	0	68,088	1,277	440
Others	0	24,901	0	20,186	0	0
Total	**0**	**1,655,777**	**15,832**	**1,419,132**	**3,177**	**254,667**

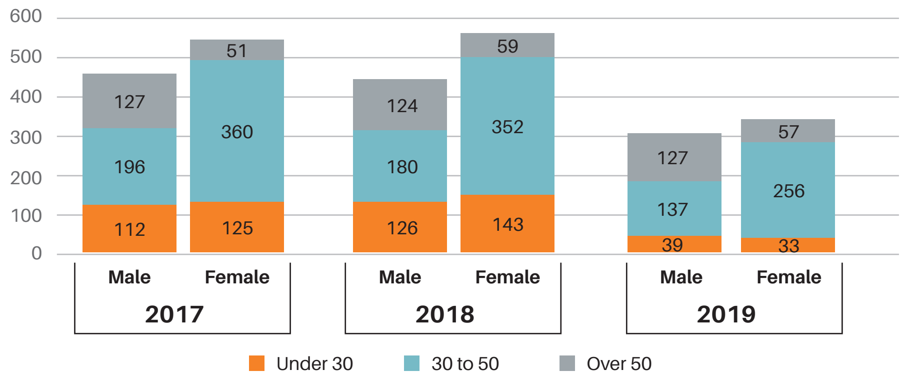
DIVERSITY AND EQUALITY

The Group is an equal opportunities employer and does not tolerate discrimination. There were no incidents of discrimination reported in 2019. The Group ended the year with a total of 649 permanent employees (2018: 984), of whom 47% were male and 53% were female (2018: 44% male, 56% female).

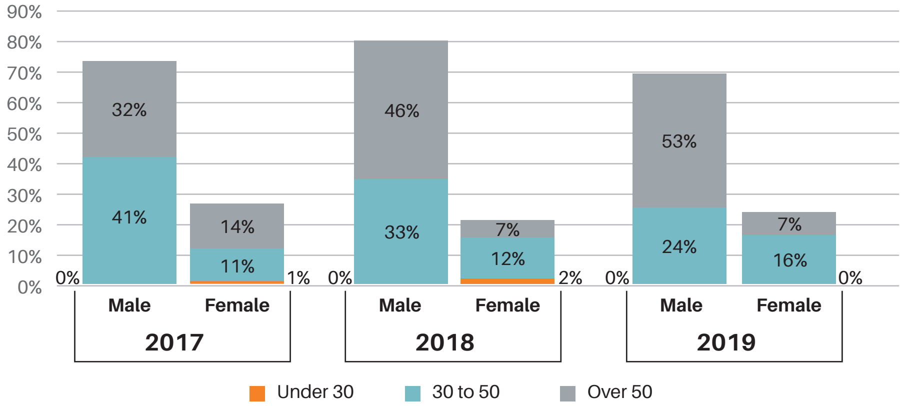
The Group complies with all labour laws in the regions in which we operate. We have a zero tolerance of the use of child labour, both within our own facilities and in those of our suppliers.

Our management team throughout the Group are largely drawn from local people, with the exception of the executive team who are all from the UK. In 2019, out of the 47 members of the management team, 21% are female and 79% are male.

Breakdown of Employees by Age and Gender



Senior Management Team by Age and Gender (%)



SUSTAINABILITY REPORT

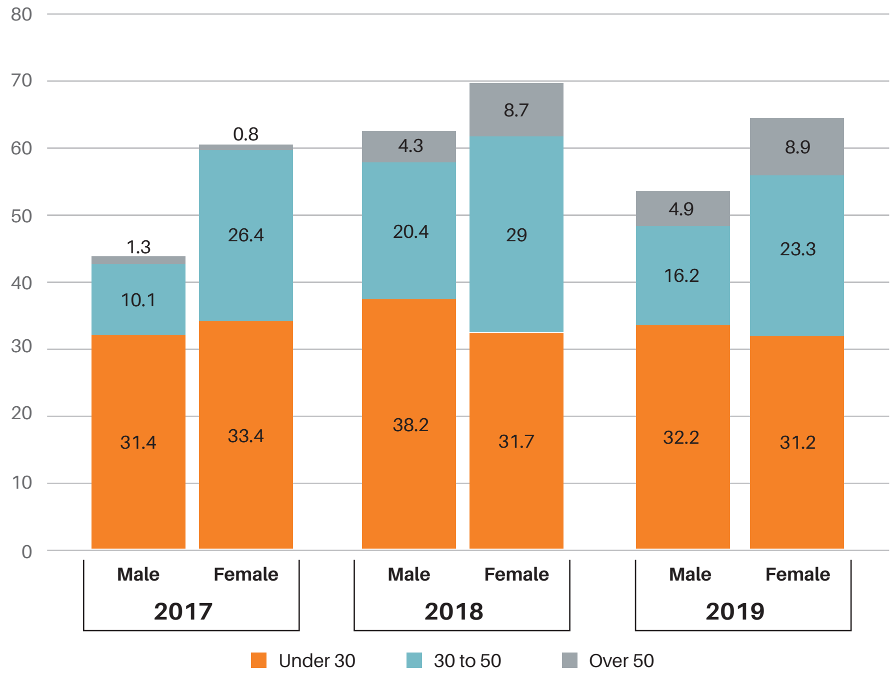
TRAINING AND EDUCATION

The Group recognises that our employees are key stakeholders and that their knowledge and skill 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 Group 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 2019, the Group provided a total of 11,599 training hours for its workforce.

We are continuously seeking to develop and improve our employees' training schedules to deepen their engagement with the Group.

Average Number of Training Per Employee by Gender (Hours)



EMPLOYEE ENGAGEMENT AND TURNOVER

The Group offers a range of benefits to its employees, which varies by region and includes some or all of the following – parental leave, life insurance, healthcare and pension provision. All full-time employees of the Group are accorded parental leave. In some countries where the Group operates, we also accord parental leave to part-time employees depending on the situation.

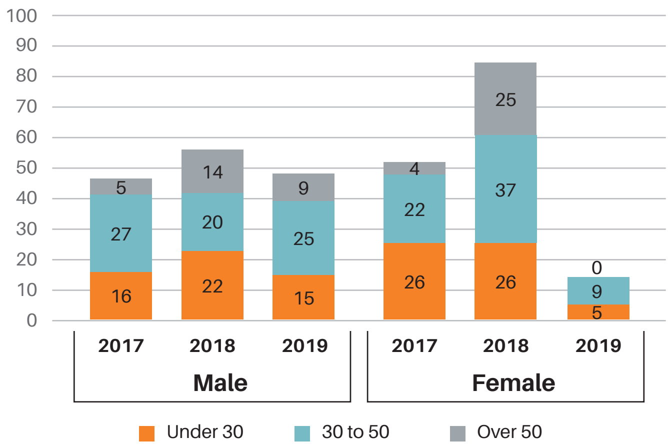
In 2019, the return to work rate of employees that took parental leave was 100% for male and 91% for female. The retention rate of employees that took parental leave was 100% for male and 86% for female.

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.

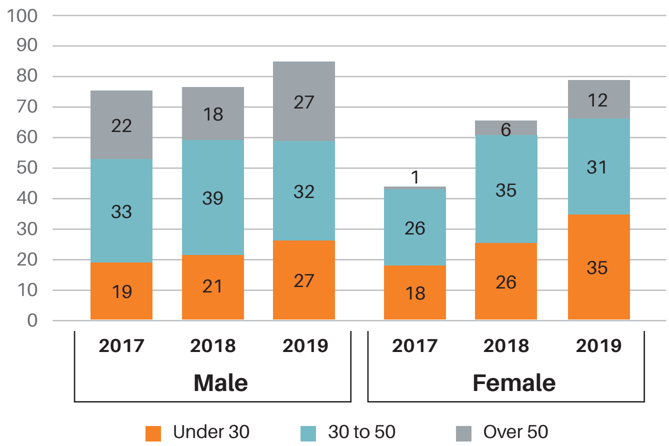
The overall staff turnover rate of the Group in 2019 was 25% compared with 15% in 2018. This was mainly due to the reduction in head count at our factory in China as a result of transferring the production of some products to the CEM in the Philippines.

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).

New Hires



Leavers



SUSTAINABILITY REPORT

OUR TEAMS

Members of the production team inside the new area set aside for manufacturing Global Invacom products at the CEM in the Philippines

The team in the Philippines

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 (OHS) regulations and there were no breaches identified in 2019.

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 2019.

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.

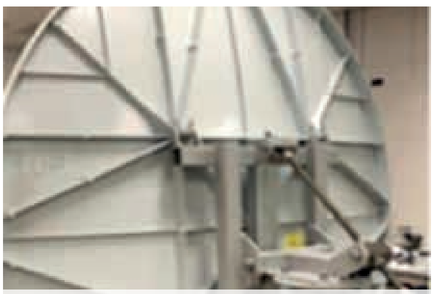
The Group has a good OHS record. The OHS data for 2019, broken down by entity, is shown below:

	GIF	GIGL/ GIMPL	GIL	GIML	GISB	GISH	GIW	GSL	GSW	CEM
Injury rate (IR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3	0.0
Occupational disease rate (ODR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lost day rate (LDR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0
Absentee rate (AR)	6.1%	2.5%	0.4%	6.7%	0.4%	2.2%	1.7%	0.6%	1.9%	0.0%
Work-related fatalities	0	0	0	0	0	0	0	0	0	0

- GIF: OnePath Networks Limited & Subsidary
- GIL: Global Invacom Limited & Subsidiaries
- GISB: Global Invacom Sdn. Bhd.
- GIW: The Waveguide Solution Limited
- GSW: Satellite Acquisition Corporation & Subsidiary
- GIGL/GIMPL: Global Invacom Group Limited/Global Invacom Manufacturing Pte. Ltd.
- GIML: Global Invacom Manufacturing (UK) Limited
- GISH: Global Invacom Manufacturing (Shanghai) Co., Ltd
- GSL: Global Skyware Limited
- CEM: Contract equipment manufacturer in the Philippines

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 2019.

Sky Hybrid Twin LNB



High-Performance Rigid Antennas

dCSS Fibre Multiswitches

SUSTAINABILITY REPORT

SOCIOECONOMIC

The Group takes seriously its obligations to comply with the legislation and standards in the regions in which it operates. In 2019, 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 Group 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 forwards, the Group intends to review and ideally increase its charitable involvement and contributions to the various local communities in which it operates.

Apprenticeship Program

Global Skyware in the United States has partnered with the community college and several other local businesses in the area to develop a 3-year apprenticeship program. It consists of high school to junior college candidates interested in earning their Applied Engineering Associates degree while working a part-time job in the Johnston County area. There has been a high demand for maintenance and other blue-collar positions throughout manufacturing in the area. The aim was to develop a program that encouraged workers interested in staying in the area to earn a degree free of expenses while gaining valuable hands-on experience.

Global Skyware delivered school supplies to South Smithfield Elementary

Too often we hear about teachers paying for school supplies out-of-pocket on a salary that is already below the level of work they are required to do. Therefore, Global Skyware in the United States decided to reach out to the teachers of South Smithfield Elementary and gather a list of supplies to purchase for every student at their school such as pencils, crayons, notebooks, glue sticks, erasers etc.

At South Smithfield's back-to-school Open House held on 20 August 2019, with the assistance of Global Skyware, the teachers were able to provide all of their students with school supplies to help relieve the teachers/parents from some of the financial burdens to provide supplies for their children in that school year.

Eat with Your Family Day 2019

The Company - In supporting the "Eat with Your Family Day 2019", we encourage our employees to leave the office early every quarter to have dinner with their children and families. "Family That Eats Together, Stays Together" – as the employees work hard to provide the best for their family, we encourage them to make time for their family and have a work life balance, have a great time eating together with their families, create the bonds and laughter!

SUSTAINABILITY REPORT

INDIRECT ECONOMIC IMPACTS

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 forwards, 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 it 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 offshore. 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
- EEF Manufacturing Organisation
- Digital Television Group
- Singapore Business Federation
- MTSFB (Malaysia Technical Standard Forum Bhd)
- JOSCAR (Joint Supply Chain Accreditation Register)
- BSI Assurance UK Ltd
- Triangle Chamber of Commerce

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosures	Page Number(s) and/or URL or Reason for Omission
1. Organisational Profile		
102-1	Name of the organisation	AR FY2019
102-2	Activities, brands, products, and services	1-3, AR FY2019
102-3	Location of headquarters	Singapore
102-4	Location of operations	9, 85-87, AR FY2019
102-5	Ownership and legal form	Public Listed Company (Limited by Share Capital)
102-6	Markets served	9, AR FY2019
102-7	Scale of the organisation	9, AR FY2019
102-8	Information on employees and other workers	13, 16-18, AR FY2019
102-9	Supply chain	20, AR FY2019
102-10	Significant changes to the organisation and its supply chain	20, AR FY2019
102-11	Precautionary principle or approach	32-37, 110-119, AR FY2019
102-12	External initiatives	13-20, AR FY2019
102-13	Membership of associations	20, AR FY2019
2. Strategy		
102-14	Statement from senior decision-maker	2-3, 10, AR FY2019
3. Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	1, AR FY2019
102-17	Mechanisms for advice and concerns about ethics	10-11, 35, AR FY2019
4. Governance		
102-18	Governance structure	23, AR FY2019
5. Stakeholder Engagement		
102-40	List of stakeholder groups	12-13, AR FY2019
102-41	Collective bargaining agreements	Not applicable. No collective bargaining agreements.
102-42	Identifying and selecting stakeholders	12-13, AR FY2019
102-43	Approach to stakeholder engagement	12-13, AR FY2019
102-44	Key topics and concerns raised	12-13, AR FY2019
102-45	Entities included in the consolidated financial statements	85-87, AR FY2019
102-46	Defining report content and topic boundaries	10-11, AR FY2019
102-47	List of material topics	12-13, AR FY2019
102-48	Restatements of information	Not applicable. This is the third year of reporting and there was no restatement.
102-49	Changes in reporting	Not applicable.
102-50	Reporting period	1 January 2019 to 31 December 2019
102-51	Date of most recent report	FY2019
102-52	Disclosure reporting cycle	Annual
102-53	Contact point for questions regarding the report	11, AR FY2019
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	21-22, AR FY2019
102-56	External assurance	Not applicable. This is the third year of reporting.
103-1	Explanation of material topic and its boundary	11-12, AR FY2019
103-2	The management approach and its components	11-12, AR FY2019
103-3	Evaluation of the management approach	11-12, AR FY2019

SUSTAINABILITY REPORT

GRI Standards	Disclosures	Page Number(s) and/or URL or Reason for Omission
Economic Presence		
201-1	Direct economic value generated and distributed	4, AR FY2019
Market Presence		
202-2	Proportion of senior management hired from local community	16, AR FY2019
Indirect Economic Impact		
203-1	Infrastructure investments and services supported	19-20, AR FY2019
Anti-Corruption		
205-2	Communication and training on anti-corruption policies and procedures	11, AR FY2019
205-3	Incidents and action taken	11, AR FY2019
Energy		
302-1	Energy consumption within the organisation	13-15, AR FY2019
302-3	Energy intensity	13-15, AR FY2019
302-4	Reduction of energy consumption	13-15, AR FY2019
Water		
303-1	Total water consumption	14-15, AR FY2019
303-3	Water recycled and reused	15, AR FY2019
Emissions		
305-3	Other indirect (Scope 3) GHG emissions	15, AR FY2019
305-4	GHG emissions intensity	15, AR FY2019
Effluents and Waste		
306-1	Water discharge by quality and destination	15, AR FY2019
306-2	Waste by type and disposal method	16, AR FY2019
Employment		
401-1	New employee hires and employee turnover	17, AR FY2019
401-3	Parental leave	17, AR FY2019
Occupational/Health and Safety		
403-1	Staff represented in OHS committee	18, AR FY2019
403-2	Occupational injury	18, AR FY2019
Training/Education		
404-1	Average hours of training	17, AR FY2019
404-2	Employee skills upgrade and transition assistance programmes	17, AR FY2019
404-3	Performance and career development reviews	17, AR FY2019
Diversity and Equal Opportunities		
405-1	Diversity	16, AR FY2019
Public Policy		
415-1	Political contributions	10, AR FY2019
Customer Health and Safety		
416-1	Health and safety impacts assessment of products and services	18, AR FY2019
416-2	Incidents of non-compliance	18, AR FY2019
Customer Privacy		
418-1	Customer privacy and losses of customer data	11, AR FY2019
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	19, AR FY2019

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 2018 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.

(A) BOARD MATTERS

Principle 1 : The Board's Conduct of Affairs

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to the Company's shareholders and other shareholders. 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, key operating initiatives, major funding and investment proposals, risk management procedures and corporate governance practices.

In addition, the principal duties of the Board include:

- Providing entrepreneurial leadership, setting the Group's strategic objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy and effectiveness of internal control, risk management, financial reporting and compliance to safeguard shareholders' interest and the Group's assets.
- Reviewing the performance of management and overseeing succession planning for management.
- Identifying the key stakeholder groups and recognising that their perceptions affect the Group's reputation.
- Setting the Group's values and standards (including ethical standards) and ensuring the obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues as part of the strategic formulation.

The Board members are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. Directors, if facing conflicts of interest, would recuse themselves from discussions and decisions involving the issues of conflict.

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 current Board comprises members with a broad range of knowledge, expertise and experience such as accounting, engineering, finance, business and management.

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 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.

REPORT ON CORPORATE GOVERNANCE

Details of Board and Board Committees' meetings held for the financial year ended 31 December 2019 ("**FY2019**") are disclosed in the table below:

	Board	ARC	NC	RC(1)
Total Number of Meetings Held	**5**	**4**	**1**	**2**
Anthony Brian Taylor	4	NA(2)	1	NA(2)
Malcolm John Burrell	5	NA(2)	NA(2)	NA(2)
Matthew Jonathan Garner	5	NA(2)	NA(2)	NA(2)
Kenny Sim Mong Keang	5	NA(2)	NA(2)	NA(2)
John Lim Yew Kong	5	4	1	2
Basil Chan	5	4	1	2
Cosimo Borrelli	4	3	1	2

Notes:
(1) There was one additional ad-hoc meeting in FY2019.
(2) Not applicable as he is not a member of the committee.

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.

The Board ensures that incoming new 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.

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.

To keep abreast with changes and developments in rules, regulations and the business environment, all Directors are encouraged to attend relevant training courses. The Company endorses the Singapore Institute of Directors ("**SID**") training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant training organised by the SID or any other organisation which provides relevant training courses for Directors. The cost of such training will be borne by the Company.

Principle 2 : Board Composition and Guidance

The Board comprises:

Name of Directors	Designation	Age
Anthony Brian Taylor	Executive Chairman and CEO	58
Malcolm John Burrell	Executive Director	61
Matthew Jonathan Garner	Executive Director	56
John Lim Yew Kong	Lead Independent Director	59
Basil Chan	Independent Director	69
Cosimo Borrelli	Independent Director	53
Kenny Sim Mong Keang	Non-Executive Director	51

REPORT ON CORPORATE GOVERNANCE

The Company has adopted a Board Diversity Policy in FY2019. The Company understands and believes that a diverse Board will help improve the overall performance and operation capability of the Company. It enhances decision-making capability and a diverse Board is more effective in dealing with organisational changes as well as giving diversified views thus enhancing Board discussion and ensuring that the decision made by the Board have been considered from all points of view. The Board is in the process of reviewing succession planning, gender diversity, recompositing and refreshment of the Board.

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 seven members, three are Independent Directors and one is a Non-Independent Non-Executive Director. As a whole, there are four Non-Executive Directors on the Board. For FY2019, the Board is aware that the number of Independent Directors had not constituted a majority of the Board seats. Taking note of provision 2.2 as prescribed under the Code, the NC would continue to evaluate the composition of the Board.

For FY2019, 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.

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 are independent in conduct, character and judgement, and have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Company.

For the year under review, the NC 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 abstained from deliberations in respect of the assessment on his own independence.

Mr Cosimo Borrelli had served on the Board for more than nine years as an Independent Director while Mr John Lim Yew Kong had reached his ninth year in September 2019. The Board has subjected their independence to a particularly rigorous review (with both Messrs Cosimo Borrelli and John Lim Yew Kong abstaining from the review), before extending their tenures as Directors.

After due consideration and with the concurrence of the NC, the Board is of the view that Messrs Cosimo Borelli and John Lim Yew Kong have demonstrated strong independence in character and judgement over the years in discharging the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have sought clarifications and amplification as they deemed necessary, including through direct access to the Management.

Taking into account the above and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has resolved that Messrs Cosimo Borrelli and John Lim Yew Kong continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

Principle 3 : 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.

REPORT ON CORPORATE GOVERNANCE

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.

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

The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of Directors (including alternate Directors, if applicable).
- Review the skills required by the Board and the size of the Board.
- Determine annually whether or not a Director is independent.
- Develop a process for evaluating the performance of the Board, its board committees and Directors and implementing such process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director.
- Evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company.
- Make recommendation to the Board in determining the maximum number of listed company board representations which any Director may hold.
- Review the training and professional development programs for the Board.
- Review the Board's succession plans for Directors, in particular, the Chairman, the CEO and key management.

REPORT ON CORPORATE GOVERNANCE

The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments, re-appointments and oversee the Board and succession and leadership development plans of the key management personnel. Succession planning is a crucial element of the Group's corporate governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

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.

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least every three years. Regulation 105 of the Company's Constitution provides that one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. The retired Directors shall be eligible for re-election at the Annual General Meeting ("**AGM**").

Pursuant to Regulation 105 of the Company's Constitution, Messrs John Lim Yew Kong and Matthew Jonathan Garner will retire and submit themselves for re-appointment at the forthcoming AGM.

Mr Basil Chan who retires under Regulation 105 of the Company's Constitution will not seek re-election and will retire following the conclusion of the AGM.

The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the Directors as necessary.

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.

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	24 April 2019
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	24 April 2019

The task of assessing the independence of the Directors as set out under Provision 2.1 of the Code is delegated to the NC. The NC reviews the independence of each Director annually and as and when circumstances require.

The Board after taking into consideration the views of the NC, is of the view that Messrs Cosimo Borelli, John Lim Yew Kong and Basil Chan are independent and that, no individual or small group of individual dominates the Board's decision-making process.

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 FY2019, 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 and attention to the business and affairs 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.

REPORT ON CORPORATE GOVERNANCE

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

Name of Directors	Present Directorships/ Chairmanship in listed companies (as at March 2020)	Past Directorships/ Chairmanship in listed companies held over the preceding three years (from March 2017 to March 2020)	Other Principal Commitments
Anthony Brian Taylor	• Global Invacom Group Limited (Chairman)	• Nil	• Nil
Malcolm John Burrell	• Global Invacom Group Limited (Director)	• Nil	• Nil
Matthew Jonathan Garner	• Global Invacom Group Limited (Director)	• Nil	• Nil
John Lim Yew Kong	• Global Invacom Group Limited (Director) • Karin Technology Holdings Limited (Director) • ZICO Holdings Inc (Director)	• Nil	• Nil
Basil Chan	• Global Invacom Group Limited (Director) • AEM Holdings Ltd (Director) • Grand Banks Yachts Limited (Director) • Memories Group Limited (Director) • Broadway Industrial Group Limited (Director) • Nera Telecommunications Ltd (Director)	• YOMA Strategic Holdings Ltd (Director) • Singapore eDevelopment Ltd (Chairman)	• MBE Corporate Advisory Pte Ltd
Cosimo Borrelli	• Global Invacom Group Limited (Director)	• Acorn International Inc (Director) • PanAsialum Holdings Company Limited (Non-Executive Director)	• Borrelli Walsh Limited
Kenny Sim Mong Keang	• Global Invacom Group Limited (Director) • ZACD Group Ltd (Director)	• Nil	• I2 Capital Pte Ltd • FSK Advisory Pte Ltd

There was no Alternate Director being appointed by any Director for FY2019.

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 6 to 7 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.

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.

For FY2019, the Board has not engaged any external consultant to conduct an assessment of the effectiveness of the Board and the contribution by each individual Director to the effectiveness of the Board. Where relevant, the NC will consider such an engagement.

(B) REMUNERATION MATTERS

Principle 6 : 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.

REPORT ON CORPORATE GOVERNANCE

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

(a) the remuneration packages of the Directors, key management personnel of the Group and those employees related to Directors or controlling shareholders of the Group (if any);

(b) whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time;

(c) any performance based bonus scheme and any other share option scheme or share plan established from time to time for the Directors and key management personnel; and

(d) ongoing appropriateness and relevance of the Company's remuneration policy.

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 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 (S$)
Board	Board Member	52,500
Audit and Risk Committee	Committee Chairman	31,500
	Committee Member	15,750
Nominating Committee	Committee Chairman	15,750
	Committee Member	10,500
Remuneration Committee	Committee Chairman	15,750
	Committee Member	10,500

The Directors' fees for FY2019 paid quarterly in arrears amounted to S$346,500. Please refer to Principle 8: Disclosure of Remuneration as set out in this report for the breakdown.

For the financial year ending 31 December 2020, 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.

REPORT ON CORPORATE GOVERNANCE

Principle 7 : Level and Mix of Remuneration

The Group has in place a 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 three key targets, two of which were financial based on revenue and profit before tax and one was a soft target based on new product introduction.

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 FY2019. The important terms of the share schemes are provided in Notes 4 and 5 of the Directors' Statement as set out in this Annual Report.

The remuneration of Non-Executive Directors is 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.

Principle 8 : 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.

The details of the remuneration paid and payable to the Executive Directors and key management personnel for FY2019 are as shown:

Name of Executive Directors and Key Management Personnel	Remuneration Band(1)	Base/ Fixed Salary	Variable or Performance Related Income/ Bonus	Benefits in Kind	Total
		(%)	(%)	(%)	(%)
Executive Directors					
Anthony Brian Taylor	1	99.4	0.0	0.6	100.0
Malcolm John Burrell	3	98.1	0.0	1.9	100.0
Matthew Jonathan Garner	2	99.0	0.0	1.0	100.0
Key Management Personnel					
Gordon Blaikie	2	81.5	17.7	0.8	100.0
Wendy Isabel Wong Pei Fern	3	79.3	20.7	0.0	100.0
Jan Ulrich Treiber	3	99.0	0.0	1.0	100.0
Robert Bruce Lockhart	2	68.8	26.2	5.0	100.0
David Jonathan Wren Fugeman	2	98.9	0.0	1.1	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

REPORT ON CORPORATE GOVERNANCE

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 FY2019 are set out in the table below:

Non-Executive Directors	Directors' Fees Paid (S$)
John Lim Yew Kong	105,000
Basil Chan	94,500
Cosimo Borrelli	94,500
Kenny Sim Mong Keang	52,500
Total	346,500

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 FY2019.

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 bonus 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.

(C) ACCOUNTABILITY AND AUDIT

Principle 9 : 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 FY2019, 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.

For the financial year under review, the Board had also received the following:

i. written assurance from the CEO and the Chief Financial Officer that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and fair view of the Group's operations and finances; and

ii. assurance from the CEO and the key management personnel's that the Group's risk management and internal control systems in place were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

REPORT ON CORPORATE GOVERNANCE

Principle 10 : 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 of 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.

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;

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 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 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.

During the review of the financial statements for FY2019, 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	The ARC had considered the approach and methodology applied by Management to the valuation model in assessing the valuation of the inventories. 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. 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 FY2019. Refer to page 47 of this Annual Report.
Valuation of Goodwill	The ARC has considered the approach and methodology applied to the value-in-use ("**VIU**") model in goodwill impairment assessment. 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. 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 FY2019. Refer to page 48 of this Annual Report for the details on the CGUs.

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

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 7 of the Notes to the Financial Statements as set out in this Annual Report.

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 2019 and are relevant to its operations.

The ARC does not comprise former partners or Directors of the Company's external auditors.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT
(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 11 : Shareholder Rights and Conduct of Shareholder Meetings
Principle 12 : Engagement with Shareholders
Principle 13 : Engagement with Stakeholders

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.

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

The Company's Constitution allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. As the authentication of shareholder identity information and other related security issues remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The Company records the minutes of general meetings that include relevant and substantial comments from shareholders relating to the agenda of the meetings and responses from management. Such minutes will be available to shareholder upon their request.

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 FY2019.

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 has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of the stakeholders.

REPORT ON CORPORATE GOVERNANCE

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 FY2019.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all interest person transactions ("**IPTs**") are submitted in a timely manner to the ARC for review on the rationale and the terms of the Group's IPTs to ensure that they are conducted at arm's length basis and will not be prejudicial to the interest of the Company and its minority shareholders.

The ARC had reviewed the IPTs for FY2019 as follows and is of the view of the terms are on normal commercial terms and not prejudicial to the Company and its minority shareholders:

Name of Interested Person	Aggregate Value of All IPTs Conducted Under Shareholders' Mandate Pursuant to Rule 920 (excluding transactions less than S$100,000)	Aggregate Value of All IPTs (excluding transaction less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)
Cosimo Borrelli	–	S$227,724[1]

Note:
(1) Consultancy fee payable to Borrelli Walsh Asia Pacific (Beijing) Co., Ltd, a subsidiary of Borrelli Walsh Limited, for the services rendered for the relocation of the Group's Shanghai facility. Mr Cosimo Borrelli is a co-founder and shareholder of Borrelli Walsh Limited.

The Group does not have a general mandate from shareholders for IPTs pursuant to Rule 920 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, Non-Executive Director or controlling shareholder of the Company during FY2019.

RISK MANAGEMENT

Enterprise Risk Management ("**ERM**") 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 32 of the Notes to the Financial Statements as set out in this Annual Report.

REPORT ON CORPORATE GOVERNANCE

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 the Sustainability Report for FY2019 as set out in this Annual Report.

THE REQUIREMENTS UNDER RULE 720(6) OF THE LISTING MANUAL ARE SET OUT BELOW:

Date of appointment	30 April 2014	13 September 2010
Date of last re-appointment	26 April 2017	27 April 2016
Name of person	Matthew Jonathan Garner	John Lim Yew Kong
Age	56	59
Country of principal residence	United Kingdom	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr Garner's experience and contribution, the Nominating Committee has recommended that Mr Garner be re-elected as Director of the Company.	After assessing Mr Lim's experience and contribution, the Nominating Committee has recommended that Mr Lim be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Chief Financial Officer and is also a Director of other Group subsidiaries	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Lead Independent Director
Professional qualifications	• Honours degree in Law from the University of Liverpool in the United Kingdom • Associate Chartered Management Accountant	• Bachelor's degree in Economics from the London School of Economics and Political Science in the United Kingdom • Chartered Accountant from the Institute of Chartered Accountants in England and Wales

REPORT ON CORPORATE GOVERNANCE

Working experience and occupation(s) during the past 10 years	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 31 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.	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.
Shareholding interest in the listed issuer and its subsidiaries	Nil	15,000
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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* including directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Nil	Nil

REPORT ON CORPORATE GOVERNANCE

Past (for the last 5 years)	Nil	• ACM London Limited (Director) • Academy of Contemporary Music Asia Pte Ltd (Director) • Conchubar Aromatics Ltd (Director) • Conchubar Chemicals Ltd (Director) • Conchubar Infrastructure Fund (Director) • Metropolitan Good Company Pte Ltd (Director) • North Asia Resources Holdings Limited (Director) • Point Hope Group Pte Ltd (Director) • Point Hope Pte Ltd (Director) • Rahue Limited (Director) • Stellar Horizon Limited (Director) • Sunrise Offshore Pte Ltd (Director)
Present	Global Invacom Group Limited and its subsidiaries	• Global Invacom Group Limited • Karin Technology Holdings (Director) • ZICO Holdings Inc (Director) • ZICO Asset Management Pte Ltd • ZICO Capital Pte Ltd • St. Joseph's Institution International Elementary School Ltd • St Joseph's Institution International Ltd • Tribus Pte Ltd • FHFT Pte Ltd
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange?	NA	NA
If yes, please provide details of prior experience.	NA	NA
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.	NA	NA
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).	NA	NA
The general statutory disclosures (items (a) to (k) of Appendix 7.4.1) of the Directors are as follows: There is no change in the information of Mr Matthew Jonathan Garner as announced on 30 April 2014 and Mr John Lim Yew Kong as announced on 15 September 2010.		

DIRECTORS' STATEMENT

31 December 2019

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 2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019 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	
	1.1.2019	**31.12.2019**	**1.1.2019**	**31.12.2019**
<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	165,000	165,000	–	–
John Lim Yew Kong	15,000	15,000	–	–
Cosimo Borrelli	–	–	497,900	497,900

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

DIRECTORS' STATEMENT

31 December 2019

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		
	1.1.2019	**31.12.2019**	**21.1.2020**
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 24 April 2019. 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 2019

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 2019. 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 1.1.2019	Options granted	Options exercised	Options lapsed	Options outstanding as at 31.12.2019	Number of option holders as at 31.12.2019	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	3,190,000	–	–	–	3,190,000	11	(3)
22.6.2015	0.311	3,190,000	–	–	–	3,190,000	11	(4)
9.3.2016	0.12	1,525,000	–	–	(200,000)	1,325,000	9	(5)
9.3.2016	0.12	1,525,000	–	–	(200,000)	1,325,000	9	(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.

(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.

DIRECTORS' STATEMENT

31 December 2019

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

Options Granted (cont'd)

(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:

	Options granted for the financial year ended 31.12.2019	Aggregate granted since commencement of the 2013 Scheme to 31.12.2019	Aggregate exercised since commencement of the 2013 Scheme to 31.12.2019	Aggregate options outstanding as at 31.12.2019
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.

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 24 April 2019. 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.

DIRECTORS' STATEMENT

31 December 2019

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

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.

Share Awards Granted

No share awards were granted during the financial year ended 31 December 2019. As at the end of the financial year, the details of share awards granted pursuant to the Global Invacom PSP are as follows:

	Shares awarded for the financial year ended 31.12.2019	**Aggregate shares awarded since commencement of the Global Invacom PSP to 31.12.2019**
Basil Chan	–	15,000
John Lim Yew Kong	–	15,000

DIRECTORS' STATEMENT

31 December 2019

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;

(l) Reviews whistle-blowing reports (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.

DIRECTORS' STATEMENT

31 December 2019

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
9 April 2020

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 2019, 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"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 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
<u>Valuation of inventories</u> We refer to Note 3(a)(i) under "Critical judgements in applying accounting policies" and Note 18 to the consolidated financial statements. Inventories make up 31% 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 considered include the nature of the inventory, its ageing, shelf life and turnover rate.	<u>Our response:</u> 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. <u>Our findings:</u> We found that management's assessment of the allowance for inventory obsolescence to be reasonable based on available evidence.

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
Valuation of goodwill We refer to Note 3(b)(ii) under "Key sources of estimation uncertainty" and Note 13 to the consolidated financial statements. The Group has goodwill of US$0.9 million and US$5.2 million allocated to OnePath Networks Limited and Satellite Acquisition Corporation cash-generating units ("CGUs") as at 31 December 2019. During the current financial year, management recognised a full impairment loss of US$3.3 million on the goodwill allocated to The Waveguide Solution Limited as the carrying amount was in excess of its recoverable amount. 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 an 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.	Our response: 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. Our findings: 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Invacom Group Limited

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Invacom Group Limited

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
9 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Revenue	4	134,509	122,292
Cost of sales		(110,443)	(97,104)
Gross profit		24,066	25,188
Other income		244	569
Distribution costs		(292)	(322)
Administrative expenses		(27,429)	(22,913)
Impairment loss on other receivables		(2,538)	–
Other operating expenses		(5,678)	(14)
Finance income	5	230	96
Finance costs	6	(1,146)	(523)
(Loss)/Profit before income tax	7	(12,543)	2,081
Income tax credit/(expense)	8	254	(545)
(Loss)/Profit for the year		(12,289)	1,536
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign subsidiaries		72	(417)
Other comprehensive income/(loss) for the year, net of tax		72	(417)
Total comprehensive (loss)/income for the year		(12,217)	1,119
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		(12,278)	1,536
Non-controlling interests		(11)	–
		(12,289)	1,536
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		(12,206)	1,119
Non-controlling interests		(11)	–
		(12,217)	1,119
(Loss)/Earnings per share attributable to the equity holders of the Company (cents)			
– Basic	9	(4.52)	0.57
– Diluted	9	(4.52)	0.57

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current Assets					
Property, plant and equipment	10	10,254	12,606	168	85
Right-of-use assets	11	7,533	–	144	–
Investments in subsidiaries	12	–	–	27,586	44,892
Goodwill	13	6,092	9,352	–	–
Intangible assets	14	3,104	3,656	–	–
Other financial assets	15	8	1,519	–	1,511
Deferred tax assets	16	975	109	–	–
Other receivables and prepayments	20	54	55	10,100	9,608
		28,020	27,297	37,998	56,096
Current Assets					
Due from subsidiaries	17	–	–	4,105	939
Inventories	18	25,795	31,625	–	–
Trade receivables	19	19,846	24,874	–	–
Other receivables and prepayments	20	1,909	1,900	3,407	3,433
Tax receivables		38	15	–	–
Cash and cash equivalents	21	8,912	8,381	610	526
		56,500	66,795	8,122	4,898
Total assets		84,520	94,092	46,120	60,994
EQUITY AND LIABILITIES					
Equity					
Share capital	22	60,423	60,423	74,240	74,240
Treasury shares	22	(1,656)	(1,656)	(1,656)	(1,656)
Reserves	23	(14,691)	(2,161)	(26,853)	(13,988)
Equity attributable to owners of the Company		44,076	56,606	45,731	58,596
Non-controlling interests		(11)	–	–	–
Total equity		44,065	56,606	45,731	58,596
Non-current Liabilities					
Other payables	24	108	104	–	–
Lease liabilities	26	5,948	–	35	–
Deferred tax liabilities	16	428	406	–	–
		6,484	510	35	–
Current Liabilities					
Due to subsidiaries	17	–	–	–	2,109
Trade payables		12,903	19,381	–	–
Other payables	24	10,238	5,326	238	221
Borrowings	25	8,929	11,974	–	–
Lease liabilities	26	1,897	–	116	–
Provision for income tax		4	295	–	68
		33,971	36,976	354	2,398
Total liabilities		40,455	37,486	389	2,398
Total equity and liabilities		84,520	94,092	46,120	60,994

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	← Attributable to equity holders of the Company →										
	Share capital	Treasury shares	Merger reserves	Capital redemption reserves	Share options reserve	Capital reserve	Foreign currency translation reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group											
Balance at 1 January 2019	60,423	(1,656)	(10,150)	6	723	(3,560)	(1,289)	12,109	56,606	–	56,606
Adoption of SFRS(I) 16	–	–	–	–	–	–	–	(326)	(326)	–	(326)
Adjusted balance at 1 January 2019	60,423	(1,656)	(10,150)	6	723	(3,560)	(1,289)	11,783	56,280	–	56,280
Share-based payments	–	–	–	–	2	–	–	–	2	–	2
Transfer from capital reserve in accordance with statutory requirements	–	–	–	–	–	(1,549)	–	1,549	–	–	–
Loss for the year	–	–	–	–	–	–	–	(12,278)	(12,278)	(11)	(12,289)
Other comprehensive income:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	72	–	72	–	72
Total other comprehensive income/(loss) for the year	–	–	–	–	–	–	72	(12,278)	(12,206)	(11)	(12,217)
Balance at 31 December 2019	60,423	(1,656)	(10,150)	6	725	(5,109)	(1,217)	1,054	44,076	(11)	44,065
Balance at 1 January 2018	60,423	(1,656)	(10,150)	6	706	(3,695)	(872)	10,708	55,470	–	55,470
Share-based payments	–	–	–	–	17	–	–	–	17	–	17
Transfer to capital reserve in accordance with statutory requirements	–	–	–	–	–	135	–	(135)	–	–	–
Profit for the year	–	–	–	–	–	–	–	1,536	1,536	–	1,536
Other comprehensive loss:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	(417)	–	(417)	–	(417)
Total other comprehensive (loss)/income for the year	–	–	–	–	–	–	(417)	1,536	1,119	–	1,119
Balance at 31 December 2018	60,423	(1,656)	(10,150)	6	723	(3,560)	(1,289)	12,109	56,606	–	56,606

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Cash Flows from Operating Activities			
(Loss)/Profit before income tax		(12,543)	2,081
Adjustments for:			
Depreciation of property, plant and equipment		3,283	2,890
Amortisation of intangible assets		920	673
Depreciation of right-of-use assets		2,404	–
(Gain)/Loss on disposal of property, plant and equipment		(20)	5
Impairment loss on property, plant and equipment		2,185	–
Impairment loss on goodwill		3,260	–
Impairment loss on intangible assets		–	93
Allowance/(Write-back) for inventory obsolescence, net		2,816	(412)
Impairment loss on other receivables		2,538	–
Unrealised exchange loss		213	166
Interest income		(230)	(96)
Interest expense		1,146	523
Share-based payments		2	17
Gain on bargain purchase		–	(482)
Gain on disposal of subsidiary		(4)	–
Inventory written off		1,256	–
Bad debts written off		16	–
Write-back of payables		(74)	(73)
Operating cash flow before working capital changes		7,168	5,385
Changes in working capital:			
Inventories		1,758	(2,191)
Trade receivables		5,016	(5,618)
Other receivables and prepayments		(1,130)	1,477
Trade and other payables		(119)	5,211
Cash generated from operating activities		12,693	4,264
Interest paid		(972)	(227)
Income tax paid		(859)	(271)
Net cash generated from operating activities		10,862	3,766
Cash Flows from Investing Activities			
Interest received		59	85
Purchase of property, plant and equipment	10	(3,315)	(1,533)
Proceeds from disposal of property, plant and equipment		79	36
Acquisition of a business	12	(279)	(3,500)
Payment for financial asset, at fair value through profit or loss	15	(500)	(1,500)
Net cash used in investing activities		(3,956)	(6,412)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Cash Flows from Financing Activities			
Proceeds from borrowings	25	54,933	54,686
Repayment of borrowings	25	(58,053)	(50,811)
Principal payment of lease liabilities	25	(3,020)	–
Acquisition of non-controlling interests	12(d)	(11)	–
Net cash (used in)/generated from financing activities		(6,151)	3,875
Net increase in cash and cash equivalents		755	1,229
Cash and cash equivalents at the beginning of the year		8,381	7,152
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		(224)	–
Cash and cash equivalents at the end of the year	21	8,912	8,381

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 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 2019 and its comparatives have been prepared in accordance with the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). SFRS(I), issued by the Accounting Standards Council ("ASC"), comprises standards and interpretations that are equivalent to IFRSs as issued by the International Accounting Standards Board ("IASB"). All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I) in the financial statements.

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 SFRS(I) 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 3 "Critical accounting judgements and key sources of estimation uncertainty".

(b) Application of Singapore Financial Reporting Standards (International) ("SFRS(I)")

(i) <u>Adoption of new and revised SFRS(I)s and SFRS(I) INTs</u>

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INTs") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INTs. The adoption of these new or amended SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(b) Application of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

(i) *Adoption of new and revised SFRS(I)s and SFRS(I) INTs* (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right- of-use asset is depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g. rent- free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Right- of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*. 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.

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained profits on 1 January 2019. Under the modified retrospective approach, the Group has elected to apply the following practical expedients under SFRS(I) 16:

a) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4, the Group is exempted from having to reassess whether pre-existing contracts contain a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to leases entered or modified before 1 January 2019.

b) The Group has, on a lease-by-lease basis:
   - applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   - relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   - excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
   - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

c) The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on lessee accounting

For leases previously classified as operating leases, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. The Group recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(b) Application of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

(i) *Adoption of new and revised SFRS(I)s and SFRS(I) INTs* (cont'd)

Financial impact of adoption of SFRS(I) 16

On 1 January 2019, the Group recognised right-of-use assets of US$2,996,000 and lease liabilities of US$3,322,000, recognising the difference of US$326,000 in retained profits.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.25%.

The differences between the operating lease commitments disclosed applying SFRS(I) 1-17 in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the statement of financial position as at 1 January 2019 are presented below:

	US$'000
Operating lease commitments disclosed as at 31 December 2018	3,283
Add/(Less):	
Extension options which are reasonably certain to be exercised	110
Discounted using the incremental borrowing rate at 1 January 2019	(63)
Short-term leases	(4)
Currency realignment	(4)
Lease liabilities recognised at 1 January 2019	3,322

(ii) *SFRS(I) and SFRS(I) INTs issued but not yet effective*

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

	Effective for accounting periods beginning on or after
Amendments to SFRS(I) 3 *Business Combination: Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Material	1 January 2020
Interest Rate Benchmark Reform – Amendments to SFRS(I) 9 *Financial Instruments*, SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement* and SFRS(I) 7 *Financial Instruments: Disclosures*	1 January 2020
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2022

Except for the amendments to SFRS(I) 3, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(b) Application of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

(ii) *SFRS(I) and SFRS(I) INTs issued but not yet effective* (cont'd)

SFRS(I) 3 *Business Combination*

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 will adopt these amendments in the financial year beginning on 1 January 2020 in accordance with the transition provisions specified.

(c) 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 2019

2 Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

ii. Acquisition of subsidiaries and 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 SFRS(I) 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.

(d) 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 2019

2 Significant Accounting Policies (cont'd)

(e) Goodwill

Goodwill on acquisition 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.

(f) 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 contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advance payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liability includes "Customers advances received" as disclosed in Note 24. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(f) Revenue Recognition (cont'd)

Sale of satellite communications equipment (cont'd)

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 SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

(g) Leases – accounting policies applicable from 1 January 2019

i. When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 **Significant Accounting Policies** (cont'd)

(g) **Leases – accounting policies applicable from 1 January 2019** (cont'd)

i. **When the Group is the lessee** (cont'd)

Lease liabilities are measured at amortised cost, and are remeasured when:
- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

(g) **Leases – accounting policies applicable prior to 1 January 2019**

i. **When the Group is the lessee**

Lessee – 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.

(h) **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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(h) Functional and Foreign Currencies (cont'd)

Transactions and balances (cont'd)

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.

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.

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(k) 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.

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 profits 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.

Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(l) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(l) Income Tax (cont'd)

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.

(m) 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 US$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.

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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(n) Intangible Assets (cont'd)

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.

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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(p) Financial Assets

i. Classification

(a) Debt instruments

Financial assets that are debt instruments comprise mainly of cash and cash equivalents, trade and other receivables, and investments in debt securities. The Group classifies these assets into categories based on the Group's business model for managing them and their contractual cash flow characteristics.

- Financial Assets measured at Amortised Cost ("AC") comprise of assets that are held within a business model whose objective is to hold those assets for collection of contractual cash flows, and those contractual cash flows represent solely payments of principal and interest.

  The Group's financial assets measured at amortised cost comprise trade receivables (Note 19), other receivables (Note 20) and cash and cash equivalents (Note 21) in the consolidated statement of financial position.

- Financial Assets measured at Fair Value through Other Comprehensive Income ("FVOCI") comprise of assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling those assets, and those contractual cash flows represent solely payments of principal and interest.

- Financial Assets measured at Fair Value through Profit or Loss ("FVPL") comprise of assets that do not qualify for AC and FVOCI. Assets that would otherwise qualify for AC or FVOCI may also be designated as FVPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that arises from measuring assets and liabilities on an inconsistent basis.

(b) Equity instruments

Financial assets that are equity instruments comprise mainly of investments in equity securities. The Group classifies these assets as FVPL, except for those that the Group has designated as FVOCI. The FVOCI designation is irrevocable, and is not permitted for held-for-trading financial assets and financial assets that represent contingent consideration 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).

ii. Initial Measurement

Trade receivables that do not contain a significant financing component are initially recognised at their transaction price. Other financial assets are initially recognised at fair value, plus, for financial assets that are not at FVPL, transaction costs that are directly attributable to their acquisition. Transaction costs of financial assets at FVPL are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

iii. Subsequent Measurement

(a) Debt instruments

Amortised cost

These assets are subsequently measured at amortised cost using the effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit or loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount.

FVOCI

These assets are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit or loss. Any remaining fair value movements are recorded in OCI.

FVPL

These assets are subsequently measured at fair value. All fair value movements are recorded in profit or loss.

(b) Equity instruments

Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the fair value of FVPL equity investments are recognised in profit or loss, while changes in the fair value of FVOCI equity investments are recognised in other comprehensive income. All dividend income is recognised in profit or loss, except for dividends from FVOCI equity investments that clearly represent a recovery of the cost of investment.

iv. Impairment

At each reporting date, the Group assesses expected credit losses ("ECL") on the following financial instruments:

- Financial assets that are debt instruments measured at AC and FVOCI;
- Contract assets (as defined in SFRS(I) 15); and
- Financial guarantee contracts.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all shortfalls between the cash flows due to the Group in accordance with contractual terms, and the cash flows that the Group actually expects to receive. ECL is discounted at the effective interest rate of the financial asset. The Group records allowances on financial assets based on either the:

- 12-month ECL – representing the ECL that results from default events that are possible within the 12 months after the reporting date (or the expected life of the instrument if shorter); or
- Lifetime ECL – representing the ECL that results from all possible default events over the expected life of the contract.

Simplified approach – Trade receivables

For all trade receivables, the Group adopts a simplified approach whereby an allowance for lifetime ECL is assessed upon initial recognition. The Group estimates lifetime ECL using a provision matrix based on historical credit loss experience, adjusted for various factors including debtor-specific factors, forward-looking information such as industry and economic forecasts, and others as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

iv. Impairment (cont'd)

General approach – All other financial instruments on which ECL assessment is required

For all other financial instruments on which ECL is assessed, an allowance for 12-month ECL is recorded upon initial recognition. The allowance is increased to lifetime ECL if the credit risk at each reporting date has increased significantly as compared to the credit risk at initial recognition. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

The Group regards the following as events of default:

- Events that make it unlikely for the borrower to repay in full unless the Group undertakes actions to recover the asset (e.g. by exercising rights over collaterals or other credit enhancements); or
- The financial instrument has become overdue in excess of 60 days.

Credit-impaired financial instruments

At each reporting date, the Group assesses whether a financial instrument on which ECL assessment is required has become credit-impaired. This is the case when one or more events have occurred that are considered to be detrimental to the estimated future cash flows of the instrument. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- other lenders granting concessions (such as loan restructurings) to the borrower due to economic or contractual reasons, that would not have been considered in the absence of the borrower's financial difficulty;
- increasing likelihood that the borrower will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for the borrower's securities due to financial difficulties.

For credit-impaired financial assets, interest income is determined by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the ECL allowance).

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, such as when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

v. Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes a party to its contractual provisions. All regular way purchases and sales of financial assets are recognised on trade-date, which is 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

v. Recognition and derecognition (cont'd)

On derecognition of a financial asset that is a debt instrument, 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, for a financial asset that is a debt instrument 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 equity investment at FVPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. For equity investments at FVOCI, this difference is instead recognised directly in equity as part of retained profits. Cumulative gains and losses previously accumulated in equity are also transferred directly to retained profits upon derecognition of FVOCI equity investments.

(q) 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.

(r) 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 2019

2 Significant Accounting Policies (cont'd)

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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 2019

2 Significant Accounting Policies (cont'd)

(y) Dividends to Company's Shareholders

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

(z) 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 profits 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.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2 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 made an allowance for inventory obsolescence for the financial year ended 31 December 2019 of US$2,816,000 (2018: has written back an allowance for inventory obsolescence of US$412,000) (Note 7). In addition, inventories amounting to US$1,256,000 (2018: Nil) were written off during the year. The carrying amount of the Group's inventories as at 31 December 2019 was US$25,795,000 (2018: US$31,625,000) (Note 18).

(ii) Loss allowance for receivables

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2(p). This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible and this requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and impairment is recognised in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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

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

The Group made a loss allowance on other receivables of US$2,538,000 (2018: Nil) during the financial year ended 31 December 2019. No loss allowance on trade receivables was made for the financial years ended 31 December 2019 and 2018. The carrying amount of the Group's trade and other receivables is disclosed in Note 19 and 20. The information about the expected credit losses ("ECLs") on the Group's trade and other receivables is disclosed in Note 19, 20 and 32(b).

(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 2(n).

No impairment of capitalised development costs was made for the financial year ended 31 December 2019 (2018: Nil) (Note 14). The carrying amount of the Group's capitalised development costs as at 31 December 2019 was US$846,000 (2018: US$3,656,000) (Note 14).

(iv) Impairment loss on investments in subsidiaries

Management exercises their judgement in estimating recoverable amounts of its investments in subsidiaries. The recoverable amounts of the investments in subsidiaries are reviewed at the end of each reporting period to determine whether there is any indication that the investments in subsidiaries has suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use.

The Company made an impairment loss on investments in subsidiaries of US$13,803,000 (2018: Nil) during the financial year ended 31 December 2019. The carrying amount of investments in subsidiaries is disclosed in Note 12. The impairment loss has no impact on the consolidated financial statements of the Group.

(v) Impairment loss on property, plant and equipment

The Group assesses whether there are any indicators of impairment for all property, plant and equipment as at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and value in use.

The Group recognised an impairment loss on property, plant and equipment of US$2,185,000 (2018: Nil) during the financial year ended 31 December 2019. The carrying amount of property, plant and equipment is disclosed in Note 10.

(vi) Provision for restructuring costs

Management exercises their judgement in estimating the provision for restructuring costs associated with the relocation of its operations from China to the Philippines. The restructuring costs were reviewed at the end of the reporting period. Where the expectation is different from the original estimate, such difference will be recognised in the period in which such estimate has been changed. The Group recognised a provision for restructuring costs of US$4,188,000 during the financial year ended 31 December 2019.

If the provision increases/decreases by 10% from management's estimates, the Group's provision for restructuring costs would be an estimated US$419,000 (2018: Nil) higher or lower and (loss)/profit will increase/decrease by US$419,000 (2018: Nil), respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(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 2019 was US$10,254,000 (2018: US$12,606,000) (Note 10). 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 (loss)/profit for the year by approximately US$328,000 (2018: US$289,000).

(ii) Impairment loss on 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 2019 was US$6,092,000 (2018: US$9,352,000) (Note 13).

The Group made an impairment loss on goodwill arising from acquisition of subsidiary of US$3,260,000 during the financial year ended 31 December 2019 as the carrying amount is in excess of its recoverable amount. No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries assessed as at 31 December 2018 as the relevant recoverable amounts were in excess of the respective carrying amounts.

(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 credit of US$254,000 for the financial year ended 31 December 2019 (2018: income tax expense of US$545,000) (Note 8). The carrying amounts of the Group's tax receivables and provision for income tax were US$38,000 and US$4,000 (2018: US$15,000 and US$295,000), respectively. The carrying amounts of the Group's deferred tax assets and liabilities were US$975,000 and US$428,000 (2018: US$109,000 and US$406,000) respectively (Note 16) as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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

(iv) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 5.25%. The carrying amount of lease liabilities as at 31 December 2019 was US$7,845,000 (Note 26). If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by US$39,000.

4 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 31 Segment Information.

	Group	
	2019	**2018**
	US$'000	**US$'000**
Principal geographical market		
America		
– Sale of goods	93,657	85,831
Europe		
– Sale of goods	31,191	27,006
Asia		
– Sale of goods	4,129	5,210
Rest of the World		
– Sale of goods	5,532	4,245
Total	134,509	122,292
Major product lines		
Sale of goods	134,509	122,292

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

31 December 2019

5 Finance Income

	Group	
	2019	2018
	US$'000	US$'000
Interest income on bank deposits	60	85
Interest income on convertible notes	29	11
Interest income on loan to third party	141	–
	230	96

6 Finance Costs

	Group	
	2019	2018
	US$'000	US$'000
Interest expense on borrowings	937	523
Interest expense on lease liabilities	209	–
	1,146	523

7 (Loss)/Profit Before Income Tax

	Group	
	2019	2018
	US$'000	US$'000
This is arrived at after charging/(crediting):		
Cost of inventories recognised as an expense (included in cost of sales)	110,443	97,104
Amortisation of intangible assets	920	673
Depreciation of property, plant and equipment included in:		
– cost of sales	2,695	2,351
– administrative expenses	588	539
Depreciation of right-of-use assets included in:		
– cost of sales	2,018	–
– administrative expenses	386	–
Audit fees – Company's auditors	85	78
– Other auditors	480	414
Non-audit fees - Other auditors	122	91
(Gain)/Loss on disposal of property, plant and equipment (included in other income/other operating expenses)	(20)	5
Impairment loss on property, plant and equipment (included in other operating expenses)	2,185	–
Impairment loss on other receivables	2,538	–
Impairment loss on intangible assets (included in administrative expenses)	–	93
Impairment loss on goodwill (included in administrative expenses)	3,260	–
Bad debts written off	16	–
Inventories written off	1,256	–
Restructuring costs*	4,188	–
Operating lease expense	10	3,212
Allowance/(Write-back) for inventory obsolescence, net (Note 18)	2,816	(412)
Write-back of payables (included in other income)	(74)	(73)
Loss on foreign exchange (included in other operating expenses)	214	9
Research and development expense (included in administrative expenses)	1,671	2,805
Gain on bargain purchase (included in other income)	–	(482)

* During the financial year ended 31 December 2019, the business operations of Global Invacom Manufacturing (Shanghai) Co., Ltd were transferred to Global Skyware Limited's Philippines site.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

8 Income Tax (Credit)/Expense

	Group	
	2019	2018
	US$'000	US$'000
Income tax expense attributable to the results is made up of:		
Current income tax		
– current year	565	765
– over provision in prior year	(24)	(180)
Deferred tax (Note 16)		
– current year	(810)	(106)
Withholding tax		
– current year	15	66
	(254)	545

The income tax (credit)/expense on the (loss)/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	
	2019	2018
	US$'000	US$'000
(Loss)/Profit before income tax	(12,543)	2,081
Income tax expense calculated at applicable tax rates	(2,993)	451
Non-deductible expenses[1]	2,915	573
Non-taxable income	(633)	(368)
Deferred tax on tax losses not recognised	650	95
Utilisation of unrecognised deferred tax assets	(184)	(7)
Research and development credits	–	(85)
Over provision of income tax and deferred tax in prior year	(24)	(180)
Withholding tax		
– current year	15	66
	(254)	545

[1] Non-deductible expenses mainly include the allowances and impairments (Note 7) (2018: exchange loss arising from revaluation of non-trade balances and certain non-deductible professional and administrative expense).

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:

	2019	2018
Singapore	17%	17%
England and Wales	19%	19%
Malaysia	24%	24%
People's Republic of China	25%	25%
Israel	23%	23%
United States of America	21%	21%

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

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31 December 2019

8 Income Tax (Credit)/Expense (cont'd)

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 2019, withholding tax of US$15,000 (2018: US$61,000) on the portion of the undistributed earnings derived by the Group's subsidiaries in the PRC has been distributed out and paid as dividends during the year.

9 (Loss)/Earnings Per Share

(a) Basic (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/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:

	2019	2018
Net (loss)/profit for the year attributable to equity holders of the Company (US$'000)	(12,278)	1,536
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share computation ('000)	271,662	271,662
Basic (loss)/earnings per share (US cents)	(4.52)	0.57

(b) Diluted (Loss)/Earnings Per Share

For the purpose of calculating diluted (loss)/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 (loss)/profit (numerator).

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

	2019	2018
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share ('000)	271,662	271,662
Shares deemed to be issued for no consideration in respect of:		
Employee options ('000)	–	–
	271,662	271,662

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

9 (Loss)/Earnings Per Share (cont'd)

(b) Diluted (Loss)/Earnings Per Share (cont'd)

Diluted (loss)/earnings per share is calculated by dividing the net (loss)/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:

	2019	2018
Net (loss)/profit for the year attributable to equity holders of the Company (US$'000)	(12,278)	1,536
Weighted average number of ordinary shares outstanding for diluted (loss)/earnings per share computation ('000)	271,662	271,662
Diluted (loss)/earnings per share (US cents)	(4.52)	0.57

10 Property, Plant and Equipment

	Freehold property US$'000	Machinery & equipment US$'000	Furniture, fittings & equipment US$'000	Motor vehicles US$'000	Renovations US$'000	Construction in progress US$'000	Total US$'000
Group							
2019							
Cost							
Balance at 1 January	2,807	26,028	7,946	217	1,330	–	38,328
Currency realignment	–	(346)	11	3	(27)	–	(359)
Additions	–	2,817	425	–	73	–	3,315
Disposals	–	(422)	(2)	–	–	–	(424)
Write-off	–	(8)	(3)	–	–	–	(11)
Balance at 31 December	2,807	28,069	8,377	220	1,376	–	40,849
Accumulated depreciation and impairment							
Balance at 1 January	820	16,617	6,864	217	1,204	–	25,722
Currency realignment	(3)	(221)	1	3	1	–	(219)
Depreciation charge	32	2,597	602	–	52	–	3,283
Disposals	–	(364)	(1)	–	–	–	(365)
Write-off	–	(8)	(3)	–	–	–	(11)
Impairment	–	2,019	166	–	–	–	2,185
Balance at 31 December	849	20,640	7,629	220	1,257	–	30,595
Net book value							
Balance at 31 December	1,958	7,429	748	–	119	–	10,254

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10 Property, Plant and Equipment (cont'd)

	Freehold property US$'000	Machinery & equipment US$'000	Furniture, fittings & equipment US$'000	Motor vehicles US$'000	Renovations US$'000	Construction in progress US$'000	Total US$'000
Group							
2018							
Cost							
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 (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
Accumulated depreciation and impairment							
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
Net book value							
Balance at 31 December	1,987	9,411	1,082	–	126	–	12,606

During the current financial year ended 31 December 2019, impairment loss recognised in respect of technically obsolete plant and equipment amounted to US$2,185,000 (2018: Nil). Those assets belonged to the Group's Satellite Communications and Contract Manufacturing segments.

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

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10 Property, Plant and Equipment (cont'd)

	Furniture, fittings & equipment US$'000	Renovations US$'000	Total US$'000
Company			
2019			
Cost			
Balance at 1 January	58	80	138
Additions	151	–	151
Balance at 31 December	209	80	289
Accumulated depreciation			
Balance at 1 January	34	19	53
Depreciation charge	42	26	68
Balance at 31 December	76	45	121
Net book value			
Balance at 31 December	133	35	168
2018			
Cost			
Balance at 1 January	36	71	107
Additions	24	80	104
Write-off	(2)	(71)	(73)
Balance at 31 December	58	80	138
Accumulated depreciation			
Balance at 1 January	29	71	100
Depreciation charge	7	19	26
Write-off	(2)	(71)	(73)
Balance at 31 December	34	19	53
Net book value			
Balance at 31 December	24	61	85

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11 Right-Of-Use Assets

	Office premises & warehouses US$'000	Machinery & equipment US$'000	Motor vehicles US$'000	Total US$'000
Group				
2019				
Cost				
At 1 January 2019				
- Adoption of SFRS(I) 16	2,788	155	53	2,996
	2,788	155	53	2,996
Additions	6,554	239	28	6,821
Depreciation charge	(2,307)	(62)	(35)	(2,404)
Currency realignment	85	35	–	120
At 31 December 2019	7,120	367	46	7,533

	Office premises & warehouses US$'000	Total US$'000
Company		
2019		
Cost		
At 1 January 2019		
- Adoption of SFRS(I) 16	255	255
	255	255
Depreciation charge	(111)	(111)
At 31 December 2019	144	144

Right-of-use assets acquired under leasing arrangements are disclosed in Note 26.

12 Investments in Subsidiaries

	Company 2019 US$'000	Company 2018 US$'000
Unquoted equity shares, at cost	40,533	43,458
Accounting for employee share options	725	723
Currency realignment	131	711
Less: Allowance for impairment loss	(13,803)	–
	27,586	44,892

Movement in the allowance for impairment loss are as follows:

	Company 2019 US$'000	Company 2018 US$'000
At 1 January	–	–
Impairment loss recognised during the year	13,803	–
At 31 December	13,803	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12 Investments in Subsidiaries (cont'd)

Allowance for impairment loss

(i) Global Invacom Manufacturing Pte. Ltd. ("GIMPL")

As at 31 December 2019, an allowance for impairment loss of US$8,164,000 (2018: Nil) was made on the cost of investment in GIMPL, as the allocated cash generating unit ("CGU"), to which the investment relates to, was incurring losses from operations due to the restructuring costs incurred. The recoverable amount was based on management's estimate of the fair value less costs to sell, with reference to the fair value of the net assets of GIMPL, which is considered to be Level 3 in the fair value hierarchy.

(ii) Global Invacom Holdings Limited and its subsidiaries ("GIHL Group")

As at 31 December 2019, an allowance for impairment loss of US$5,639,000 (2018: Nil) was made on the cost of investment in GIHL Group, as the allocated cash generating unit ("CGU"), to which the investment relates to, was incurring losses from operations. The recoverable amount was based on management's estimate of the fair value less costs to sell, with reference to the fair value of the net assets of GIHL Group, which is considered to be Level 3 in the fair value hierarchy.

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

Name of subsidiaries and country of incorporation	Principal activities and place of business	Percentage of equity held by the Company		Cost of investment by the Company	
		2019	2018	2019	2018
		%	%	US$'000	US$'000
Held by the Company					
Global Invacom Holdings Limited[1] England and Wales	Investment holding England and Wales	100	100	24,861	30,500
Global Invacom Sdn. Bhd.[2] Malaysia	Trading and manufacturing Malaysia	100	100	33	33
Global Invacom Manufacturing Pte. Ltd.[3] Singapore	Trading and investment holding Singapore	100	100	1,836	10,000
Radiance Cayman Limited[5][15][16] Cayman Islands	Marketing and promotion Cayman Islands	–	100	–	#
Radiance Electronics (Shenzhen) Co., Ltd[15][16] PRC	Electronics manufacturing services PRC	–	100	–	2,925
				26,730	43,458

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31 December 2019

12 Investments in Subsidiaries (cont'd)

Name of subsidiaries and country of incorporation	Principal activities and place of business	Percentage of equity held by the Group 2019 %	2018 %
Held by Subsidiary			
Global Invacom Manufacturing (Shanghai) Co., Ltd[7][15] PRC	Electronics manufacturing services PRC	100	100
Global Invacom Limited[1][8] England and Wales	Design of products for reception and transmission of satellite signals England and Wales	100	100
Global Skyware Limited[1][8] England and Wales	Design and manufacture of satellite antennas and VSAT England and Wales	100	100
Invacom Holdings Limited[1][9] England and Wales	Dormant England and Wales	100	100
Invacom Limited[1][10] England and Wales	Dormant England and Wales	100	100
Invacom Systems Limited[1][10] England and Wales	Dormant England and Wales	100	100
The Waveguide Solution Limited[1][8] England and Wales	Design and manufacture of microwave waveguide components and applications England and Wales	100	100
Global Invacom Manufacturing (UK) Limited[1][8] England and Wales	Manufacture and supply of antennas and related products England and Wales	100	100
OnePath Networks Limited[6][8] Israel	Design and manufacture of product in radio frequency over fiber technology Israel	100	100
OnePath Networks Inc.[6][11] United States of America	Sales and marketing United States of America	100	100
Satellite Acquisition Corporation[4] United States of America	Investment holding United States of America	100	100
Raven Antenna Systems, Inc.[4][12] United States of America	Manufacture and distribution of antennas and related products United States of America	100	100
ASC Signal (Shenzhen) Consulting Services Co Limited[4][13] PRC	Provision of technical support and procurement of electronic components and parts PRC	100	100
Global Invacom Japan Kabushiki Kaisha[5][14][16] Japan	Promotion of satellite communications products Japan	–	100
PT Global Invacom Indonesia[5][17] Indonesia	Sales and marketing Indonesia	98	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12 Investments in Subsidiaries (cont'd)

(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 SFRS(I)/IFRS for consolidation purposes by Moore Stephens LLP, Singapore.
(16) The subsidiary was de-registered during the financial year ended 31 December 2019.
(17) Partially-owned subsidiary of Global Invacom Manufacturing Pte. Ltd.

# denotes less than US$1,000

(a) Acquisition of a business

During the current financial year ended 31 December 2019, Global Invacom Manufacturing (UK) Limited, a subsidiary of the Group, acquired the brand and intellectual property rights from Apexsat Pte. Ltd. for a consideration of EUR250,000 (approximately to US$279,000) (Note 14) which is a reasonable approximation of their fair value.

During the previous financial year ended 31 December 2018, 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:

	2018
	US$'000
Property, plant and equipment (Note 10)	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

(b) Interest in subsidiary with non-controlling interests

The Group has the following subsidiary that has non-controlling interests:

Name of subsidiary	**Country of incorporation/ principal place of business**	**Proportion of ownership and voting rights held by non-controlling interests**	**Net loss allocated to non-controlling interests**	**Accumulated non-controlling interests**
		2019	**2019**	**2019**
		%	**US$'000**	**US$'000**
PT Global Invacom Indonesia ("GI[2]")	Indonesia	98	(11)	(11)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12 Investments in Subsidiaries (cont'd)

(c) Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	GI² 2019 US$'000
Summarised statement of comprehensive income	
Current assets	281
Non-current assets	–
Current liabilities	(156)
Non-current liabilities	–
Equity attributable to owners of the Company	125
Summarised statement of comprehensive income	
Revenue	98
Loss for the year	(55)
Summarised statement of cash flows	
Net cash outfow from operating activities	(73)
Net cash inflow from investing activities	180
Net cash inflow from financing activities	4
Net cash inflow	111

(d) Incorporation of a subsidiary

In the current financial year ended 31 December 2019, PT Global Invacom Indonesia ("GI²") was incorporated. The Group through its subsidiary, holds an 83% equity interest in GI². The authorised paid-up capital of GI² amounted to IDR2.5 billion (equivalent to US$0.2 million).

During the financial year ended 31 December 2019, the Group acquired an additional 15% equity interest in GI² for a consideration of US$0.01 million. Following the additional acquisition, the Group has increased its equity interest in GI² from 83% to 98%.

(e) Striking-off of a subsidiary

In the current financial year ended 31 December 2019, a wholly-owned subsidiary of the Company, Radiance Electronics (Shenzhen) Co., Ltd, was voluntarily struck off. A gain on disposal of subsidiary of US$4,000 was recognised in profit or loss during the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13 Goodwill

	Group 2019 US$'000	Group 2018 US$'000
Cost		
Balance at the beginning and end of the year	9,352	9,352
Allowance for impairment loss		
Balance at the beginning of the year	–	–
Impairment loss recognised during the year (b)	3,260	–
Balance at the end of the year	3,260	–
Net carrying amount	6,092	9,352

(a) Allocation of goodwill

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

	Group 2019 US$'000	Group 2018 US$'000
Satellite Communications		
– The Waveguide Solution Limited ("TWS") – England and Wales	–	3,260
– OnePath Networks Limited ("OPN") – Israel	893	893
– Satellite Acquisition Corporation ("SAC") – United States of America	5,199	5,199
	6,092	9,352

Key assumptions used in the value in use calculations

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

	2019 TWS	2019 OPN	2019 SAC	2018 TWS	2018 OPN	2018 SAC
(i) Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGUs	13.4%	15.6%	17.5%	8.4%	5.4%	9.1%
(ii) Growth rates used to calculate the terminal value based on industry growth forecasts	0%	0%	0%	0%	0%	0%
(iii) Gross margin*	41% to 44%	54% to 55%	35% to 40%	41% to 45%	52% to 54%	38% to 40%

* 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 2019

13 Goodwill (cont'd)

(a) Allocation 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 further impairment on goodwill was required during the financial year ended 31 December 2019 (2018: Nil), except for the CGU disclosed in Note 13(b).

(b) Impairment loss recognised in the period

During the year, the Group recognised a full impairment loss of US$3.3 million (2018: Nil) in relation to goodwill attributable to TWS.

Based on the value in use calculations, management has assessed that the carrying amount of TWS, including goodwill, to be in excess of its recoverable amount.

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

14 Intangible Assets

	Trading name US$'000	Intellectual property rights US$'000	Capitalised development costs US$'000	Total US$'000
Group				
2019				
Cost				
Balance at 1 January	16	145	7,073	7,234
Acquisition of a business (Note 12(a))	–	279	–	279
Reclassification	–	2,250	(2,250)	–
Currency realignment	–	11	–	11
Balance at 31 December	16	2,685	4,823	7,524
Amortisation and imgairment				
Balance at 1 January	16	145	3,417	3,578
Amortisation charge	–	304	616	920
Reclassification	–	56	(56)	–
Currency realignment	–	(22)	(56)	(78)
Balance at 31 December	16	483	3,921	4,420
Net book value				
Balance at 31 December	–	2,258	846	3,104

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14 Intangible Assets (cont'd)

	Trading name US$'000	Intellectual property rights US$'000	Capitalised development costs US$'000	Total US$'000
Group				
2018				
Cost				
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
Amortisation and impairment				
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
Net book value				
Balance at 31 December	–	–	3,656	3,656

During the financial year ended 31 December 2019, the Group reclassified US$2,250,000 from capitalised development costs to intellectual property rights.

15 Other Financial Assets

		Group		Company	
		2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Equity investments measured at fair value through other comprehensive income					
Unlisted equity securities	(a)	8	8	–	–
Financial assets carried at fair value through profit or loss					
Financial asset, fair value through profit or loss	(b)	–	1,511	–	1,511
		8	1,519	–	1,511
Presented as:					
Non-current		8	1,519	–	1,511

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

15 Other Financial Assets (cont'd)

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

During the previous financial year ended 31 December 2018, the Company entered into a sales and purchase agreement ("SPA") with Tactilis Pte. Limited ("TPL") 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 Tactlis. 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.

During the financial year ended 31 December 2019, the Company invested a total sum of US$500,000 (2018: US$1,500,000) in the CN in Tactilis. Accrued interest of US$11,000 was recognised in the previous financial year ended 31 December 2018.

On 18 April 2019, the Company entered into a termination agreement with TPL and Tactilis (collectively known as "Tactilis Group") to terminate the SPA for the acquisition of Tactilis and waive the obligation of the CN. Subsequent to the termination, the Company had reclassified the financial asset, fair value through profit or loss with a principal amount of US$2.0 million together with the accrued interest of US$40,205 as an interest-bearing loan due from third party (Note 20(b)).

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	
	2019	**2018**
	US$'000	**US$'000**
Deferred income tax assets to be recovered after 1 year	975	109
Deferred income tax liabilities to be settled after 1 year	(428)	(406)

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Balance at the beginning of the year	(297)	(291)
Charge for the year (Note 8)	810	106
Currency realignment	34	(112)
Balance at the end of the year	547	(297)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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

	Deferred tax liabilities - Property, plant and equipment US$'000	Deferred tax assets - Unused tax losses and unabsorbed capital allowances US$'000	Total US$'000
Balance at 1 January 2018	(489)	198	(291)
Currency realignment	(112)	–	(112)
Credit/(Charge) for the year (Note 8)	195	(89)	106
Balance at 31 December 2018	(406)	109	(297)
Currency realignment	34	–	34
Credit/(Charge) for the year (Note 8)	(56)	866	810
Balance at 31 December 2019	(428)	975	547

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 2019, the Group has unutilised tax losses of approximately US$13,486,000 (2018: US$10,646,000) 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 2(l). The deferred tax assets not recognised are estimated to be US$2,450,000 (2018: US$1,984,000).

17 Due From/(To) Subsidiaries

	Company	
	2019 US$'000	2018 US$'000
Due from subsidiaries	4,105	939
Due to subsidiaries	–	(2,109)
Due to subsidiaries, net	4,105	(1,170)

As at 31 December 2019 and 2018, the amounts due from subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand. Dividend receivable of US$2.5 million was included in the amounts due from subsidiaries for dividend income declared during the current financial year.

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

31 December 2019

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 2019 and 2018 are as follows:

	Gross amounts of recognised financial assets/(liabilities) US$'000	Gross amounts of recognised financial assets/ (liabilities) offset in the statement of financial position US$'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position US$'000
2019			
Types of financial assets			
Amount due from subsidiaries			
– Non-trade	4,304	(199)	4,105
Types of financial liabilities			
Amount due to subsidiaries			
– Non-trade	(199)	199	–
2018			
Types of financial assets			
Amount due from subsidiaries			
– Non-trade	1,486	(547)	939
Types of financial liabilities			
Amount due to subsidiaries			
– Non-trade	(2,656)	547	(2,109)

18 Inventories

	Group	
	2019	**2018**
	US$'000	**US$'000**
Finished products	12,646	13,656
Work-in-progress	1,829	2,455
Raw materials	11,320	15,514
	25,795	31,625
Analysis of allowance for inventory obsolescence:		
Balance at the beginning of the year	1,365	2,543
Currency realignment	195	(72)
Allowance/(Write-back) for inventory obsolescence	2,816	(412)
Write-off of inventory obsolescence	–	(694)
Balance at the end of the year	4,376	1,365

NOTES TO THE FINANCIAL STATEMENTS

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19 Trade Receivables

	Group	
	2019	2018
	US$'000	US$'000
Trade receivables	23,878	28,925
Less: Loss allowance	(4,032)	(4,051)
	19,846	24,874

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 2(p)(iv). The Group has recognised a loss allowance of 17.5% (2018: 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$6.2 million (2018: 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 SFRS(I) 9 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)		
	Current	0 – 60 days	> 60 days	Total
	US$'000	US$'000	US$'000	US$'000
Group				
31 December 2019				
Expected credit loss rate	0.05%	0.1%	17.5%	
Trade receivables – gross carrying amount at default	14,219	4,490	5,169	23,878
Loss allowance – lifetime ECL	–*	–*	(213)[1]	(213)
Loss allowance – credit-impaired	–	–	(3,819)	(3,819)
Total allowance for impairment losses	–	–	(4,032)	(4,032)
				19,846
31 December 2018				
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)[2]	(232)
Loss allowance – credit-impaired	–	–	(3,819)	(3,819)
Total allowance for impairment losses	(9)	(6)	(4,036)	(4,051)
				24,874

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

19 Trade Receivables (cont'd)

* Considered immaterial.

(1) Loss allowance – lifetime ECL of US$213,000 is computed at 17.5% of gross trade receivables of US$1,217,000 as US$3,819,000 pertains to a specific debtor for which specific loss allowance of US$3,819,000 has been made. The Group has a specialist credit insurance policy in place to mitigate losses, by default of payment, on key client balances of US$133,000 for trade receivables past due over 60 days.

(2) 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 of US$3,819,000 has been made. The Group 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.

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

	Group	
	Lifetime ECL 2019 US$'000	Lifetime ECL 2018 US$'000
At 1 January	4,051	3,954
Impairment loss recognised profit or loss during the year		
– Assets acquired/originated	–	–
– Currency realignment	(19)	97
	(19)	97
At 31 December	4,032	4,051

20 Other Receivables and Prepayments

		Group		Company	
		2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Other receivables					
Deposits		377	227	48	37
Less: Loss allowance		(257)	–	–	–
Advanced payments		96	301	–	–
GST/VAT receivables		190	668	–	–
Other debtors		441	158	100	–
Less: Loss allowance		(100)	–	(100)	–
Loans to subsidiaries	(a)	–	–	13,437	12,838
Loan to third party	(b)	2,181	–	2,181	–
Less: Loss allowance		(2,181)	–	(2,181)	–
		747	1,354	13,485	12,875
Prepaid expenses		1,216	601	22	166
		1,963	1,955	13,507	13,041
Presented as:					
Non-current		54	55	10,100	9,608
Current		1,909	1,900	3,407	3,433
		1,963	1,955	13,507	13,041

(a) Loans to subsidiaries

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current	–	–	10,100	9,608
Current	–	–	3,337	3,230
	–	–	13,437	12,838

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

20 Other Receivables and Prepayments (cont'd)

(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. No loan (2018: US$2,000,000) was repaid during the financial year. Interest accrued from the date of drawdown to the reporting date is US$815,000 (2018: US$708,000).

(ii) Loan from the Company to GIHL

On 1 January 2019, 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$1,348,000 (2018: US$856,000).

(iii) Loan from the Company to SAC

On 1 May 2018, 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.

(b) Loan to third party

During the current financial year ended 31 December 2019, the CN classified as financial assets, fair value through profit or loss and interest receivable (Note 15(b)) were reclassified into an interest-bearing loan with a principal amount of US$2.0 million. The loan bears an adjusted interest at 10% per annum on the principal amount of the loan, payable on 31 October 2020. Interest accrued from the date of drawdown to the reporting date is US$181,000 (2018: Nil).

As at 31 December 2019, management has assessed that the default risk on the receivable has increased significantly as the third party is in an insolvent position and there was no repayment from the third party during the current financial year for the interest accrued.

The Group has recognised a full impairment of US$2,181,000 as at 31 December 2019. The loss allowance has been included under "other operating expenses" in the consolidated statement of comprehensive income (Note 7).

21 Cash and Cash Equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and bank balances	8,882	8,351	580	496
Fixed deposits	30	30	30	30
	8,912	8,381	610	526

The fixed deposits mature on short-term period and earned interest of 0.5% per annum during the current financial year (2018: 0.5%).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

21 Cash and Cash Equivalents (cont'd)

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

	Group	
	2019	2018
	US$'000	US$'000
Cash and bank balances	8,882	8,351
Fixed deposits	30	30
Cash and cash equivalents per the consolidated statement of cash flows	8,912	8,381

22 Share Capital and Treasury Shares

	Group		Company	
	Number of ordinary shares	Share capital	Number of ordinary shares	Share capital
	'000	US$'000	'000	US$'000
Issued and fully paid				
Balance at 31 December 2018 and 31 December 2019	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.

Treasury Shares

	Group and Company			
	2019		2018	
	Number of treasury shares	Treasury shares	Number of treasury shares	Treasury 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 2019 (2018: 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 24 April 2019, 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 2019, no issued ordinary shares were repurchased by the Company (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

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23 Reserves

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Merger reserves	(10,150)	(10,150)	–	–
Capital redemption reserves	6	6	–	–
Share options reserve (Note 25(b))	725	723	725	723
Capital reserve	(5,109)	(3,560)	(4,481)	(4,481)
Foreign currency translation reserve	(1,217)	(1,289)	(2,506)	(1,927)
Retained profits/(Accumulated losses)	1,054	12,109	(20,591)	(8,303)
	(14,691)	(2,161)	(26,853)	(13,988)

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 SFRS(I) 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.

Capital reserve

Capital reserve comprise the following items:

		Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
Statutory reserve fund	(i)	(628)	921	–	–
Sale of treasury shares	(ii)	(416)	(416)	(416)	(416)
Issuance of treasury shares	(iii)	(4,065)	(4,065)	(4,065)	(4,065)
		(5,109)	(3,560)	(4,481)	(4,481)

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

23 Reserves (cont'd)

Capital reserve (cont'd)

(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.

24 Other Payables

		Group		Company	
		2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Accrued operating expenses		3,657	3,214	133	180
Provision for warranty	(a)	201	254	–	–
Provision for restructuring costs	(b)	3,493	–	–	–
Deferred consideration (Note 12(a))		500	500	–	–
Customers advances received		382	71	–	–
GST/VAT payables		144	124	6	7
Other creditors		1,969	1,267	99	34
		10,346	5,430	238	221
Presented as:					
Non-current		108	104	–	–
Current		10,238	5,326	238	221
		10,346	5,430	238	221
Provision for warranty					
Balance at 1 January		254	210	–	–
Claimed during the year		(60)	(27)	–	–
Arose during the year		72	71	–	–
Changes in estimates related to previously issued warranties		(65)	–	–	–
Balance at 31 December		201	254	–	–
Provision for restructuring costs			–		
Balance at 1 January		–	–	–	–
Provision during the year		4,188	–	–	–
Paid during the year		(695)	–	–	–
Balance at 31 December		3,493	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

24 Other Payables (cont'd)

(a) 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$72,000 (2018: US$71,000).

(b) During the financial year ended 31 December 2019, the Group committed to transfer the business operations of Global Invacom Manufacturing (Shanghai) Co., Ltd to Global Skyware Limited's Philippines site. Following the transfer of business operations, the Group recognised a provision of US$4,188,000 for expected restructuring costs which mainly includes employee termination benefits. The restructuring is expected to be completed by June 2020.

25 Borrowings

	Group	
	2019	**2018**
	US$'000	**US$'000**
Borrowings - current	8,929	11,974

The borrowings as at 31 December 2019 were secured over the assets of the subsidiaries and corporate guarantees (Note 28) provided by the Company and its subsidiaries. As at 31 December 2019, the tenure of the borrowings was between 1 to 12 months (2018: 1 to 12 months). Interest was charged at 2.75% to 6.50% (2018: 2.50% to 7.25%) per annum during the financial year.

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

		Cash flows				
	1 January	**Adoption of SFRS(I) 16**	**Proceeds**	**Repayments**	**Other change**	**31 December**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019						
Borrowings – current	11,974	–	54,933	(58,053)	75	8,929
Lease liabilities (Note 26)	–	10,833	–	(3,020)	32	7,845
	11,974	10,833	54,933	(61,073)	107	16,774
2018						
Borrowings – current	8,025	54,686	54,686	(50,811)	74	11,974

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26 Lease liabilities

	Office premises & warehouses US$'000	Machinery & equipment US$'000	Motor vehicles US$'000	Total US$'000
Group				
2019				
Cost				
At 1 January 2019				
- Adoption of SFRS(I) 16	3,090	179	53	3,322
	3,090	179	53	3,322
Additions	7,161	322	28	7,511
Interest expense (Note 6)	199	10	–	209
Modifications to lease terms	46	–	–	46
Lease payments				
– Principal portion	(2,930)	(52)	(38)	(3,020)
– Interest portion	(199)	(10)	–	(209)
Currency realignment	(8)	(6)	–	(14)
At 31 December 2019	7,359	443	43	7,845

	Office premises & warehouses US$'000	Total US$'000
Company		
2019		
Cost		
At 1 January 2019		
– Adoption of SFRS(I) 16	260	260
	260	260
Interest expense	11	11
Lease payments		
– Principal portion	(109)	(109)
– Interest portion	(11)	(11)
At 31 December 2019	151	151

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26 Lease liabilities (cont'd)

The maturity analysis of lease liabilities of the Group and Company at each reporting date are as follows:

	Group 2019 US$'000	Company 2019 US$'000
Contractual undiscounted cash flows		
– Less than 1 year	2,226	122
– Between 1 to 5 years	6,357	35
– More than 5 years	308	–
	8,891	157
Less: Future interest charges	(1,046)	(6)
Present value of lease liabilities	7,845	151
Presented as:		
– Non-current	5,948	35
– Current	1,897	116
	7,845	151

The Group leases factory buildings, office premises and office equipment with only fixed payments over the lease terms. The Company is prohibited from selling, pledging or sub-leasing the underlying leased assets and is required to maintain the assets in good condition.

As at 31 December 2019, the interest rate implicit in the leases was 5.25%.

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented in Note 25.

27 Employee Benefits

(a) Staff Costs

	Group 2019 US$'000	Group 2018 US$'000
Salaries, bonuses and related costs (including executive directors)	26,067	27,020
Defined contribution plans	2,846	2,505
Share-based payments	2	17
Termination benefits	4,188	–
	33,103	29,542

(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 24 April 2019, 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$2,000 (2018: US$17,000) has been included in the administrative expenses for the year ended 31 December 2019 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 27(a) above.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

27 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:

1.1.2019	Granted	Exercised/ (Lapsed)	31.12.2019	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
3,190,000	–	–	3,190,000	S$0.311	22 June 2016 to 21 June 2025
3,190,000	–	–	3,190,000	S$0.311	22 June 2017 to 21 June 2025
1,525,000	–	(200,000)	1,325,000	S$0.12	9 March 2018 to 8 March 2026
1,525,000	–	(200,000)	1,325,000	S$0.12	9 March 2019 to 8 March 2026
12,260,000	–	(400,000)	11,860,000		

1.1.2018	Granted	Exercised/ (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		

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 2019		
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 2019

27 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:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at the beginning of the year	12,260,000	S$0.231	13,240,000	S$0.231
Granted during the year	–	–	–	–
Lapsed during the year	(400,000)	S$0.120	(980,000)	S$0.233
Balance at the end of the year	11,860,000	S$0.235	12,260,000	S$0.231
Weighted average remaining contractual life in years	5.2 years		6.2 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 2019. 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 2019

27 Employee Benefits (cont'd)

(c) Performance Share Plan (cont'd)

No share awards were granted during the financial year ended 31 December 2019. As at the end of the financial year, the details of share awards granted to the directors of the Company are as follows:

1.1.2019	Granted	Exercised/(Lapsed)	31.12.2019
30,000	–	–	30,000

28 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	
	2019	2018
	US$'000	US$'000
Salaries, bonuses and related costs	1,552	1,382
Directors' fees	254	264
Defined contribution plans	265	279
Share-based payments	6	6
	2,077	1,931
Comprise amounts paid/payable to:		
– Directors of the Company	1,047	1,024
– Key management	1,030	907
	2,077	1,931

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

29 Commitments

Operating lease commitments

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 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 ended 31 December 2018, the future minimum rentals payable under non-cancellable operating leases are as follows:

	Group 2018 US$'000	Company 2018 US$'000
Future minimum lease payments:		
Within 1 year	2,152	120
Between 1 to 5 years	1,131	155
After 5 years	–	–

As disclosed in Note 2(b)(i), the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position.

30 Financial Guarantee

As disclosed in Note 25, the Company and its subsidiaries have provided corporate guarantees of US$8,676,000 (2018: US$10,169,000) to banks for facilities and loans granted to the subsidiaries of the Group. The borrowings outstanding were approximately US$8,929,000 as at 31 December 2019 (2018: US$11,974,000).

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.

31 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 2(u). 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

31 December 2019

31 Segment Information (cont'd)

(a) Reportable Operating Segments

	Sat Comms US$'000	CM US$'000	Group US$'000
2019			
Revenue	129,262	5,247	134,509
Operating loss	(9,359)	(2,268)	(11,627)
Finance income			230
Finance costs			(1,146)
Income tax credit			254
Loss for the year			(12,289)
Amortisation of intangible assets	920	–	920
Addition to intangible assets	279	–	279
Depreciation of property, plant and equipment	3,144	139	3,283
Depreciation of right-of-use assets	2,282	122	2,404
Addition to property, plant and equipment	3,154	161	3,315
Impairment loss on property, plant and equipment	1,777	408	2,185
Impairment loss on other receivables	2,489	49	2,538
Impairment loss on goodwill	3,260	–	3,260
Restructuring costs	3,415	773	4,188
Inventories written off	1,016	240	1,256
Allowance for inventory obsolescence, net	2,367	449	2,816
Assets and liabilities			
Segment assets	79,817	2,677	82,494
Unallocated assets			
– Non-current assets			168
– Other receivables			91
– Deferred tax assets			975
– Cash and cash equivalents			610
– Tax receivables			38
– Right-of-use assets			144
Total assets			84,520
Segment liabilities	28,794	1,862	30,656
Unallocated liabilities			
– Other payables			287
– Provision for income tax			4
– Deferred tax liabilities			428
– Borrowings			8,929
– Lease liabilities			151
Total liabilities			40,455

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

The Group initially applied SFRS(I) 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (Note 2(b)(i)). As a result, the Group recognised US$2,996,000 of right-of-use assets and US$3,322,000 of liabilities from those lease contracts. The assets and liabilities are included in the Sat Comms and CM segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (Note 2(b)(i)).

As at 31 December 2019, right-of-use assets of US$7,330,000 and US$59,000 and lease liabilities of US$7,631,000 and US$63,000 are included in the Sat Comms and CM segments, respectively.

	Sat Comms US$'000	CM US$'000	Group US$'000
2018			
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)
Profit for the year			1,536
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 loss on intangible assets	93	–	93
Gain on bargain purchase	482	–	482
Write-back for inventory obsolescence, net	(412)	–	(412)
Assets and liabilities			
Segment assets	85,054	6,507	91,561
Unallocated assets			
– Non–current assets			1,597
– Other receivables			230
– Deferred tax assets			109
– Cash and cash equivalents			580
– Tax receivables			15
Total assets			94,092
Segment liabilities	21,229	3,300	24,529
Unallocated liabilities			
– Other payables			282
– Provision for income tax			295
– Deferred tax liabilities			406
– Borrowings			11,974
Total liabilities			37,486

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31 Segment Information (cont'd)

(b) Geographical Information

Revenue and non-current assets (exclude deferred tax assets and other financial assets) information based on the geographical location of customers and assets respectively are as follows:

	America US$'000	Europe US$'000	Asia US$'000	Rest of the World US$'000	Group US$'000
2019					
Total revenue from external customers	93,657	31,191	4,129	5,532	134,509
Non-current assets	9,271	15,259	2,356	151	27,037
2018					
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

(c) Information about Major Customers

Included in revenue arising from the Sat Comms and CM segments are sales of approximately US$100,207,000 (2018: US$86,552,000) which are sales to the Group's 5 (2018: 5) largest customers (of which the largest single customer accounts for 30.8% (2018: 31.3%) of total revenue).

32 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 ("CNY"), Pound Sterling ("GBP"), Malaysian Ringgit ("MYR") and Indonesian Rupiah ("IDR"). 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 2019

32 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 US$'000	SGD US$'000	CNY US$'000	GBP US$'000	MYR US$'000	IDR US$'000	Others US$'000	Total US$'000
Group								
2019								
Financial assets								
Cash and cash equivalents	7,022	107	334	499	403	75	472	8,912
Trade receivables	15,836	–	19	3,262	382	17	330	19,846
Other receivables (excluding advanced payments and GST/VAT receivables)	253	49	4	39	14	–	102	461
Other financial assets	8	–	–	–	–	–	–	8
	23,119	156	357	3,800	799	92	904	29,227
Financial liabilities								
Trade and other payables (excluding provision for warranty, provision for restructuring costs, deferred consideration, customers advances received and GST/VAT payables)	(10,890)	(249)	(3,153)	(3,613)	(127)	(9)	(488)	(18,529)
Borrowings	(8,929)	–	–	–	–	–	–	(8,929)
Lease liabilities	(5,106)	(151)	(328)	(2,155)	(59)	–	(46)	(7,845)
	(24,925)	(400)	(3,481)	(5,768)	(186)	(9)	(534)	(35,303)
Net financial assets/ (liabilities)	(1,806)	(244)	(3,124)	(1,968)	613	83	370	(6,076)
(Less)/Add:								
Net financial assets/liabilities denominated in the Group's entities functional currency	2,116	–	–	(790)	(613)	–	–	713
Currency exposure	310	(244)	(3,124)	(2,758)	–	83	370	(5,363)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency risk (cont'd)

	USD US$'000	SGD US$'000	CNY US$'000	GBP US$'000	MYR US$'000	Others US$'000	Total US$'000
Group							
2018							
Financial assets							
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
	30,675	198	377	2,489	862	558	35,159
Financial liabilities							
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)
	(25,577)	(247)	(6,948)	(2,367)	(152)	(545)	(35,836)
Net financial assets/ (liabilities)	5,098	(49)	(6,571)	122	710	13	(677)
(Less)/Add:							
Net financial assets/liabilities denominated in the Group's entities functional currency	(4,797)	–	–	(612)	(710)	(45)	(6,164)
Currency exposure	301	(49)	(6,571)	(490)	–	(32)	(6,841)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency risk (cont'd)

	USD US$'000	SGD US$'000	GBP US$'000	Total US$'000
Company				
2019				
Financial assets				
Cash and cash equivalents	473	71	66	610
Amounts due from subsidiaries	4,105	–	–	4,105
Other receivables	13,437	48	–	13,485
	18,015	119	66	18,200
Financial liabilities				
Other payables (excluding GST/VAT payables)	–	(200)	(32)	(232)
Lease liabilities	–	(151)	–	(151)
	–	(351)	(32)	(383)
Net financial assets/(liabilities)	18,015	(232)	34	17,817
Less:				
Net financial assets denominated in the Company's functional currency	(18,015)	–	–	(18,015)
Currency exposure	–	(232)	34	(198)
2018				
Financial assets				
Cash and cash equivalents	417	90	19	526
Amounts due from subsidiaries	939	–	–	939
Other receivables	12,838	37	–	12,875
Other financial assets	1,511	–	–	1,511
	15,705	127	19	15,851
Financial liabilities				
Amounts due to subsidiaries	(2,109)	–	–	(2,109)
Other payables (excluding GST/VAT payables)	–	(214)	–	(214)
	(2,109)	(214)	–	(2,323)
Net financial assets/(liabilities)	13,596	(87)	19	13,528
Less:				
Net financial assets denominated in the Company's functional currency	(13,596)	–	–	(13,596)
Currency exposure	–	(87)	19	(68)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency risk (cont'd)

If the SGD, CNY, GBP and IDR 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)	
	Loss before tax	Profit before tax	Loss before tax	Loss before tax
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
SGD against USD				
– strengthened	12	(2)	12	4
– weakened	(12)	2	(12)	(4)
CNY against USD				
– strengthened	156	(329)	–	–
– weakened	(156)	329	–	–
GBP against USD				
– strengthened	138	(25)	(2)	(1)
– weakened	(138)	25	2	1
IDR against USD				
– strengthened	(4)	–	–	–
– weakened	4	–	–	–

(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 are higher/lower by 1% and all other variables were held constant, the Group's (loss)/profit for the year ended 31 December 2019 would decrease/increase by US$89,000 (2018: US$120,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 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$5,473,000 (2018: US$9,135,000) 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 69.8% (2018: 71.2%) of the trade receivables outstanding as at the end of the financial year are owing from not more than 5 (2018: 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 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 2(p)(iv), 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

Other receivables and amounts due from subsidiaries

For the purpose of impairment assessment, other receivables (excluding loan to third party, deposits and other debtors) (Note 20) 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.

The loan to third party, deposits and other debtors are measured at an amount equal to the lifetime ECL. Further details on the loss allowance is disclosed in Note 20.

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.

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.	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired.	Lifetime ECL (credit-impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

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:

	Internal credit rating	ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
Group					
31 December 2019					
Trade receivables (Note 19)	Note 1	Lifetime ECL (Simplified)	23,878	(4,032)	19,846
Loan to third party (Note 20)	Non-performing	Lifetime ECL	2,181	(2,181)	–
Deposits (Note 20)	Non-performing	Lifetime ECL	257	(257)	–
Other debtors (Note 20)	Non-performing	Lifetime ECL	100	(100)	–
Other receivables (excluding advanced payments and GST/VAT receivables) (Note 20)	Performing	12-month ECL	461	–	461
31 December 2018					
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

For Note 1 – The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Note 19 and 20.

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:

	Internal credit rating	ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
Company					
31 December 2019					
Loan to third party (Note 20)	Non-performing	Lifetime ECL	2,181	(2,181)	–
Other debtors (Note 20)	Non-performing	Lifetime ECL	100	(100)	–
Other receivables (Note 20)	Performing	12-month ECL	13,485	–	13,485
Amounts due from subsidiaries (Note 19)	Performing	12-month ECL	4,105	–	4,105
31 December 2018					
Other receivables (Note 20)	Performing	12-month ECL	12,875	–	12,875
Amounts due from subsidiaries (Note 19)	Performing	12-month ECL	939	-	939

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

Credit risk exposure and significant credit risk concentration (cont'd)

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence does not expect significant credit losses arising from guarantees.

(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.

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 US$'000	Contractual cash flows US$'000	Less than 1 year US$'000	Between 1 to 5 years US$'000	More than 5 years US$'000
Group					
2019					
Trade and other payables (excluding provision for warranty, provision for restructuring costs, deferred consideration, customers advances received and GST/VAT payables)	18,529	18,529	18,421	108	–
Borrowings	8,929	9,306	9,306	–	–
Lease liabilities	7,845	8,891	2,226	6,357	308
2018					
Trade and other payables (excluding provision for warranty, customers advances received and GST/VAT payables)	23,862	23,862	23,758	104	–
Borrowings	11,974	12,423	12,423	–	–
Company					
2019					
Other payables (excluding GST/VAT payables)	232	232	232	–	–
Lease liabilities	151	157	122	35	–
2018					
Other payables (excluding GST/VAT payables)	214	214	214	–	–
Amounts due to subsidiaries	2,109	2,109	2,109	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

32 Financial Risk Management (cont'd)

(c) Liquidity Risk (cont'd)

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	
	2019	**2018**
	US$'000	**US$'000**
Financial guarantee (Note 30)	8,676	10,169

(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 2019 and 2018.

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 2019 and 2018.

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, lease liabilities, borrowings, trade and other payables, amounts due to subsidiaries, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Lease liabilities	7,845	–	151	–
Borrowings	8,929	11,974	–	–
Trade and other payables	23,249	24,811	238	214
Amounts due to subsidiaries	–	–	–	2,109
Less: Cash and cash equivalents	(8,912)	(8,381)	(610)	(526)
Net debt/(cash)	31,111	28,404	(221)	1,797
Equity attributable to the equity holders of the Company	44,076	56,606	45,731	58,596
Net-debt-to-equity ratio	70.6%	50.2%	N.M.	3.1%

N.M. – Not meaningful as the Company had net cash as at the end of the financial year ended 31 December 2019.

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31 December 2019

33 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:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);

(ii) 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

(iii) 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 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group and Company				
2019				
Financial asset at fair value through other comprehensive income	–	–	8	8
2018				
Financial asset at fair value through profit or loss	–	–	1,500	1,500
Financial asset at fair value through other comprehensive income	–	–	8	8

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

33 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)

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), non-current portion of other payables (Note 24) and non-current lease liabilities (Note 26) 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 SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Company's Audit and Risk Committee.

34 Subsequent Events

(a) COVID-19

The Group continues to monitor the impact of the COVID-19 pandemic around the world. The Group's primary regard is the protection of its employees and it is monitoring the government's advice in all countries in which it operates. The Group will apply for the applicable government support to minimise the financial impact on employees and safeguard the future of the business. In many regions, the Group is considered an essential supplier of equipment and expects to continue to service its customers to the full extent possible without risking the health of its employees.

(b) Closure of Chinese Manufacturing Site

The Group is continuing the closure activity in respect of its manufacturing site in Shanghai, China which began in financial year ended 2019. It is on target to complete the cessation of manufacturing activity by the end of June 2020, unless there is an unexpected impact from the COVID-19 pandemic.

SHAREHOLDERS' INFORMATION

As at 20 March 2020

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	21	1.79	943	0.00
100	-	1,000	136	11.57	48,341	0.02
1,001	-	10,000	287	24.43	1,621,250	0.60
10,001	-	1,000,000	706	60.08	72,278,352	26.60
1,000,001		and above	25	2.13	197,713,341	72.78
			1,175	100.00	271,662,227	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	OCBC Securities Private Ltd	66,855,848	24.61
2.	DBSN Services Pte Ltd	24,334,179	8.96
3.	DBS Nominees Pte Ltd	20,578,675	7.57
4.	RHB Securities Singapore Pte Ltd	17,057,768	6.28
5.	SCE Enterprise Pte. Ltd.	10,597,500	3.90
6.	Tan Seng Hock	8,456,500	3.11
7.	Phillip Securities Pte Ltd	6,243,862	2.30
8.	Coffee Express 2000 Pte Ltd	5,250,000	1.93
9.	Hong Joo Co Pte Ltd	5,019,000	1.85
10.	Raffles Nominees (Pte) Limited	4,918,700	1.81
11.	Maybank Kim Eng Securities Pte. Ltd	3,308,300	1.22
12.	Fugeman, David Jonathan Wren	2,784,927	1.03
13.	Kong Kok Choy	2,600,000	0.96
14.	OCBC Nominees Singapore Pte Ltd	2,472,600	0.91
15.	Chan Ghee Soon	2,200,000	0.81
16.	Allplus Holdings Pte Ltd	2,057,500	0.76
17.	Sng Beng Hock Michael	1,860,000	0.68
18.	Tan Koon Jim	1,756,200	0.65
19.	ABN Amro Clearing Bank N.V.	1,561,900	0.57
20.	Yeo Hian Chong	1,464,300	0.54
	Total	191,377,759	70.45

SHAREHOLDERS' INFORMATION

As at 20 March 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholder)

	Direct Interest		Deemed Interest		Total Interest	
Substantial Shareholders	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Gregory Knox Jones(2)	–	–	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(3)	7,000	0.002	18,231,000	6.71	18,238,000	6.71
Tan Seng Hock(4)	8,456,500	3.11	7,307,500	2.69	15,764,000	5.80

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.
(4) Mr Tan Seng Hock is deemed interested in 2,057,500 ordinary shares held by Allplus Holdings Pte. Ltd., by virtue of his 83% shareholdings in Allplus Holdings Pte. Ltd. and 5,250,000 ordinary shares held by Coffee Express 2000 Pte. Ltd., by virtue of his 33.33% shareholdings in Coffee Express 2000 Pte. Ltd.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available and to the best knowledge of the Company, as at 20 March 2020, approximately 61.68% 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.

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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 *(Appointed on 31 March 2020)*
Yeoh Kar Choo Sharon *(Resigned on 31 March 2020)*

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AUDIT PARTNER-IN-CHARGE
Christopher Bruce Johnson
(Appointed with effect from financial year ended 31 December 2018)

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