SunningdaleTech

BUILDING LONG-TERM **SUSTAINABILITY**

ANNUAL REPORT **2019**

CONTENTS

OUR VISION

World leading precision plastic solution-provider recognised for our extensive engineering expertise and experience

VALUES

- **Be experts**
  With an extensive global footprint, financial stability, and years of experience, we channel our expertise to deliver reliable solutions in all things plastics
- **Be problem-solvers**
  As an engineering company, problem solving is our forte, and we're geared to solving challenging projects or exploring different ways to optimise our processes in order to better meet your needs
- **Be progressive**
  We continually look to create better solutions, and explore, evaluate & apply new ideas & possibilities that are relevant to you

CHAIRMAN'S MESSAGE

KOH BOON HWEE
Chairman
April 2020

DEAR SHAREHOLDERS,

FY2019 was a challenging year.

The global automotive industry plunged deeper into recession, with sales dropping more than 4% as carmakers struggled to find buyers in key markets such as China and India. In China, the world's largest market for vehicles, there was a sharp slowdown in economic growth and an elimination of tax incentives for electric car purchases which impacted demand. Furthermore, economic growth slowed due in part to the trade war with the U.S., triggering a decline in wages and concerns about job security. In India, another huge market where carmakers had invested heavily, problems at major non-bank financial institutions reduced lending and hit vehicle sales.

The slowdown across global automotive markets and overall weakening demand from subdued economic growth presented challenges to the Group's operations in FY2019. In addition, our financial performance was impacted by the shift of one of our plastic component operations from Shanghai to the lower-cost region of Chuzhou which led to a duplication of costs. While weighing on our operations in the first half of the year, this shift from Shanghai to the lower-cost region of Chuzhou was completed in 3Q2019.

During the year, the initial start-up phase of our new plant in Penang led to lower levels of overall utilisation. In 2H2019, utilisation gradually improved as we begun mass production in Penang and won new projects from key customers.

In addition to the above factors, we continued to face the usual headwinds including price pressure from customers, foreign exchange volatility and rising labour and utility costs. Moreover, although a phase one trade deal was recently signed between the U.S. and China, the underlying fundamental conflict remained as global supply chains continued to adjust to the changing business landscape.

Despite the challenges, our efforts were geared towards controlling costs and enhancing operational efficiency. We steered a turnaround from a loss-making 2Q2019 and returned to profitability in 3Q2019 and 4Q2019 driven by a change in product mix, tightening cost controls and the completion of the relocation from Shanghai to Chuzhou. For FY2019, we reported a core net profit of $11.9 million. Along with an interim dividend of 3.0 Singapore cents, the Board has declared a final dividend of 5.0 Singapore cents, maintaining total dividends from the previous financial year.

A CULTURE OF INNOVATION TO STAY AHEAD OF THE CURVE

As a Group, we remain focused on building the long-term sustainability of our operations. We believe in investing in our people, along with better equipment and automation to enhance our engineering capabilities. In 2019, we continued to invest in high-end equipment, an example being the addition of a laser sintering machine and metal additive manufacturing (3D printing) technologies to enhance our tool making capabilities and shorten lead times.

In line with our three-year initiative to embark on our very own industry 4.0 transformation, we have also procured a seven-axis CNC turn mill machine to meet the increasing expectations of customers. These investments will allow us to continue to differentiate ourselves from the competition and mitigate cost pressures.

LONG-TERM FOCUS ON FUNDAMENTALS

As a plastic component provider into the worldwide supply chains of original equipment manufacturers, we accept that there are some things we cannot control on a day-to-day basis. Our customers all have their own business cycles, with their ups and downs. With this in mind, we will focus on the following initiatives in the near-term during FY2020:

- Increasing labour productivity to mitigate rising wages from government-induced minimum wage levels
- Tightening capital expenditure unless absolutely necessary while prudently assessing the return on new projects to justify spending
- Conducting a thorough review of all our processes and making improvements

In the longer term, our strategy remains consistent as we focus on the fundamentals of our businesses which we believe will bring more enduring long-term value accretion to our shareholders including:

- Continued investment into technology. For example, 3D printing that will improve productivity and speed to market. This includes spending on IT technology to fully integrate our plant and machinery, as well as building data for analytics that will help us in the future

CHAIRMAN'S MESSAGE

- Developing more solutions-oriented processes to engage our customers earlier in their product development process
- Effective management of cash flows and profit, not just revenue. In this context, we will continue to phase out low-margin projects and replace them with higher-margin projects, with minimum new capital expenditure
- Expanding our manufacturing footprint and enhancing our technological capabilities through inorganic growth initiatives

THE IMPACT FROM COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak to be a global pandemic. The rapid spread of the virus has caused major disruptions to worldwide supply chains, dampened economic sentiment and led to several countries declaring national emergencies while closing their borders to contain the outbreak.

The rapid onset of the virus has wreaked havoc across the global manufacturing landscape. During 1Q2020, we were impacted by mandatory government closures of our factories in China in a traditionally seasonally weaker quarter during the Lunar New Year festival. While our factories have gradually come back online in China, the worldwide pandemic stemming from the virus has led to severe demand and supply shocks to the global economy.

In Malaysia, the government on 16 March 2020 announced a restricted movement order ("RMO") from 18 March 2020, where all Malaysians were prohibited from leaving Malaysia, and all companies were to be closed except for those involved in essential goods or services during period of RMO. We were swift to respond, arranging accommodation for our Malaysian-based employees who commute to Singapore daily and thus mitigated the impact at our Singapore operations. We were able to work closely with the Malaysian authorities and customers to get clearance to continue production for products related to essential goods such as medical and surgical devices.

To mitigate the impact from COVID-19, we have been focusing on tightening cost controls, improving productivity and enhancing operational efficiency. During this difficult period, the priority across our global operations is the health and wellbeing of its employees while ensuring the long-term sustainability of its operations.

OUTLOOK

During this time of unprecedented weak demand, we are sticking to our fundamental strategy of diversifying our customer base and expanding our product offering. Within the Automotive segment which has been mired by a global slowdown, we are aggressively pursuing new projects with business development initiatives geared towards less labour-intensive processes.

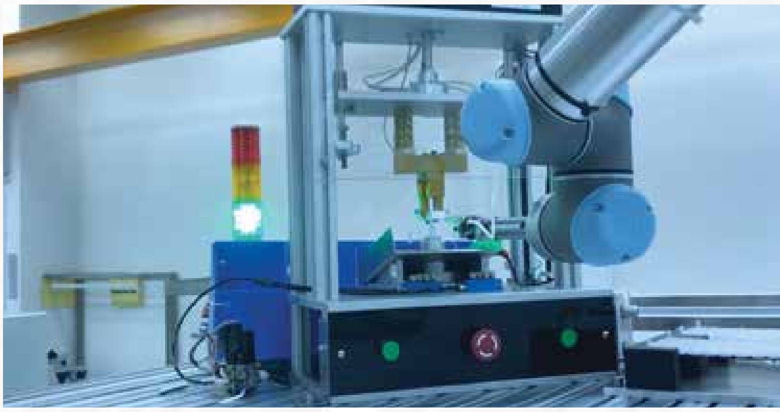
Within the Consumer/IT segment, we continue to see softening demand from customers due to subdued global economic growth and the added uncertainty surrounding COVID-19. We had previously made a deliberate and strategic decision to exit the lower-margin business of a particular customer in February 2019 to focus on higher-margin complex precision engineering components. This strategy remains as we want to leverage on our complex, precision engineering capabilities to produce higher-margin plastic components.

THE FUTURE OF OUR HEALTHCARE SEGMENT AS KEY GROWTH DRIVER

Over the past five years, we have invested heavily in developing the infrastructure of Healthcare segment, identifying its potential as a key growth driver in the near to mid-term. This segment typically incurs a longer gestation period due to the strenuous requirements and qualification period within the industry.

While it has taken some time, we are beginning to garner strong momentum, accelerating business development initiatives as our engineering capabilities gain traction. While other segments reported declines in revenue for FY2019, revenue from the Healthcare segment increased to $57.3 million and accounted for 8.5% of total revenue. Our Healthcare segment has been the fastest growing segment in recent years and we see this trend continuing.

A series of interesting projects have come on board with multinational healthcare customers and we envision this segment to continue to grow and contribute towards a larger percentage of our overall revenue. We have developed both new and existing customers, securing projects related to medical devices and consumables. Over time as the segment grows, our profitability margins will improve as these increasingly complex projects require high-precision capabilities.



APPRECIATION

We would like to express our sincere appreciation and gratitude to our shareholders for their enduring belief in the long-term prospects of the Company. Over the years, your continued support has enabled us to tide through challenging times and to ultimately enhance shareholder value.

I would also like to express my gratitude to Non-Executive Director, Mr Wong Chi Hung and Independent Director, Mr Ong Sim Ho for their invaluable contributions to the Group over the years. On behalf of the Board of Directors, we wish them all the best in their future endeavours as they retire from the Board.

On behalf of the Board of Directors, I would also like to express our appreciation to our colleagues, the management team, our customers, business partners and associates for their unwavering support throughout the years. More than anything, our people and their dedication make Sunningdale what it is today and I look forward to entering a new decade of growth with all of you.

Koh Boon Hwee
Chairman
April 2020

主席
致词

各位股东：

FY19是具挑战的一年。

全球汽车业进一步陷入经济衰退，由于汽车制造商竭力在中国和印度等主要市场寻找买家，汽车销售下降逾4%。中国是全球最大的汽车市场，由于经济增长大幅放缓，以及购买电动车的税务优惠取消，该市场对汽车的需求因而受到冲击。此外，经济增长放缓的部分原因是中国与美国陷入贸易战，使到薪金下降，以及员工对就业保障感到担忧。印度方面，它是另一个汽车制造商投入许多资金的市场，由于大型非银行金融机构减少借贷，该市场的汽车销售因而受到影响。

随着全球各大汽车市场放缓，以及整体需求在经济增长受抑制的情况下疲弱，本集团的业务在FY19备受考验。此外，我们的财务表现因我们其中一项塑料部件业务从上海迁移至成本较低的滁州而受到影响。虽然这在2019年上半年对我们的业务造成压力，但该业务从上海迁移至滁州的行动已于2019年第3季完成。

在2019年，由于我们在槟城的新厂房处于初次启动的阶段，我们的整体厂房使用率因而减低。随着我们于2019年下半年开始在槟城进行大量生产，以及从主要客户赢得新项目，我们的厂房使用率逐渐提高。

除了以上因素，我们持续面对与以往一样的经济逆风，包括来自客户的价格压力、外汇波动不定，以及劳工成本与通用费用均不断上涨。此外，尽管美国与中国最近签订了第一阶段的贸易协议，但潜在的根本冲突仍然是全球供应链持续调整以适应不断改变的商业生态。

尽管充满挑战，但我们努力往控制成本与提高营运效率方面前进。因此，我们从2019年第2季蒙受亏损回转到2019年第3季和第4季取得盈利的情况，原因是我们产品组合改变、加强成本控制，以及完成将业务从上海迁移至滁州。我们于FY19录得1,190万新元的核心净利。连同0.03新元的中期股息，本集团的董事局亦派发0.05新元的终期股息，使到股息总额维持在上一个财年的水平。

创立创新文化以保持领先地位

作为集团，我们依然专注于让我们的业务可长期地维持下去。我们认为，把资源投入到我们的员工，以及投资购买更好的设备和自动化设施能够提高我们的工程能力。在2019年，我们继续投资于高端设备，例如我们增添了激光烧结机和扩展了金属增材制造(三维(3D)打印)技术，使我们的工具制造能力提高，以及订货至交货的时间缩短。

为了配合我们自己进行的行业4.0转型3年期计划，我们已采购了一个7轴CNC车铣机床，以满足客户越来越高的期望。这些投资将能让我们继续与竞争对手区分开来，同时减低成本压力。

将长远目标放在基本面上

作为替全球原设计制造商(OEM)供应塑料部件的供应商，我们接受日常生活中有些事情是我们无法控制的。我们的客户有它们自己的商业周期，业务有起有伏。考虑到这一点，短期来说，我们将在FY20专注于以下计划：

- 提高劳动生产力，以缓解工资不断上涨的影响，工资不断上涨是由政府实行的最低工资标准所引起
- 缩紧资本开支，除非是绝对必要的开支，同时谨慎评估新项目的回报，以证明支出合理
- 全面检讨我们所有的流程，并作出改进

长期而言，我们的策略依然是把焦点放在我们业务的基本面上，我们认为这将为我们的股东带来更持久的长期增值效益，其中包括：

- 持续投资于技术。例如，3D打印技术，此技术可提高生产力和提升推向市场的速度。这包括投资于资讯科技(IT)技术，以完全融合我们的厂房和机器，以及为进行分析而建立数据，这将在未来对我们有帮助
- 发展更重视解决方案服务的流程，以让我们更早地接触客户的产品开发流程
- 有效地管理现金流与盈利，不仅是管理收入而已。在此背景下，我们将继续地逐步淘汰利润率偏低的项目，并由利润率更高和需要低新资本开支的项目取代
- 透过内部增长计划来拓展我们的制造版图和提升我们的技术能力

2019新型冠状病毒(COVID-19)带来的影响

在2020年3月11日，世界卫生组织(WHO)宣布COVID-19为全球流行病。由于这个冠状病毒迅速扩散，全球供应链受到严重影响，经济情绪也受到抑制，进而导致多个国家宣布全国进入紧急状态，同时关闭其边境以控制病毒扩散。

随着这个冠状病毒迅速爆发，全球制造业已遭受到严重影响。2020年第1季，在中国政府强制关闭厂房的情况下，我们的中国厂房于农历新年停运。此外，第1季往往是较为淡静的季度。尽管我们的厂房逐渐在中国恢复运作，但全球疫情严峻已令全球经济受到严重的供需冲击。

马来西亚方面，其政府于2020年3月16日宣布从3月18日起实施行动管制令。在该管制令下，所有马来西亚人禁止离开马来西亚，而所有公司必须在行动管制令实行期间关闭，从事必需品或基本服务业务的公司则除外。我们迅速作出反应，为我们每日往返马来西亚和新加坡的马来西亚籍员工安排住宿，因而降低了我们新加坡业务所受到的影响。我们得以和马来西亚有关当局与客户紧密合作，从而获得批准，让我们继续生产与必需品相关的产品，如医疗与手术器具。

为了减轻COVID-19所带来的影响，我们一直把焦点放在加强成本控制、提高生产力，以及提升营运效率。在这个艰难时期，我们的环球业务所优先考虑的是员工的健康和福祉，同时确保业务可长期维持下去。

前景

在这个需求空前疲弱的时期，我们坚持我们的基本策略，即扩大我们的客户群和所提供的产品种类。由于汽车业务因全球经济放缓而受到影响，我们正积极寻求新项目，这些项目是以需要较少劳动力的流程为发展基础。

消费/资讯科技(IT)业务方面，客户的需求持续疲弱，因为全球经济增长受抑制，以及COVID-19疫情使到情况更加不明朗。我们之前已经做出经过深思熟虑的策略决定，就是在2019年2月从某个客户利润率偏低的业务中退出，以专注于利润更高的复杂精密工程部件业务。我们继续采用这项策略，因为我们想要借助我们的复杂精密工程能力来生产利润率更高的塑料部件。

医疗保健业务为未来的主要增长动力

在过去的5年里，我们投入了大量资金来发展医疗保健业务的基础建设。我们意识到医疗保健业务的潜力，它可在近期至中期内成为本集团的主要增长动力。医疗保健业务通常需要较长的酝酿期，因为这个行业的要求严谨，以及需要花一些时间来取得资格。

虽然花了一些时间，但我们已开始获得强劲势头，业务发展计划也正在加速，原因是我们的工程能力越来越受欢迎。尽管其他业务的FY19收入减低，但医疗保健业务在该财年的收入增加至5,730万新元，占总收入的8.5%。我们的医疗保健业务近年来一直是增长最快的业务，而我们认为这股趋势将持续下去。

有了多国医疗保健客户的支持，一系列令人关注的项目纷纷推出，而我们预期这项业务将持续取得增长，并将会为我们的整体收入带来更大贡献。我们已扩大新客源与现有客源，因此取得了与医疗器材与消费品有关的项目。当这项业务随着时间取得增长时，我们的盈利率将会提高，由于这些越来越复杂的项目需要高精密能力。

鸣谢

我们衷心感谢我们的股东坚持相信本公司的长期前景。多年以来，你持续不断的支持使我们能够度过富有挑战的时期，最终提高股东价值。

我也要感谢非执行董事Wong Chi Hung先生和独立董事Ong Sim Ho先生这些年来对本集团所作出的宝贵贡献。随着两位卸下董事职务，离开董事局，我们谨代表董事局祝他们今后一切顺利。

此外，我谨代表董事局向我们的同事、管理团队、客户、商业伙伴和联合公司表达谢意，感谢他们多年来一直支持着我们。最重要的是，我们的员工及他们恪尽职守的态度让向阳科技取得了今天的成就，我期待和大家迈入下一个10年增长。

许文辉
主席
2020年4月

BOARD OF DIRECTORS

MR KOH BOON HWEE

is the Non-Executive Chairman of Sunningdale Tech Ltd.

He is the Chairman (Executive) of Credence Partners Pte Ltd.

He is currently the Non-Executive Chairman of public-listed Far East Orchard Ltd, AAC Technologies Holdings Ltd and Agilent Technologies, Inc. Mr Koh serves as a director on the board of Bank Pictet & Cie (Asia) Ltd, and is also the Chairman of the Nanyang Technological University Board of Trustees and Chairman of Rippledot Capital Advisers Pte Ltd.

Mr Koh was previously Chairman of DBS Group Holdings Ltd and DBS Bank Ltd (2005-2010), Singapore Airlines Ltd (2001-2005), SIA Engineering Company Ltd (2003-2005), Singapore Telecommunications Ltd (1986-2001), Omni Industries Ltd (1996-2001), Executive Chairman of the Wuthelam Group of Companies (1991-2000) and, before that, Managing Director of Hewlett-Packard Singapore (1985–1990), where he started his career in 1977.

He holds a Bachelor of Science (Mechanical Engineering) First Class Honours Degree from Imperial College, University of London, and a Master of Business Administration (with Distinction) from Harvard Business School.

MR KHOO BOO HOR

is the CEO of Sunningdale Tech Ltd. Prior to this appointment, he was the Group Operations Director and was responsible for the Group's manufacturing operations. Mr Khoo played a significant role in integrating the operations of Sunningdale Precision Industries Ltd and Tech Group Asia Ltd following the merger of the two companies in July 2005.

Mr Khoo was previously the Director of Operations for Hewlett-Packard ("HP") Singapore, where he was responsible for HP's Enterprise Storage and Server manufacturing operations. He worked in HP in various capacities for over 16 years.

Mr Khoo holds a Bachelor of Science and a Bachelor of Engineering (Honours) from Monash University, as well as a Master of Business Administration from the University of Louisville, Kentucky.

MR WONG CHI HUNG

is the Non-Executive Director of Sunningdale Tech Ltd. He began his moulding and tooling career by establishing Chi Wo Plastic Moulds Fty. Ltd. in Hong Kong in 1983. In 1994, he set up Shenzhen Xinlianxing Mould (Shenzhen) Co., Ltd in Shenzhen, China to start tool making activities. Two years later, another factory was set up in Zhongshan, China, called Zhongshan Zhihe Electrical Equipment Co., Ltd.

Mr Wong has successfully made Chi Wo a premium one-stop moulding supplier for computer, electronics, automotive and consumer industries through his years of directorship. He retired as Managing Director of Chi Wo Plastic Moulds Fty. Ltd, a wholly-owned subsidiary of Sunningdale Tech Ltd on 30 June 2014.

BOARD OF DIRECTORS

MR GABRIEL TEO CHEN THYE

is an Independent Director of Sunningdale Tech Ltd. He is also an Independent Director of IFS Capital Limited, and sits on the boards of other corporates as well as non-profit organisations.

Mr Teo was previously Regional Managing Director of Bankers Trust, and Chief Executive Officer of The Chase Manhattan Bank. In his earlier career, he had also held various senior appointments at Citibank and Citicorp Investment Bank.

He holds a Bachelor of Business Administration degree from the University of Singapore and a Master of Business Administration from Cranfield School of Management. Mr Teo also attended the Executive Program in International Management at Columbia University.

MR KAKA SINGH

is an Independent Director of Sunningdale Tech Ltd. He is also the Chairman of RSM Chio Lim LLP, Singapore Chartered Accountants.

He holds memberships in various professional bodies. Mr Singh was the past president of ACCA Singapore, CIMA Singapore and SAICSA. In 2010, Mr Singh was awarded the inaugural ACCA Award in recognition of his tireless dedication and contribution to ACCA. In 1994 he was awarded the Silver Medal by ICPAS for his contributions to the community and the accounting profession in Singapore. He holds an MBA from the Cass Business School, City, University of London.

MR ONG SIM HO

is an Independent Director of Sunningdale Tech Ltd. He is the Managing Director of Corporate & Finance Practice at Drew & Napier LLC. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law of Lincoln's Inn, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

BOARD OF DIRECTORS

MRS EILEEN TAY-TAN BEE KIEW

is an Independent Director of Sunningdale Tech Ltd. She has extensive experience in areas such as accounting, auditing, taxation, public listings, due diligence, mergers and acquisitions, and business advisory. She was a partner at KPMG and had served as a director of several companies, both private and publicly listed, in Singapore and Australia.

Currently, she is the Lead Independent Director and Chairman of the Audit Committee of SGX-ST Catalist-listed Jason Marine Group Limited and also, Chairman and Independent Director of SGX-ST Catalist-listed Singapore Kitchen Equipment Limited.

She graduated from the University of Singapore in 1974 with a Bachelor of Accountancy (Honours). She is a fellow member of the Institute of Singapore Chartered Accountants (ISCA), the Chartered Institute of Management Accountants (CIMA) in the United Kingdom and CPA Australia. She is also a member of the Singapore Institute of Directors.

MR LOKE WAI SAN

is an Independent Director of Sunningdale Tech Ltd.

He is the Executive Chairman and Director of AEM Holdings Ltd, and a non-independent Director of Procurri Corporation, both companies are listed on the main board of the Singapore Stock Exchange. He is also an Independent Director on the board of Enterprise Singapore, and a founder and Managing Director of the private equity fund adviser Novo Tellus Capital Partners.

Mr Loke's expertise is in cross-border private equity investments in various sectors including semiconductors, IT, enterprise software, medical equipment, and manufacturing. From 2000 to 2010, he was with Baring Private Equity Asia, where he was a Managing Director and head of Baring Asia's US office and subsequently co-head for Southeast Asia. Prior to joining Baring Asia, Mr Loke was a Vice President at venture capital fund H&Q Asia Pacific from 1999 to 2000, a Senior Manager at management consulting firm AT Kearney from 1995 to 1999, and an R&D engineer with Motorola from 1991 to 1993. Mr Loke was a former Chairman and President of Singapore American Business Association in San Francisco.

Mr Loke holds an engineering degree from Lehigh University and an MBA from the University of Chicago.

MANAGEMENT TEAM

MS SOH HUI LING

is the Chief Financial Officer of Sunningdale Tech Ltd. She is responsible for the Group's financial and management accountings, treasury and taxation. Prior to this appointment, she was the Group Financial Controller and she held the same post at the former Sunningdale Precision Industries Ltd.

Before joining Sunningdale Precision Industries Ltd, Ms Soh was the Finance and Administrative Manager of Dew Management Advancement Consultants Pte Ltd, in charge of the accounts and administration department.

She was also previously an Audit Supervisor at Paul Wan & Co, in charge of the audit and accounts department.

Ms Soh holds a Diploma in Business Studies from Ngee Ann Polytechnic in Singapore. She completed the Association of Chartered Certified Accountant Course in 1991 and is a Fellow member of the Association of Chartered Certified Accountants, UK, and a Fellow of the Institute of Singapore Chartered Accountants.

MR CHAN WHYE MUN

is the General Manager for South Asia, responsible for all moulding operations in Singapore, Malaysia (Penang, Cemerlang and Senai), Indonesia (Batam), India (Chennai) and Thailand (Rayong) plants. He took over the Corporate IT operations in November 2018 and has overall responsibility for the information technology strategy and execution for all the companies under the Group. He is also responsible for the Group on-going business processes re-engineering and standardisation effort.

Prior to joining Sunningdale Tech Ltd, he was the COO of UMS Holdings, a semiconductor precision machining and solutions company.

Mr Chan was previously a Senior Director of Product Engineering, Failure Analysis and Quality for Seagate Technology where he worked for 13 years. Before that, he was in Hewlett Packard Singapore as a Reliability Engineer for 3 years.

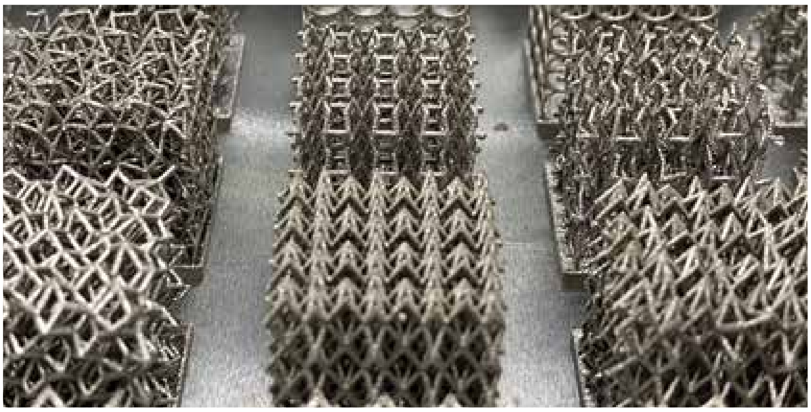
Mr Chan holds a Bachelor of Engineering (1st Class Hons) from University of Western Australia.

MR CHAN TUNG SING

is the Senior Vice President – Business Development primarily focusing on Automotive business segment. Mr Chan has previously served as the General Manager for Shanghai operations for 6 years and was fully responsible for the plant performance before changing into his current role in November 2011.

Prior to joining Sunningdale Tech Ltd, Mr Chan spent over 11 years with Hewlett Packard ("HP") in various management positions. His last role was the Materials Manager, Engineering & Supply Chain, of Enterprise Storage & Servers Group, Asia Pacific Region. He was responsible for formulating and implementing material engineering strategy, materials management for various HP Global Business Units and implementing Asia Pacific Supply Chain Programs. Mr Chan comes with vast management experience in Product, Test & Procurement engineering, Materials and Supply Chain.

Mr Chan holds a Bachelor degree of Electrical Engineering from the National University of Singapore.



MANAGEMENT TEAM

MR TAN BAIR KION SIMON

is the Senior Vice President – Corporate Management and the General Manager responsible for business development and operations of Omni Mold Ltd, the flagship precision tooling subsidiary of Sunningdale Tech Ltd along with four other tooling operations of the Group. He has been with the Group since 1998, currently actively involved in spearheading new breakthroughs in tooling technologies.

Mr Tan began his career as an apprentice in 1980. He worked through the rank and file of being a mould maker, tool room supervisor and tool room manager in 1995, managing both precision mould design and manufacturing operations. His main focus has always been in operational effectiveness and improvements in efficiency through utilising advanced manufacturing technologies and innovations, as well as in business developments efforts.

Mr Tan holds a Bachelor of Science Degree (Hons) in Business and Management Studies from University of Bradford.

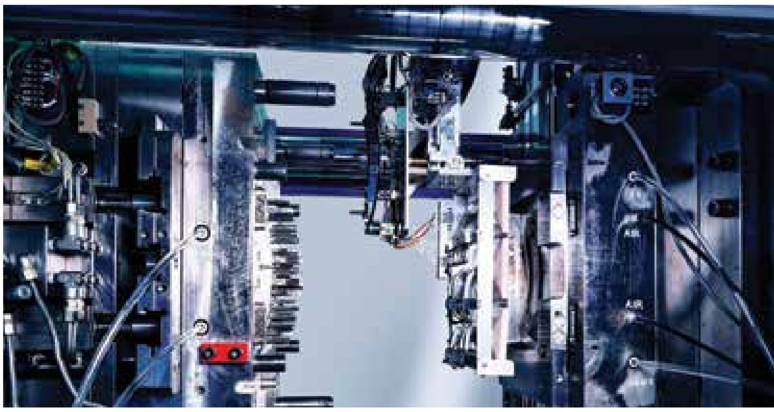
MS BIN BOON KIM CINDY

is the Human Resource Director of Sunningdale Tech Ltd and is responsible for providing leadership in developing and executing human resources strategies and policies in support of the business plans and strategic directions of the Group.

Prior to her current position, Ms Bin joined Sunningdale Precision Industries Ltd as Corporate Human Resource Manager in April 2003.

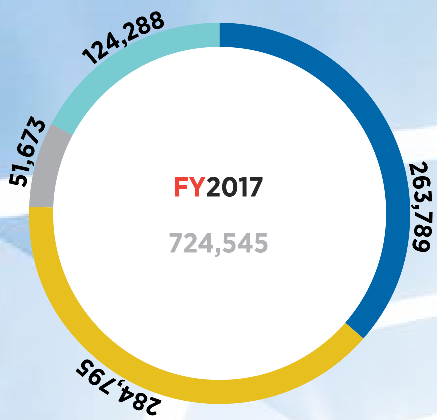
Before joining Sunningdale Precision Industries Ltd, she was the Human Resource Manager of De La Rue Currency and Security Print Pte Ltd, a subsidiary of UK-based currency printer and was responsible for the full spectrum of the human resource functions. She was also instrumental in developing and implementing the company's Quality Management System.

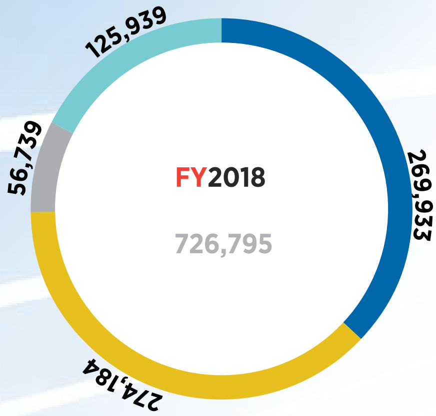
Ms Bin graduated from the University of Singapore with a Bachelor of Science degree, majoring in Chemistry. She also holds a Post Graduate Diploma in Personnel Management from the Singapore Institute of Management.

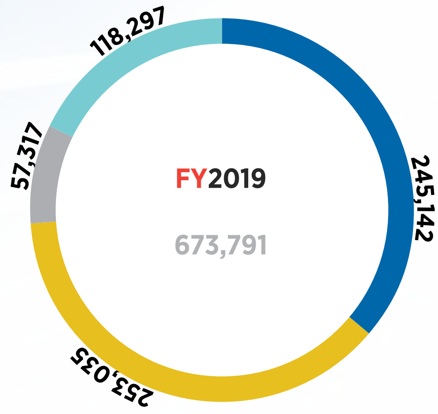


FINANCIAL HIGHLIGHTS

PERFORMANCE BY BUSINESS SEGMENT ($'000)

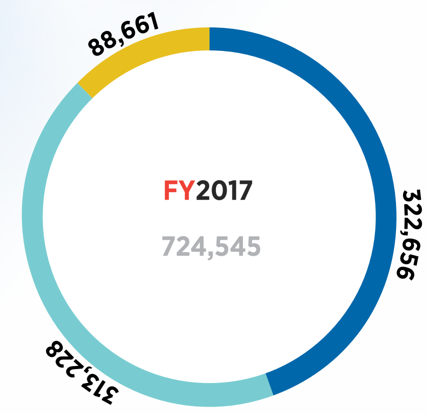


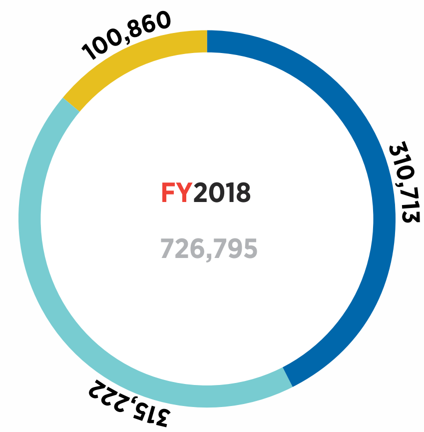


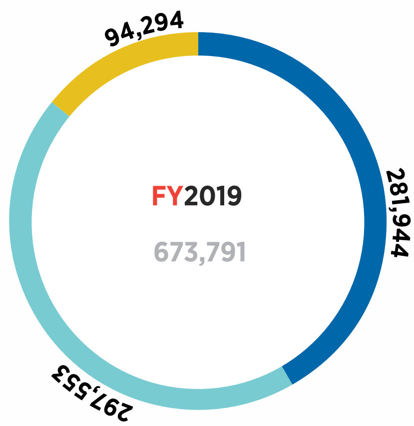


- Healthcare
- Mould Fabrication
- Automotive
- Consumer / IT

PERFORMANCE BY GEOGRAPHIC OPERATIONS (SUNNINGDALE OPERATIONS LOCATION) $'000







- Others
- Singapore, Thailand, Indonesia & Malaysia
- China & Hong Kong

FINANCIAL HIGHLIGHTS

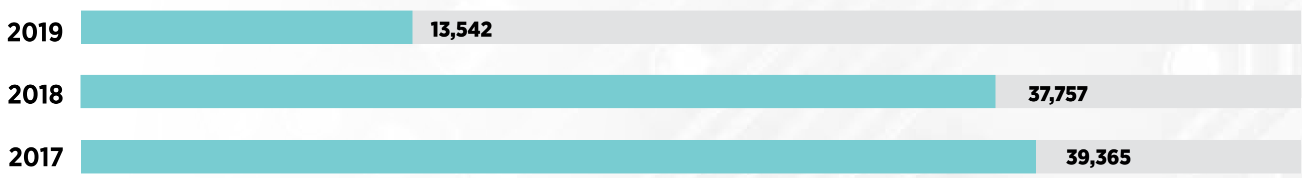
REVENUE & EBITDA
($'000)

	2019	2018	2017
REVENUE	**673,791**	726,795	724,545
EBITDA*	**46,287**	59,804	79,304

**EBITDA = Gross profit - marketing and distribution expenses and administrative expenses ("SG&A") + depreciation of PPE + one-off SG&A expenses excluding joint venture profit*

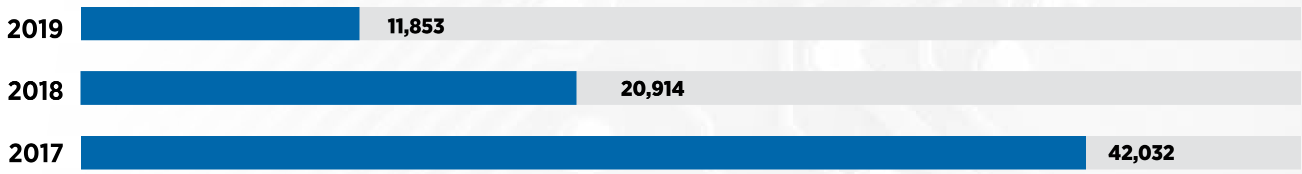
PROFIT TREND
($'000)

Net profit before tax



Net profit after tax

Core earnings



FINANCIAL REVIEW

The Group's revenue decreased 7.3% year-on-year ("yoy") from $726.8 million for FY18 to $673.8 million for FY19.

The Group reported a decrease in revenue from all business segments except for the Healthcare segment.

The Group's gross profit decreased 14.7% yoy from $87.1 million for FY18 to $74.3 million for FY19. Correspondingly, the Group's gross profit margin declined from 12.0% for FY18 to 11.0% for FY19. This was mainly due to lower levels of utilisation as a result of the decline in orders, lower levels of utilisation during the initial start-up phase at the Group's new plant in Penang and the relocation of one of the Group's plastic component operations from Shanghai to Chuzhou.

The decrease in other income was due to a gain on disposal of a property amounting to $13.1 million for FY18 and none for FY19.

The decrease in other expenses for FY19 was mainly due to lower retrenchment costs which amounted to $1.3 million (FY18: $3.9 million). Conversely, the Group reported net foreign exchange losses of $1.1 million (FY18: net foreign exchange gain $0.7 million), incurred a penalty of $0.4 million on the early termination of rental contracts due to the consolidation of two operating locations into one location in Tianjin, and onerous rental at the Group's operations in Shanghai and Thailand despite shifting operations out of these locations. Onerous rental refers to rental paid for the Group's premises in Shanghai and Thailand despite the shifting of operations from these premises. The Group was required to pay rental for these vacant premises till it expired in 4Q2019.

The increase in finance costs for FY19 was due to accounting for interest expense on lease liabilities relating to right-of-use assets upon the adoption of SFRS(I) 16.

The Group achieved a net profit of $8.0 million for FY19 compared to a net profit of $29.8 million for FY18. Excluding the impact from net foreign exchange loss/gain, retrenchment costs, onerous rental, penalty on the early termination of rental contracts, net gain on disposal of property, plant and equipment ("PPE"), allowance for impairment loss on PPE and transaction costs relating to acquisition of a subsidiary, the Group's net profit would have been $11.9 million for FY19 and $20.9 million for FY2018, representing a 43.3% decline.

	FY2019	FY2018	+/(-)
	$'000	$'000	%
Profit for the year reported	7,988	29,758	(73.2)
Adjustments:			
Net foreign exchange loss/(gain)	1,145	(657)	n.m.
Net gain on disposal of PPE	(172)	(12,925)	(98.7)
Allowance for impairment loss on PPE	709	552	28.4
Transaction costs relating to acquisition of a subsidiary	-	260	n.m.
Retrenchment costs	1,346	3,926	(65.7)
Onerous rental	483	-	n.m.
Penalty on the early termination of rental contracts	354	-	n.m.
Core earnings	**11,853**	**20,914**	**(43.3)**

The Group's basic earnings per share amounted to 15.70 Singapore cents for FY2018 as compared to 4.19 Singapore cents for FY2019.

The Group's net assets per share decreased from $2.00 as at 31 December 2018 to $1.93 as at 31 December 2019. Similarly, the Group's net tangible assets per share decreased from $1.93 as at 31 December 2018 to $1.86 as at 31 December 2019.

FINANCIAL POSITION AND CASHFLOWS

The Group's PPE amounted to $171.7 million as at 31 December 2019 as compared to $190.4 million as at 31 December 2018. PPE was stated net of depreciation charges of $27.3 million (FY18: $29.2 million), partially offset by currency realignment, reclassification of land use rights to right-of-use assets and additions of $32.8 million (FY18: $37.2 million). During the year, the Group purchased a building for $5.7 million in Singapore to consolidate warehousing inhouse and to expand the Group's manufacturing capacity in Singapore.

Upon the adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities as of 1 January 2019.

Contract assets refer to the right to consideration for work completed but not yet invoiced at reporting date. These are new accounts as required by the new standard SFRS(I) 15 on revenue. The decrease in contract assets was due to lower unbilled amounts. It should also be noted that there was lower revenue recognised.

The decrease in prepayments was due to lower prepaid expenses in respect of foreign worker levy, insurance and maintenance contracts.

The decrease in trade and other receivables compared to 2018 was largely due to collection of sale proceeds of $28.9 million in January 2019 from the disposal of a property in Zhongshan, China, which took place in late 2018.

Contract liabilities refer to the obligation to transfer goods to customers for which considerations have been received or are due from customers, in accordance with billing terms agreed with customers. These are new accounts as required by the new standard SFRS(I) 15 on revenue. The decrease was due to lesser

FINANCIAL REVIEW

considerations received or due from customers where the related revenue has not been recognised.

The Group maintained a cash balance of $103.4 million as at 31 December 2019 (31 December 2018: $88.7 million). This resulted in a net debt position of $1.0 million (31 December 2018: net debt position of $21.0 million) after accounting for loans and borrowings excluding the lease liabilities arising from right-of-use assets, amounting to $104.4 million (31 December 2018: $109.7 million). The decrease in net debt was mainly due to the collection of proceeds from the disposal of a property and cash generated from operations. This was partially offset by the purchase of PPE, payment of dividends and retrenchment costs.

	FY2019	FY2018	Increase/ (Decrease)
	$'000	$'000	%
Automotive	245,142	269,933	(9.2)
Consumer/IT	253,035	274,184	(7.7)
Healthcare	57,317	56,739	1.0
Mould Fabrication	118,297	125,939	(6.1)
	673,791	**726,795**	**(7.3)**

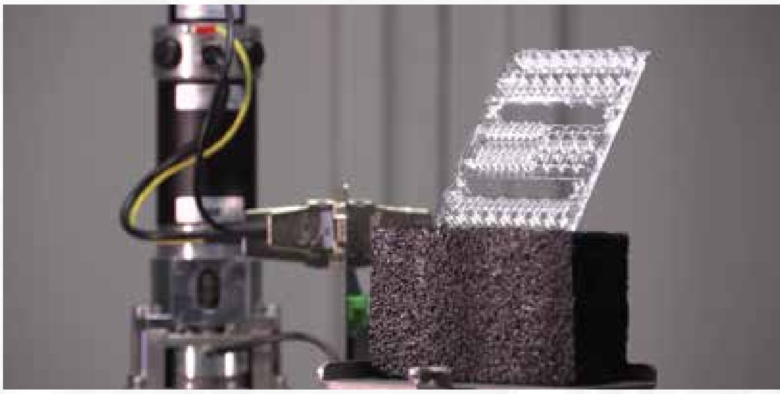
BUSINESS SEGMENT PEFORMANCE

Revenue from the Group's Automotive segment decreased 9.2% yoy from $269.9 million to $245.1 million. This was mainly due to a decrease in orders from customers as a result of weakening demand across global automotive markets and certain projects reaching end-of-life, partially offset by new projects launched. Excluding retrenchment costs, net foreign exchange loss/gain, onerous rental, penalty on the early termination of rental contracts and net gain on disposal of a property, the Automotive segment reported a loss of $12.1 million, as compared to profit of $1.3 million for FY 2018. The Automotive segment was also impacted by the duplication of costs from the relocation of the Group's plastic component operations from one plant in Shanghai to Chuzhou. The Automotive segment's contribution to the Group's revenue was 36.4% (FY2018: 37.1%).

Revenue from the Group's Consumer/IT segment declined 7.7% yoy from $274.2 million to $253.0 million. This was due to a slowdown in demand from customers for certain projects and the Group's deliberate shift away from low-margin projects, partially offset by new projects launched. Excluding retrenchment costs, net foreign exchange loss/gain, onerous rental, penalty on early termination of rental contracts and net gain on disposal of a property, the Consumer/IT segment's profit was $20.3 million for FY2019 as compared to $24.3 million for FY2018. The Consumer/IT segment's contribution to the Group revenue was 37.6% (FY2018: 37.7%).

Revenue from the Group's Healthcare segment increased 1.0% yoy from $56.7 million to $57.3 million. This was due to new projects from new and existing customers, partially offset by a customer pulling certain projects in-house and delays in the qualification of tools for a new project set for mass production. Excluding retrenchment costs, net foreign exchange loss/gain, onerous rental, penalty on early termination of rental contracts and net gain on disposal of a property, the Healthcare segment's profit was $5.5 million for FY2019 as compared to $0.6 million for FY2018 due to change in product mix. The Healthcare segment's contribution to the Group revenue was 8.5% (FY2018: 7.8%).

Revenue from the Mould Fabrication segment declined 6.1% yoy from $125.9 million to $118.3 million. This was due to a decrease in demand from customers in the Automotive industry, partially offset by an increase in orders from customers in the Healthcare industry. Excluding retrenchment costs, net foreign exchange loss/gain, onerous rental, penalty on early termination of rental contracts and net gain on disposal of a property, the Mould Fabrication segment's profit was $8.5 million for FY2019 as compared to $5.8 million for FY2018 due to change in product mix. The Mould Fabrication segment's contribution to the Group revenue was 17.6% (FY2018 17.3%).



GEOGRAPHICAL SEGMENT PERFORMANCE

Revenue contribution from the Group's operations in China and Hong Kong decreased 9.3% yoy from $310.7 million for FY2018 to $281.9 million for FY2019. This was mainly due to project end-of-life and a decrease in orders from customers in Automotive and Consumer/IT segments which was partially offset by an increase in orders from the Healthcare segment.

Revenue contributions from the Group's operations in Singapore, Thailand, Indonesia and Malaysia increased marginally from 43.4% for FY2018 to 44.2% for FY2019. However, in absolute figures, revenue from the Group's operations in Singapore, Thailand, Indonesia and Malaysia decreased from $315.2 million for FY2018 to $297.6 million for FY2019. This was mainly due to project end-of-life and a decrease in orders from customers in Automotive and Consumer/IT segments which was partially offset by an increase in orders from the Healthcare segment and higher revenue from the Mould Fabrication segment.

Revenue contribution from the Group's operations in other locations decreased 6.5% yoy from $100.9 million for FY2018 to $94.3 million for FY2019 due to a decrease in revenue from all business segments except for the Automotive segment. This was due to the Group's strategic discontinuation of a low margin contract in the Consumer/IT segment, lower revenue from the Healthcare segment, partially offset by new projects launched in the Automotive segment.

CORPORATE SOCIAL RESPONSIBILITY

In this financial year, the Group continues to ensure that our current sustainability practices contribute towards the sustainability of our business operations. We are committed to safeguard the interests of our stakeholders and ensure long-term value for our stakeholders.

Our third Sustainability Report, as mandated by the Singapore Exchange Securities Trading Limited ("SGX-ST"), has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards – 'Core' reporting requirements. In FY2018, our reporting scope encompasses our policies, practices and performances over the reporting period at our Singapore, Malaysia (Johor) and Indonesia (Batam) manufacturing sites. In FY2019, in line with the phased approach encouraged by SGX, we have expanded our scope to include our operations in China (Suzhou, Chuzhou, Guangzhou, Zhongshan and Shanghai).

The Group remains committed towards our sustainability policies, which include:

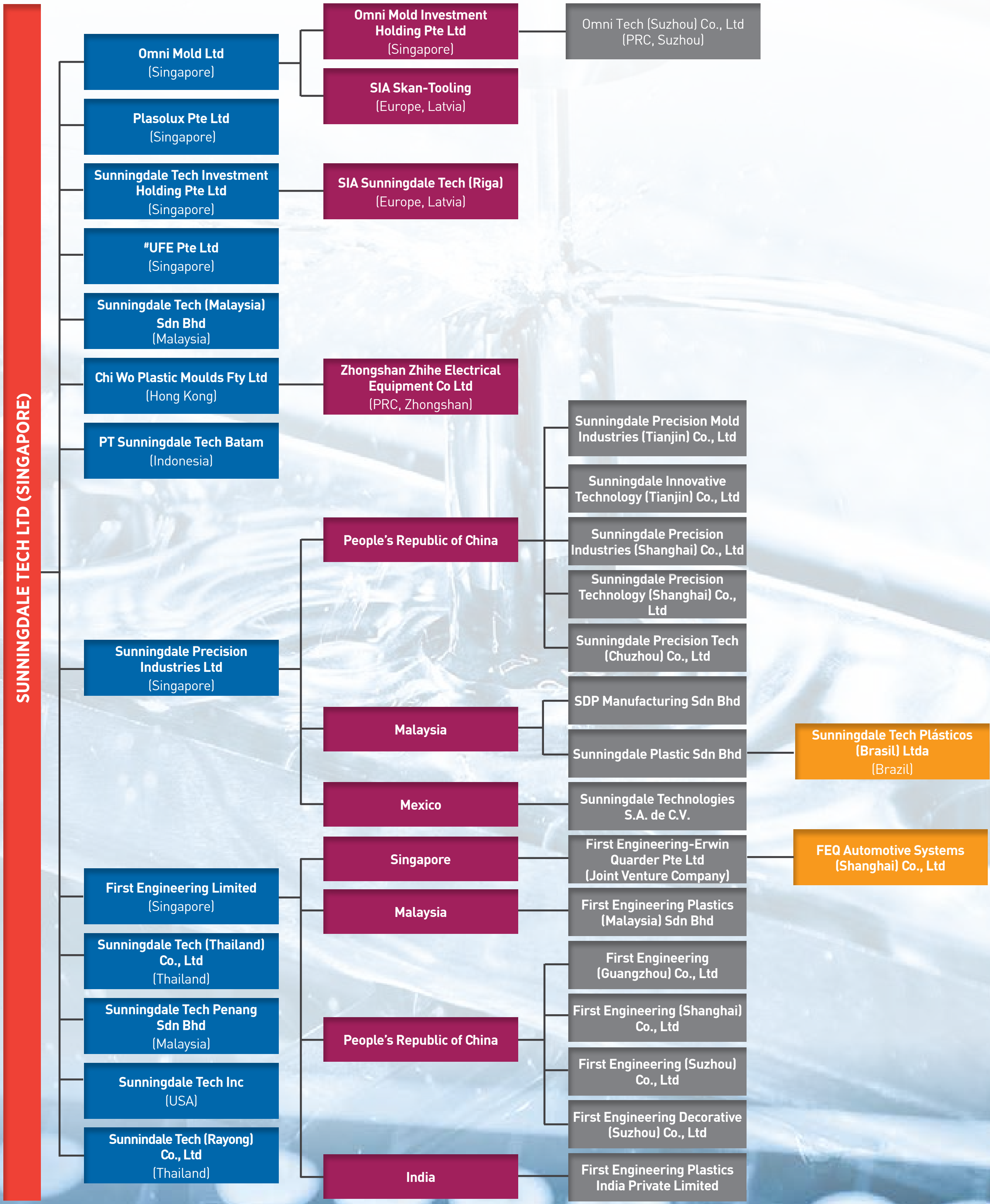
- Seeking new technologies and methods to conserve energy, minimise resource consumption and reduce waste generation to maintain environmentally friendly manufacturing and supply chain processes.
- Endorsing an integrated human capital strategy which promotes fair employment practices and a safe working environment while fostering strong teamwork and employee development.
- Upholding the highest standards of corporate governance and transparency with an effective risk management system to safeguard our stakeholders' interests.
- Supporting local communities by making meaningful contributions through either active participation or sponsorship.

In July 2017, Sunningdale Tech conducted our first formal materiality assessment to identify, prioritise and validate our Environment, Social and Governance ("ESG") topics. These ESG topics were then reviewed and re-assessed for their continued relevance and importance to Sunningdale Tech. In FY2019, through the engagement with key representatives from various operations in different countries and after taking their feedback into account, it has been concluded that our material topics remain relevant and applicable to our operations.

The material topics include Occupational Health and Safety, Ethics, Bribery and Corruption, and Waste Management. Two other additional topics also remain relevant – Customer Health and Safety, as well as Material Use. To build on our sustainability portfolio, the Group continues to roll out ESG initiatives in these areas. For more information on our ESG topics, please refer to Sunningdale's Sustainability Report 2019 which will be separately published by end of May 2020.

For more information with regards to this report or feedback on our sustainability practices, please feel free to write in to csrs@sdaletech.com.

CORPORATE STRUCTURE



On 1 January 2020, UFE Pte Ltd had been amalgamated with Omni Mold Ltd. and had ceased to exist as a separate legal and reporting entity on that date

CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Boon Hwee
(Non-Executive Chairman)

Khoo Boo Hor
(Chief Executive Officer, Executive Director)

Wong Chi Hung
(Non-Executive Director)

Gabriel Teo Chen Thye
(Independent Director)

Kaka Singh
(Lead Independent Director)

Ong Sim Ho
(Independent Director)

Eileen Tay-Tan Bee Kiew
(Independent Director)

Loke Wai San
(Independent Director)

AUDIT AND RISK COMMITTEE

Kaka Singh
(Chairman)

Gabriel Teo Chen Thye
(Member)

Eileen Tay-Tan Bee Kiew
(Member)

NOMINATING COMMITTEE

Gabriel Teo Chen Thye
(Chairman)

Ong Sim Ho
(Member)

Kaka Singh
(Member)

REMUNERATION COMMITTEE

Ong Sim Ho
(Chairman)

Eileen Tay-Tan Bee Kiew
(Member)

Loke Wai San
(Member)

COMPANY SECRETARY

Dorothy Ho Lai Yong

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
(A member of Boardroom Limited)

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

51 Joo Koon Circle Singapore 629069
Tel : (65) 6861 1161
Fax : (65) 6863 4173

AUDITOR

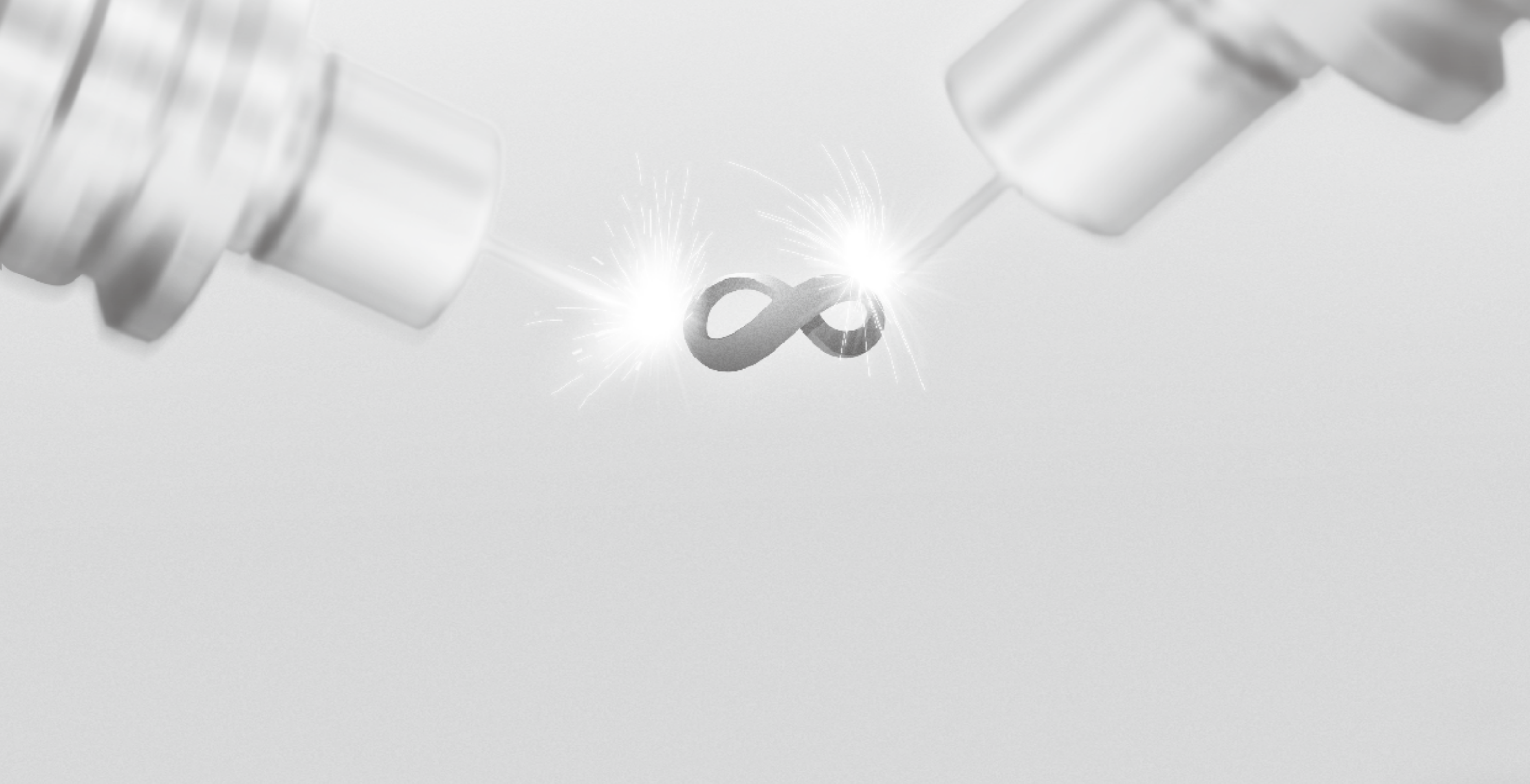
Ernst & Young LLP

One Raffles Quay
North Tower Level 18
Singapore 048583
Audit Partner: Tan Po Hsiong Jonathan
(Date of appointment: since financial year ended 31 December 2018)

BANKERS

Citibank, N.A.
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Financial Contents



SUMMARY OF DISCLOSURES CORPORATE GOVERNANCE

The following table summarises our corporate governance practices with specific reference to the express disclosure requirements in the principles and provisions of the Code of Corporate Governance 2018 issued on 6 August 2018 ("2018 Code")

Principles and provisions of the 2018 Code – Express disclosure requirements	Page Reference
Principle 1 : The Board's Conduct of Affairs **The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company**	
Provision 1.2 The induction, training and development provided to new and existing directors	24
Provision 1.3 Matters that require board approval	23
Provision 1.4 Names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities	22 to 23, 29, 33, 38
Provision 1.5 The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	23
Principle 2 : Board Composition and Guidance **The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company**	
Provision 2.4 The board diversity and progress made towards implementing the board diversity policy, including objectives.	24
Principle 4 : Board Membership **The Board has a formal and transparent process for the appointment of directors, taking into account the need for progressive renewal of the Board**	
Provision 4.3 Process for selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates	30
Provision 4.4 The Board considers a Director to be independent in spite of the existence of relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed	30
Principle 4.5 The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the Nominating Committee's and the Board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed	5 to 7, 29, 30

Principles and provisions of the 2018 Code – Express disclosure requirements	Page Reference
Principle 5 : Board Performance **The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors**	
Provision 5.2 How the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its directors	31, 32
Principle 6 : Remuneration Matters **The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration**	
Provision 6.4 The Company discloses the engagement of any remuneration consultants and their independence	33
Principle 8 : Disclosure on Remuneration **The Company is transparent on its remuneration policies, level and mix of remuneration, performance and value creation**	
Provision 8.1 The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the Chief Executive Officer ("CEO"); and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than $250,000 and in aggregate the total remuneration paid to these key management personnel	33 to 36, 124
Provision 8.2 Names and remunerations of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds $100,000 during the year, in bands no wider than $100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder	37
Provision 8.3 The Company discloses all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company and also details of employee share scheme	36 to 37, 124
Principle 9 : Risk Management and Internal Controls **The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.**	

Principles and provisions of the 2018 Code – Express disclosure requirements	Page Reference
Provision 9.2 The Board requires and discloses that it has received assurance from: (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems	37
Principle 11 : Shareholder Rights and Conduct of General Meetings **The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects**	
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year	23
Principle 12 : Engagement with Shareholders **The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company**	
Provision 12.1 The steps taken to solicit and understand the views of shareholders	41 to 42
Principle 13 : Engagement with Stakeholders **The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served**	
Provision 13.2 The strategy and key areas of focus in relation to the management of stakeholder relationship during the reporting period	42

Sunningdale Tech Ltd. (the "Company") and its subsidiaries (collectively, the "Group") is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s listing rule.

This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2019 ("FY2019"). As part of the continuous effort to improve the risk governance framework, the Risk Management Committee was established in April 2010 to oversee the adequacy and effectiveness of the Group's risk management framework and policies.

The Group has complied with all principles and guidelines set out in the Code of Corporate Governance 2018 ("2018 Code").

A. BOARD MATTERS

Principle 1: The Board's conduct of affairs

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems, and corporate governance practices.

In addition, the principal duties of the Board include:

- 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 of internal control, risk management, financial reporting and compliance.
- Appointing the Group Chief Executive Officer ("CEO") and approving the remuneration polices and guidelines for the Board and senior management.
- Reviewing the performance of senior management.
- Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

<u>Independent judgement</u>

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual directors.

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

Name of Director	Board appointments				Board committees as Chairman or member		
	Executive	Non-executive	Independent director	Non-independent director	Audit & Risk Committee	Nominating Committee	Remuneration Committee
Koh Boon Hwee (Chairman)		√			–	–	–
Khoo Boo Hor (CEO)	√			√	–	–	–
Wong Chi Hung		√			–	–	–
Gabriel Teo Chen Thye			√		Member	Chairman	–
Kaka Singh			√		Chairman	Member	–
Ong Sim Ho			√		–	Member	Chairman
Eileen Tay-Tan Bee Kiew			√		Member	–	Member
Loke Wai San			√		–	–	Member

The present Board comprises eight members. There is a strong and independent element on the Company's Board. Of the eight Board members, two are non-executive and five are independent directors.

Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit & Risk Committee ("ARC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The dates of the Board and board committee meetings as well as annual general meeting ("AGM") are scheduled one year in advance. To assist directors in planning their attendance, the Company Secretary consults every director before fixing the dates of these meetings. The Board meets at least four times a year and as warranted by particular circumstances ad-hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at the Board and board committee meetings are allowed under the Company's Constitution. The details of the number of the Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below.

Directors' attendance at the Board and board committee meeting in FY2019:

	Board Meetings		Audit & Risk Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Annual General Meeting	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Koh Boon Hwee	5	5							1	1
Khoo Boo Hor	5	5							1	1
Wong Chi Hung	5	5							1	1
Gabriel Teo Chen Thye	5	5	4	4	1	1			1	1
Kaka Singh	5	3	4	2	1	1			1	0
Ong Sim Ho	5	5			1	1	2	2	1	1
Eileen Tay-Tan Bee Kiew	5	5	4	4			2	2	1	1
Loke Wai San	5	5					2	2	1	1

Board approval

The Group has adopted and documented internal guidelines setting forth matters that require the Board's approval. The types of material transactions that require the Board's approval under such guidelines are listed below:

- Strategies and objectives of the Group;
- Annual budgets (include capital expenditure) and business plan;
- Material acquisition and disposal of assets;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment or divestments exceeding $1 million or capital expenditure exceeds 10% of initially approved capital expenditure budget;
- Commitments to terms loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

Induction and training of directors

The Group conducts a comprehensive orientation programme, which is presented by the CEO and senior management, to familiarise new directors with business and governance policies. The orientation programme gives directors an understanding of the Group's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management. The Company also ensures that for any director who has no prior experience as a director of a listed company to undergo training in the roles and responsibilities as a director of a listed company.

Briefings and updates provided for directors

The NC reviews and makes recommendations on the training and professional development programmes to the Board.

The Board is updated regularly on risk management, corporate governance, industry specific knowledge and the recent changes to the accounting standards and regulatory updates. On a quarterly basis, the CEO updates the Board at each meeting on business and strategic developments of the Group.

As part of the Company's continuing education for directors, the CEO or Chief Financial Officer ("CFO") circulates to the Board articles, reports and press releases relevant to the Group's business to keep directors updated on current industry trends and issues. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to directors are also circulated to the Board.

A. BOARD MATTERS

Principle 2: Board composition and guidance

Board size and board composition

The Company recognises and embraces the benefits of having a diverse board to enhance decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

The Company takes into consideration the benefits of various aspects of diversity. Selection of candidates will be based on a range of diversity perspectives, which will include but not limited to gender, age, cultural and educational background, professional experience, skills, independence and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board comprises eight directors. Excluding the CEO, five directors are independent and two are non-executive.

Each year, the NC reviews and assesses the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers a board size of between eight to ten members is appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient decision-making.

Directors' independence review

Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the guidelines set forth in the 2018 Code and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

The Board recognises that independent directors may over time develop significant insights into the Group's business and operations, and can continue to provide significant and valuable contributions objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr. Gabriel Teo Chen Thye, Mr. Kaka Singh and Mr. Ong Sim Ho have served as independent directors of the Company for more than nine years since their initial appointment. The Board has subjected their independence to a particularly rigorous review.

The NC and the Board believe that Mr. Gabriel Teo Chen Thye, Mr. Kaka Singh and Mr. Ong Sim Ho continue to demonstrate strong independence in character and judgement in the discharge of their responsibilities as a director of the Company. They have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged management. They have sought clarification and amplification as deemed required, including through direct access to the Group's employees.

The Company's precision engineering focus and geographical dispersion in countries like China, Malaysia, Thailand, Latvia, Mexico and Brazil means that an in-depth understanding of the business and operating environment of the Group is important. The directors provide the Company with much needed experience and knowledge of the industry.

After taking into account all these factors, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has determined Mr. Gabriel Teo Chen Thye, Mr. Kaka Singh and Mr. Ong Sim Ho to be considered independent directors, notwithstanding that they have served on the Board for more than nine years from the date of their first appointment.

The independent directors make up more than one-third of the Board, which exceeds the requirement set out in the 2018 Code. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the independent and non-executive directors

The Board and management fully appreciate that an effective and robust board whose members engage in open and constructive debate, and challenge management on its assumptions and proposals, is fundamental to good corporate governance.

A board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives.

For this to happen, the Board, independent directors and non-executive directors ("NEDs"), in particular, must be kept well informed of the Group's businesses and be knowledgeable about the industry the Group operates in.

To ensure that the directors are well supported by accurate, complete and timely information, directors have unrestricted access to management.

The Group has adopted initiatives to put in place processes to ensure that independent directors and NEDs have sufficient time and resources to discharge their oversight function effective. These initiatives include:

- Briefings on prospective deals and potential development at an early stage before formal board approval is sought.
- Periodic circulation on the relevant information on latest market development and trends, and key business initiatives.
- Made available on the Company's premises for use by the NEDs upon request for the NEDs to meet without the presence of management.

Access to information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors in advance of the meeting. Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings.

In order to keep directors abreast of analysts' views on the Group's performance, the Board is updated regularly on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results announcements.

Management also provides the Board with management report. This report includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board.

On a quarterly basis, the Head of Internal Audit also provides the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan.
- Key findings arising from completed audits.
- Implementation status of outstanding management action plans (if any).

The Enterprise Risk Management Committee presents risk assessment to the Board on a quarterly basis, which includes movements in risks, risk assessment of major investment, capital expenditure, and acquisitions.

Access to management

To facilitate direct access to the senior management, directors are also provided with names and contact details of the management team.

Access to the Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that the Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST's Listing Manual, are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between management and directors.

The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/ Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Access to external advisors

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense.

A. BOARD MATTERS

Principle 3: Chairman and Chief Executive Officer

The Chairman and CEO functions in the Company are assumed by different individuals. The Chairman, Mr. Koh Boon Hwee, is a Non-executive Director, while the CEO, Mr. Khoo Boo Hor, is an Executive Director.

There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at the top of the Company.

The Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.

- Takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.

- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.

- Promotes an open environment for debates and ensures independent directors and NEDs are able to speak freely and contribute effectively.

- Exercises control over the quality, quantity and timeliness of information flow between the Board and management.

- Provides close oversight, guidance, advice and leadership to the CEO and management.

- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at AGMs and other shareholder meetings.

The CEO is the highest-ranking executive officer of the Group. The CEO is responsible for:

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.

- Ensuring implementation policies and strategy across the Group as set by the Board.

- Day-to-day management of the executive and senior management team.

- Ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.

- Leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

Lead Independent Director

The Board appointed Mr. Kaka Singh to act as the lead independent director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. All the independent directors, including lead independent director, meet at least annually without the presence of other executive and non-independent directors to discuss matters of significance which are then reported to the Chairman accordingly.

Conflict of interest

In the event, a Director has a conflict of interest, or it appears that he/she might have a conflict of interest, in relation to any matter, he/she should have immediately declare his/her interest at a meeting of the Directors or send a written notice to the Company containing details of his/her interest and the conflict, and recuse himself/herself from participating in any discussion and decision on the matter.

A. BOARD MATTERS

Principle 4: Board membership

NC Composition

The NC comprises the following three members, all of whom are independent or non-executive directors:

- Gabriel Teo Chen Thye (NC Chairman)
- Ong Sim Ho
- Kaka Singh (Lead Independent Director)

The main responsibilities of the NC are to make recommendations to the Board on relevant matters relating to:

- The review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- The process and criteria for evaluation of the performance of the Board, its board committees and directors;
- The review of training and professional development programmes for the Board and its directors; and
- The appointment and re-appointment of directors (including alternate directors, if any).

The members of the NC carried out their duties in accordance with the terms of reference which include the following:

- Develop and maintain a formal and transparent process for the selection, appointment and re-appointment of directors to the Board.
- Determine annually, and as and when circumstances require, if a director is independent, having regard to the circumstances relating to the criteria for an independent director.
- Recommend for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as contribution by the Chairman and each individual director to the Board
- Determine a suitable size of the Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of the Group.
- Ensure that new directors are aware of their duties and obligations and access a director is able to and has been adequately carrying out his or her duties as a Director of the Company. The Company will disclose in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and the Board's reasoned assessment of the ability of the director to diligently discharge his/her duties.

Key information on directors

Key information on the directors is set out below:

Name of Director	Position as at Date of Report	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Koh Boon Hwee	Non-Executive Chairman	22 April 2003	10 April 2019
Khoo Boo Hor	Chief Executive Officer	10 November 2008	11 April 2018
Wong Chi Hung	Non-Executive Director	11 May 2004	12 April 2017
Gabriel Teo Chen Thye	Independent Director	18 July 2005	10 April 2019
Kaka Singh	Independent Director	18 July 2005	11 April 2018
Ong Sim Ho	Independent Director	18 July 2005	12 April 2017
Eileen Tay-Tan Bee Kiew	Independent Director	1 June 2017	11 April 2018
Loke Wai San	Independent Director	9 July 2018	10 April 2019

Note: The details of directors' shareholdings in the Company and its related corporations are disclosed on page 45 of the Annual Report under "Directors' interest in shares and debentures" section of the Directors' Statement.

Directors' independence review

The task of assessing the independence of the Independent directors is delegated to the NC. The NC reviews the independence of each director annually, and as and when circumstances require.

Annually, each director is required to complete a Director's Independence Checklist ("Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the 2018 Code.

Each director must also confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the 2018 Code.

Thereafter, the NC reviews the Checklist completed by each director, assesses the independence of the directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that all the independent Directors are independent.

Directors' time commitments and multiple directorships

The Board has not set any internal guideline for maximum listed companies board representation which a Director may hold. The Board's policy on the number of directorships held by each director is based on the principle of full transparency and a substantive evaluation of each director's ability to contribute effectively to the Board's business. Although the Board will be mindful of the overall commitment of each director the number of directorships is but a factor. All directors need to fully disclose their directorships so that this information is transparent and open to all parties. The NC, in reviewing an individual director for re-appointment, will take into account the director's attendance, contributions to discussions and overall understanding of the business, as well as assess the director's thoroughness and preparedness for the Board's business.

Process for selection and appointment of new director

On an on-going basis, the NC takes cognisance of both the needs for and the opportunity to invite new directors taking into account the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. Where a need to appoint directors arises, the NC may tap on the directors' contacts and recommendations of potential candidates and goes through a short-listing process. Where necessary, executive search firms may be appointed.

- NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- The NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.

In principle, the Board does not encourage the appointment of alternate directors as it believes undivided continuity is important, and there are currently no alternate directors on the Board.

Process for re-appointment of directors

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 (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Regulation 91 of the Company's Constitution provides that one-third of the directors (or, if the number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM.

In addition, Regulation 97 of the Company's Constitution provides that a newly appointed director during the financial year must retire and submit himself/herself for re-appointment at the next AGM following his/her appointment. Therefore, he or she is subject to be re-appointed at least once every three years.

Pursuant to the one-third rotation role, Mr. Wong Chi Hung and Mr. Ong Sim Ho will retire and submit themselves for re-appointment at the forthcoming AGM. Although the NC is satisfied that the directors retiring in accordance with the Article 91 of the Company's Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations, both Mr. Wong Chi Hung and Mr. Ong Sim Ho had indicated that they do not wish to seek for re-election at the forthcoming AGM. Accordingly, they will retire at the forthcoming AGM.

Alternate director

The Company has no alternate director.

A. BOARD MATTERS

Principle 5: Board performance

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and its board committees and the contribution by each individual director to the effectiveness of the Board on an annual basis.

Evaluation process

The NC Chairperson, in conjunction with all the Board members, conducts an annual assessment on the effectiveness of the Board as a whole, and of its board committees. The components to this assessment include the following:

- Board performance
- Committee performance
- Chairman of the board performance

Board performance criteria

The performance criteria for the board evaluation are as follows:

- Board size and composition.
- Board independence.
- Board processes.
- Board information and accountability.

- Board performance in relation to discharging its principal functions.
- Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.
- Interactive skills of the Directors (whether the director works well with other directors and participate actively).
- Knowledge of the Directors (the directors' industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director's ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration).

The assessment of the Chairman of the Board is based on his ability to lead, whether he has:

- Established proper procedures to ensure the effective functioning of the Board.
- Ensured that the time devoted to Board meetings were appropriate (in terms of number of meetings held a year and duration of each Board meeting) for effective discussion and decision-making by the Board.
- Ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions.
- Guided discussions effectively so that there was timely resolution of issues.
- Ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation.
- Ensured that board committees were formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

The performance of individual directors is taken into account in their re-appointment. Specific needs which arise from time to time are taken into account in any appointment of new directors.

B. REMUNERATION MATTERS

Principle 6: Procedures for developing remuneration policies

<u>RC</u>

The RC comprises the following three members, all of whom are independent non-executive directors:

- Ong Sim Ho (RC Chairman)
- Eileen Tay-Tan Bee Kiew
- Loke Wai San

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, shares incentives and benefits in kind.

- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.

- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.

- Implement and administer the Company's Share Plans, i.e., Restricted Share Plan and Performance Share Plan.

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

For more effective function of the RC, it may also seek external advice from external experts or organizations which are unrelated to the directors, on remuneration of directors and staff, if necessary.

None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her.

B. REMUNERATION MATTERS

Principle 7: Level and mix of remuneration

Principle 8: Disclosure of remuneration

In recommending the level and mix of remuneration, the RC seeks to establish a framework in line with the Company's business strategy for attracting, retaining and motivating employees. The Group's compensation framework comprises fixed pay, variable bonus and share incentives. The Group subscribes to linking executive remuneration to corporate and individual performance and contribution, the value created for its stakeholders (customers, employees and shareholders) as well as the remuneration structure comparable with market rates.

The value creation of the Company is measured by (i) satisfaction of customers, (ii) retention of talented professionals and skilled staff, and (iii) return on investors' capital.

Remuneration of executive director and key management personnel

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

Executive directors do not receive directors' fees.

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

a) Fixed remuneration

The fixed remuneration is established taking into account the role and responsibility of the positions within the Group. A job grading and salary structure system has been established for all functions and positions. The system reflects the value of the positions benchmarking against their equivalence and market rates outside and is reviewed on a regular basis. However, while benchmarking is used, it is not merely a mechanical exercise to match the 'median' market rates. It provides a point of reference for determining the appropriate level of pay and to establish the mid-points of the salary ranges of various grades in the system, which also takes into account internal equity. The fixed remuneration is reviewed periodically to attract and retain high-calibre professionals.

The Group also offers other benefits such as transport allowance as part of the fixed monthly wage in line with market practice. This incentive which enables staff to discharge their duties and responsibilities more effectively and efficiently helps to attract and retain staff to work in the Company which is away from the city. Eligibility for this benefit is dependent on the individual's position and job grade.

As a rule of thumb, the fixed remuneration accounts for about 60% to 90% of the total remuneration.

No special arrangement has been made in relation to the recruitment or termination of key management personnel. The terms and conditions of the employment agreement are in line with the relevant government legislations and industrial norm and in accordance with the job scope of the individuals.

b) Variable performance bonus (short-term incentive)

Variable bonus incentivises performance and rewards achievements. The variable bonus is linked to the Group's and entity's financial results achieved against annual plan to support the Group's business strategy. The amount of this remuneration is subject to achieving specific quantifiable targets as follows:

- Revenue, gross margin, selling and administrative expenses of the Group and individual entity that the key management staff are attached to;
- Sales target and new projects won by Business Development Directors of their existing or new accounts developed; and
- The current order books and global economic situations which may adversely affect the financial performance of the current year.

The CEO and the Internal Remuneration Committee established a budget each year to be set aside for the variable bonus for the approval of the RC.

The amounts to be given to the individuals are based on the guidelines set in accordance with the degree of fulfilment of the individual targets set with the CEO and the contributions of the individuals. The target parameters include revenue, gross margin, selling and administrative expenses, new projects and new customers, etc. In the case of CEO, the targets are agreed with the Chairman of the Board.

In general, the total amount of annual variable bonus is up to 50% of the total remunerations calculated on the basis of the latest fixed basic salary.

The variable performance bonus is paid out annually after the finalisation of the Group's annual performance results for the relevant financial year.

No pay-out will be made if the defined minimum acceptable performance level is not achieved.

c) Share plans (long-term incentive)

The RC administers the Sunningdale Restricted Share Plan 2014 ("RSP") and Sunningdale Performance Share Plan 2014 ("PSP") (collectively, "Share Plans"). No share awards have been granted under the PSP.

All employees and full-time executive directors are potentially eligible for the RSP. However, participation will be determined by the CEO and the RC. All such determinations are made in accordance with the terms and conditions of the RSP.

The objective of the RSP is primarily to recognise and reward the members of key management and staff who have contributed significantly to the growth and financial performance of the Company in the past one year. The RC may also offer such grants to attract talents to join the organisation, if necessary. This is also to partly linked the remuneration of the participants to the shareholders' gain and loss in value to strengthen the common interest between the key management and the shareholders of the Company for the long-term growth of the Group.

It is also a tool for staff retention as the RSP is tied to a three-year vesting period, i.e., one-third of the amount will vest on the first anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

For employees who retire, are retrenched due to company restructuring or downsizing or cease to be an employee of any entities of the Group, except in the case of termination by such entities of the Group with due cause, before the 3rd anniversary of the date of grant, the allotted quantum may be adjusted but may still be awarded subject to the conditions set.

For each fiscal year, about 1% of the total issued share capital is set aside to be distributed to all eligible employees. The actual amount is decided on a yearly basis.

The annual review of the compensation of Directors is carried out by the RC to ensure that the remuneration of the Executive Director is commensurate with his/her performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.

Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Remuneration of independent directors and NEDs

The RC reviews the scheme put in place by the Company for rewarding the independent directors and NEDs to ensure that the compensation is commensurate with effort, time spent and responsibilities of the independent directors and NEDs.

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for Independent Directors and NEDs remains unchanged.

The fees for independent directors and NEDs comprise a basic retainer fee and additional fees for appointment to board committees. Any travel required out of their country or city of residence to attend the Board meetings and board committee meetings which did not coincide with the Board meetings, the travel expenses will be paid by Company. The Chairman/Chairperson of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The directors' fees payable to independent directors and NEDs is subject to shareholders' approval at the Company's AGM.

Remuneration of directors and the CEO

The remuneration paid to or accrued to each individual director and the CEO for FY2019 is as follows:

Remuneration Band and Name of Director	Fee [1] (%)	Basic Salary (%)	Variable Bonus (%)	Share Award [2] (%)	Total Remuneration (%)
$250,000 and below					
Koh Boon Hwee	100	–	–	–	100
Wong Chi Hung	100	–	–	–	100
Gabriel Teo Chen Thye	100	–	–	–	100
Kaka Singh	100	–	–	–	100
Ong Sim Ho	100	–	–	–	100
Eileen Tay-Tan Bee Kiew	100	–	–	–	100
Loke Wai San	100	–	–	–	100
$750,001 to $1,000,000					
Khoo Boo Hor	–	68	–	32	100

Remuneration to key management personnel

The remuneration paid to or accrued to the key management personnel (who are not directors or the CEO) for FY2019 as follows:

Remuneration Band and Name of Key Management Personnel	Basic Salary (%)	Variable Bonus (%)	Share Awards [2] (%)	Total Remuneration (%)
$250,001 to $500,000				
Chan Whye Mun	80	8	12	100
Chan Tung Sing	80	8	12	100
Tan Bair Kion Simon	76	10	14	100
Soh Hui Ling	87	–	13	100
$250,000 and below				
Cindy Bin	91	–	9	100

(1) subject to approval by shareholders as a lumpsum at the annual general meeting for the financial year ended 31 December 2019.

(2) the share awards are granted under the Restricted Share Plan. The fair value of the share awards is estimated in-house by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis. Details of the share awards are disclosed in the Directors' Statement.

There are no employees as at 31 December 2019 who are related to the Directors.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Non-Executive Directors, Independent Directors, CEO, Executive Director and the Key Management Personnel in this Annual Report to avoid such information being exploited by competitors and to maintain personal confidentiality on remuneration matters.

C. ACCOUNTABILITY AND AUDIT

Principle 9: Risk management and internal controls

The Board, with the assistance from the ARC, acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

In assessing the effectiveness of internal controls, the ARC, through the assistance of its internal and external auditors, ensures primary key objectives are met, material assets safeguarded and financial information prepared in compliance with applicable internal policies, laws and regulations.

An Enterprise Risk Management ("ERM") Policy is in place to formalise the reporting, assessment, treating and monitoring of each significant risk that the Group faces in achieving its business objectives. Such risks, including mitigating actions, are reported to the Board through the ARC on an annual basis, and are considered for review and followed-up by the in-house internal audit team as part of its annual audit plan. A Control Self- Assessment ("CSA") framework is in place to support the ERM Policy and for management to self-assess internal controls in accordance with the Group's requirements and specifically address any significant weaknesses and/or risks identified. The ARC, on behalf of the Board, has also reviewed the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations.

In furtherance of mitigating Cybersecurity risks, we have formed a team to drive and expedite measures to secure our IT critical ecosystems at the corporate level. At the start of this year we conducted security assessments to evaluate our ability to detect, respond and protect key risks in the technology domain. Regular reviews and assessment of IT vulnerable high-valued assets, procedures and defence mechanism are being conducted intently and diligently to ensure readiness. In addition, we are deliberating on the risks and have carried out industry practice risk assessments to focus on high impact risks. Thereafter, the Cybersecurity road map for the Group will be formulated and ready for implementation.

For the financial year under review, the CEO and the CFO have provided assurance to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. The Board has also received assurance from CEO and other key management personnel who are responsible, the Group's risk management and internal control systems in place are adequate and effective in addressing material risks in the Group in its current business environment including financial, operational, compliance and information technology risk.

The Board believes that, in the absence of any evidence to the contrary, the Group's system of internal controls, ERM and CSA (covering operational, financial, compliance and risk management system) are adequate for the Group's business operations. These provide reasonable, but not absolute, assurance that the Group will not be adversely affected by event that can be reasonably foreseen as it strives to achieve the business objectives. The Board also notes that no system of internal controls, ERM and CSA can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the existing policies described above and the work performed by both the internal and external auditors, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls, maintained by management to address financial, operational, compliance and information technology risks, is adequate and effective in meeting the needs of the Group's current business operations.

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

In line with the SGX-ST Listing rules, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge, that nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Audit & Risk Committee

The ARC comprises the following three members, all of whom are independent non-executive directors:

- Kaka Singh (ARC Chairman)
- Gabriel Teo Chen Thye
- Eileen Tay-Tan Bee Kiew

None of the ARC members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the least 12 months or hold any financial interest in the external auditor.

The Chairman of the ARC, Mr. Kaka Singh, is by profession a Chartered Accountant. The ARC Chairman has accounting, auditing and risk management expertise and experience. The other members of the ARC have many years of experience in business investment, financial and business management spheres. The Board is of the view that the members of the ARC have recent and relevant accounting or related financial management expertise or experience to discharge ARC's functions.

The main responsibilities of the ARC are:

- Assist the Board in fulfilling its responsibilities in respect of the Company's accounting policies, internal controls including risk management, financial reporting practices and business policies;

- Monitor management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit);

- Maintain a channel of communication among members of the Board, the financial management team, and the internal and external auditors on matters arising out of the internal and external audits and to consider the adequacy of arrangement of audit;

- Review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

- Review at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;

- Review the assurance from the CEO and the CFO on the financial records and financial statements;

- Make recommendations to the Board on (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

- Review the adequacy, effectiveness independence, scope and results of the external audit and the Company's internal audit function;

- Review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concern;

- Review interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and

- Consider other matters as requested by the Board.

Internal audit

Internal audit throughout the Group is performed by an independent in-house team that reports directly to the ARC. The scope of authority and responsibility of the internal audit function is defined in the Group Internal Audit Charter approved by the ARC. The ARC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit who reports functionally to the ARC Chairman and administratively to the CEO.

The internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the "IIA Standards") issued by Institute of Internal Auditors. The internal audit function is subject to external quality assurance review once in every five years to ensure that the function continues to meet or exceed the IIA Standards in all key aspects.

The internal auditor is authorised to:

- Have, with strict accountability for confidentiality and safeguarding of records/information, full, free, and unrestricted access to any and all of the Group's records, physical properties, and personnel pertinent to carrying out any engagement;

- Obtain the necessary assistance from all employees in units of the Group where audits are performed, as well as specialised services from within or outside the Group, to assist the internal auditor in fulfilling roles and responsibilities;

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

Training plan is in place and reviewed at least annually to update competencies of the internal auditors through conferences and seminars on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified and experienced professionals with diverse operational and financial experience.

The ARC is satisfied that the internal audit function is independent, effective, adequately resources and the appropriate standing within the Group to perform its function effectively.

The ARC meets with the Head of Internal Audit at least once a year, without the presence of management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including the ARC.

Summary of the ARC's activities in FY2019

The ARC met four times during the year under review. Details of members and their attendance at meetings are provided in page 23. The CFO, Company Secretary, internal auditors and external auditor are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The ARC also met with the external and internal auditors separately, without the presence of management. These meetings enable the external auditor and internal auditors raise issues encountered in the course of their work directly to the ARC.

The ARC and the Board of the Company have satisfied themselves that in appointing the auditing firms for the Company and its subsidiaries, Rule 712 and 716 of the Listing Manual have been complied with.

The ARC also reviewed the non-audit services provided by the external auditor, and was satisfied that the independence of the external auditor would not be impaired. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for the recent two years is disclosed in Note 9 to the financial statements.

The ARC reviewed annual internal audit plan and audit reports submitted by the Internal Auditor. ARC also reviewed the audits completed against the annual internal audit plan and the follow up of internal audit findings. The audit finding, recommendations and status of remediation, are also circulated to the Board, CEO, the external auditor and relevant senior management every quarter.

Whistle-blowing

The Group has put in place a "whistle-blowing" process whereby staff and business partners of the Group can raise concerns about possible improprieties in matters of financial reporting or other matters through a well-defined and accessible channel within the Group. The objective of the policy is to encourage the reporting of such matters in good faith, while providing the assurance that person making such reports will be fairly treated. Procedures are also established to ensure that such matters are promptly investigated, appropriate follow-up actions taken by management and results reported to the Board.

ARC's comments on the auditor's report

The ARC met with the external auditor to discuss the audit findings as well as their audit.

The external auditor included the following matters as key audit matters ("KAMs") in their auditor's report for the financial year ended 31 December 2019. The matters included (a) revenue recognition for mould fabrication contracts, (b) impairment assessment of goodwill, and (c) impairment of trade receivables and contract assets.

The ARC reviewed management's approach to the timing of recognition of revenue and the contract arrangements with the customers relating to the mould fabrication work. ARC concurred with management that an activity-based output method provides a faithful depiction of the Group's performance in transferring control of the moulds to customers, as it reflects the value of the activities performed to-date, relative to the total value of the activities promised in the contracts.

For goodwill, the ARC considered the approach and methodology applied to the valuation model in goodwill impairment assessment. The ARC reviewed the reasonableness of earnings forecasts, and the appropriateness of the market multiples considered for EBITDA. After due evaluation, the ARC was satisfied with the assumptions and the judgements applied by management.

For the assessment of the expected credit loss allowance on trade receivables and contract assets, management observed the detailed policies setting out the key assumptions and judgements in this area. The ARC has reviewed the judgements made by management relating to impairment allowance on trade receivables and contract assests, after due evaluation, the ARC was satisfied with the assumptions made and the judgements applied.

D. SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 11: Shareholder rights and conduct of General Meeting

Principle 12: Engagement with Shareholders

Communication with Shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET, press release and corporate website. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group's corporate website (www.sdaletech.com) is the key resource of information for shareholders. In addition to the quarterly financial results materials, it contains a wealth of investor related information on the Group, including annual reports, upcoming events, shares and dividend information and factsheets.

The Group has a dedicated investor relations team ("IR team") which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns. Contact details of the IR are also listed on the website to facilitate dialogue and queries from shareholders.

Minutes of the discussion at the AGM are available on the Company website at investor.sdaletech.com.

Dividend policy

The Group does not have a formal dividend policy. However, in each year, in considering the level of dividend payments, the Board takes into account various factors including:

- The level of our available cash;
- Our projected levels of capital expenditure and other investment plans; and
- The return on equity and retained earnings.

Shareholder Meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website.

Shareholders and their appointed proxies are given the opportunity to vote at the general meeting of shareholders.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

All resolutions passed at the general meetings are conducted by electronic poll for greater transparency in the voting process. An independent external party is also appointed as scrutineers for the electronic poll voting process. Votes cast for, or, against, each resolution will be tallied and displayed live-on-screen to shareholders or their proxies immediately after each poll conducted at the meeting. The total numbers and percentage of votes cast for and against the resolution are announced after the general meeting via SGXNet. Each share is entitled to one vote.

However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All directors are present at AGM, and other general meetings held by the Company if any, to address shareholders' queries. Appropriate members of management are also present at general meetings to address operational questions from shareholders which may arise.

The external auditor is present in AGM to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

The Company's Constitution allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf.

Pursuant to Section 181 of the Companies Act, Chapter 50, a relevant intermediary may appoint more than two proxies to attend and vote on their behalf. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund ("CPF") Board which purchases shares on behalf of the CPF investors.

E. MANAGING SHAREHOLDERS RELATIONSHIP

Principle 13: Engagement with Stakeholders

To engage with our stakeholders, we have various modes of engagement in place to meet their key interests and expectations as part of our regular activities. This includes Annual General Meeting with shareholders, employee training, customer satisfaction survey, supplier meetings, community events and communication with regulators etc.

In July 2017, the Group conducted a stakeholder engagement exercise under the guidance of independent sustainability consultants as part of the preparation of the Company's inaugural sustainability report. Through this exercise, environmental, social and governance issues that are important to the stakeholders are determined by taking into consideration both internal and external stakeholders' perspectives. These issues form the materiality matrix upon policies, practices, targets and performance are reviewed and approved by the Board before they are published annually in the Company's sustainability report.

For more information on stakeholder engagement, please refer to the section of "How Sunningdale Tech Engages with Our Stakeholders" in our sustainability report.

DEALING IN SECURITIES

In compliance with Listing Rule 1207 (19), the Group has adopted and implemented an internal code in relation to the dealing of shares of the Company. The Group has procedures in place, including prohibition on insider trading, which restricts the dealing in the Company's shares during the periods commencing one month (for the Group's half yearly and full year results) and two weeks (for the Group's quarterly results) prior to the announcement of the Group's results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group.

In addition, the Group also prohibits its directors, key officers and executives from dealing in the Company's securities at any time they are in possession of unpublished price sensitive information, or on short-term consideration. The Group confirms that, to the best of its knowledge, the directors, key officers and executives do not deal in the Company's securities on a short-term consideration.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval if such transactions do occur.

There was no interested person transaction where, in aggregate, the amount involved more than $100,000 during the year under review.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder during the year under review.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sunningdale Tech Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

Koh Boon Hwee	(Non-Executive Chairman, Non-Executive Director)
Khoo Boo Hor	(Chief Executive Officer, Executive Director)
Wong Chi Hung	(Non-Executive Director)
Gabriel Teo Chen Thye	(Independent Director)
Kaka Singh	(Lead Independent Director)
Ong Sim Ho	(Independent Director)
Eileen Tay-Tan Bee Kiew	(Independent Director)
Loke Wai San	(Independent Director)

Arrangements to enable directors to acquire shares and debentures

Except as described in "Share plans" below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Koh Boon Hwee	29,947,401	29,947,401	22,008	22,008
Khoo Boo Hor	3,917,882	4,217,882	–	–
Wong Chi Hung	1,440,936	1,440,936	–	–
Gabriel Teo Chen Thye	427,932	427,932	–	–
Kaka Singh	79,254	79,254	–	–
Ong Sim Ho	450,000	450,000	–	–
Eileen Tay-Tan Bee Kiew	–	–	770,000	770,000

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

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

Share plans

Restricted Share Plan and Performance Share Plan

The Sunningdale Tech Ltd Restricted Share Plan (the "RSP") and Sunningdale Tech Ltd Performance Share Plan (the "PSP") were approved by the members of the Company at an Extraordinary General Meeting held on 29 April 2014 for the Circular dated 11 April 2014 ("Circular"). Details of the RSP and the PSP were set out in the Circular.

The Remuneration Committee ("RC") administering the RSP and the PSP comprise three directors, Ong Sim Ho (Chairman), Eileen Tay-Tan Bee Kiew and Loke Wai San. The RC administers the RSP and the PSP in accordance with its objectives and rules thereof and to determine participation eligibility, grant of share awards and any other matters as may be required.

No share awards have been granted under the PSP during the financial year under review and as at the date of this statement.

Share plans (cont'd)

Restricted Share Plan and Performance Share Plan (cont'd)

The following share awards were granted to employees of the Company and the Group under the RSP:

Number of participants	Date of grant	Market price of share awards at date of grant ($)	Share awards granted during financial year	Aggregate share awards granted since commencement of the RSP to end of financial year	Aggregate share awards forfeited since date of grant to end of financial year	Aggregate share awards released since date of grant to end of financial year	Aggregate share awards outstanding as at end of financial year
34	9 December 2016	1.100	–	1,350,000	(33,000)	(1,295,000)	22,000
34	22 November 2017	1.950	–	710,000	(23,000)	–	687,000
31	18 December 2018	1.460	–	911,500	(24,000)	–	887,500
26	13 December 2019	1.330	446,500	–	–	–	446,500

Details of the share awards granted to directors of the Company under the RSP are as follows:

Name of director	At the beginning of financial year	Share awards granted during the financial year	Share awards released during the financial year	At the end of financial year
Khoo Boo Hor	750,000	130,000	(300,000)	580,000

The share awards granted from 2016 to 2019 were subject to the following conditions:

(i) one-third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one-third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant;

(iii) in order to receive the share award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular;

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided that the sum of his/her age and length of service is greater than 60 years, he/she has worked with the Company or its group of companies for at least 10 years and he/she does not go to work for a competitor; and

Share plans (cont'd)

Restricted Share Plan and Performance Share Plan (cont'd)

(vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any group of companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

Any waiver to these conditions would need the RC's final decision.

Since commencement of the RSP and the PSP till the end of the financial year:

- No awards have been granted to the controlling shareholders of the Company and their associates;

- No participants other than mentioned above have received 5% or more of the total awards available under the plans;

- No awards other than mentioned above have been granted to directors and employees of the Company and its subsidiaries;

- No awards that entitle the holder, to participate, by virtue of the awards, in any share issue of any other corporation have been granted; and

- No awards have been granted at a discount.

The ordinary shares if issued are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The market price of each share as at 31 December 2019 under the above share award is $1.33 (2018: $1.44).

Audit & Risk Committee

The Audit & Risk Committee ("ARC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans and scope of audit examination of the external and internal auditors;

- Reviewed with the external auditor the auditor's report on the financial statements and the assistance given by the Group's and the Company's management to the external auditor;

- Reviewed with the internal auditor the scope and results of the internal audit procedures;

- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited).

The ARC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARC has also conducted a review of interested person transactions.

Audit & Risk Committee (cont'd)

The ARC has recommended to the board of directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as auditor at the next annual general meeting of the Company.

Further details regarding the ARC are disclosed in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Koh Boon Hwee
Non-Executive Chairman & Non-Executive Director

Khoo Boo Hor
Chief Executive Officer & Executive Director

Singapore
3 April 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Sunningdale Tech Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sunningdale Tech Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition - Mould fabrication contracts

The Group recognises revenue from sale of moulds over time, based on stages of mould manufacturing process completed to-date. Management has determined that an activity-based output method provides a faithful depiction of the Group's performance in transferring control of the moulds to customers, as it reflects the value of the activities performed to-date, relative to the total value of the activities promised in the contracts. For the financial year ended 31 December 2019, the Group had recognised revenue amounting to $118.3 million for sale of moulds. The determination of the stages of the mould manufacturing process will have a significant impact on the results of the Group. As such, we determined this to be a key audit matter.

Key Audit Matters (cont'd)

Revenue recognition - Mould fabrication contracts (cont'd)

As part of our audit procedures, we obtained an understanding of management's internal controls over the completion of the activities which determine the stages of the mould manufacturing process. For a sample of the ongoing projects, we examined project documentation (including communications with customers, where applicable) and discussed the status of these projects with the management, finance and project engineers. We checked the arithmetic accuracy of the computation of measurement of progress based on activities completed and the amount of revenue recognised based on stages of mould manufacturing process completed to-date. We assessed the adequacy of the disclosures for the sale of moulds as disclosed in Note 4.

Impairment assessment of goodwill

As at 31 December 2019, the carrying amount of the Group's goodwill is $12.7 million. The goodwill impairment assessment process involved significant management judgement, and was based on assumptions that are affected by expected future market and economic conditions. Hence, we have determined this to be a key audit matter.

The Group's goodwill is allocated to three cash-generating units ("CGUs"). Management determines the recoverable amount of each CGU based on fair value less costs of disposal which is determined by applying an appropriate market multiple to the CGU's earnings before interest, tax, depreciation and amortisation ("EBITDA").

As part of our audit procedures, we examined management's methodology used to determine the recoverable amounts of the Group's CGUs. We involved our internal valuation specialist to review the key assumptions, methodology and estimates used in management's impairment assessment by comparing inputs such as EBITDA multiples and control premium applied in the impairment assessment to analyst reports and equivalent data for peer companies. We also assessed the adequacy of disclosures relating to impairment of goodwill in Note 14.

Impairment of trade receivables and contract assets

The gross balance of the Group's trade receivables and contract assets as of 31 December 2019 is $205.7 million, against which allowance for expected credit losses of $1.5 million was made. The Group determines expected credit losses of trade receivables and contract assets by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for remaining trade receivables and contract assets that is based on its historical credit loss experience, and adjusted for forward-looking information specific to the debtors and economic environment. This assessment involved significant judgement and accordingly, we determine that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and controls relating to the determination of expected credit losses of trade receivables and contract assets and considered ageing of trade receivables to identify collection risks. Our audit procedures included, amongst others, requesting confirmation of selected trade receivable balances, obtaining evidence of receipts subsequent to the year-end, and discussing the identified collection issues with the relevant business managers. We evaluated management's assumptions and inputs used in determining the provision matrix through ageing analyses, review of historical credit loss experiences, and consideration of the data and information that management has used to make forward-looking adjustments. We checked the arithmetic accuracy of the computation of expected credit losses. We also assessed the adequacy of the Group's disclosures related to the impairment of trade receivables and contract assets and the related risks such as credit risk included in Notes 4, 20 and 32(c).

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Po Hsiong Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2020

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	4	673,791	726,795
Cost of sales		(599,470)	(639,662)
Gross profit		74,321	87,133
Other items of income			
Interest income	5	541	468
Other income	6	6,237	19,370
Other items of expense			
Marketing and distribution expenses		(14,098)	(14,673)
Administrative expenses		(41,091)	(42,131)
Other operating expenses	7	(8,338)	(9,795)
Impairment losses on financial assets	9	(178)	(8)
Finance costs	8	(5,203)	(4,030)
Share of results of joint venture		1,351	1,423
Profit before tax	9	13,542	37,757
Income tax expense	10	(5,554)	(7,999)
Profit for the year attributable to owners of the Company		7,988	29,758
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	4.19	15.70
Diluted	11	4.13	15.44

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

	Group	
	2019	**2018**
	$'000	$'000
Profit for the year	7,988	29,758
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(5,534)	(1,402)
Share of other comprehensive income of joint venture	(105)	(85)
Other comprehensive income for the year, net of tax	(5,639)	(1,487)
Total comprehensive income for the year attributable to owners of the Company	2,349	28,271

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	171,663	190,435	16,940	11,015
Intangible assets	14	12,682	14,087	–	–
Right-of-use assets	15	41,550	–	4,307	–
Other investments	16	1,539	1,539	–	–
Investment in subsidiaries	17	–	–	373,424	365,862
Investment in joint venture	18	7,083	6,659	–	–
Prepayments		55	137	55	137
Other receivables	20	–	–	371	374
Deferred tax assets	25	3,652	2,707	–	–
		238,224	215,564	395,097	377,388
Current assets					
Inventories	19	111,019	114,911	7,788	7,545
Contract assets	4	34,850	41,744	3,312	3,620
Prepayments		2,885	4,955	725	661
Trade and other receivables	20	218,554	248,510	66,685	62,428
Cash and short-term deposits	21	103,366	88,746	3,373	3,148
		470,674	498,866	81,883	77,402
Total assets		708,898	714,430	476,980	454,790

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	22	116,759	114,122	67,171	65,217
Contract liabilities	4	29,677	37,047	6,463	8,404
Other liabilities	23	52,439	54,735	3,091	4,027
Provisions	23	329	4,101	–	–
Deferred capital grants	23	111	114	–	–
Loans and borrowings	24	71,147	86,264	26,005	44,296
Income tax payable		2,509	4,042	694	–
		272,971	300,425	103,424	121,944
Net current assets/(liabilities)		197,703	198,441	(21,541)	(44,542)
Non-current liabilities					
Other payables	22	175	40	–	–
Deferred capital grants	23	1,549	1,712	–	–
Loans and borrowings	24	56,053	23,458	16,110	547
Deferred tax liabilities	25	8,608	7,480	1,154	–
		66,385	32,690	17,264	547
Total liabilities		339,356	333,115	120,688	122,491
Net assets		369,542	381,315	356,292	332,299
Equity attributable to owners of the Company					
Share capital	26	303,313	302,096	303,313	302,096
Retained earnings		58,396	67,497	51,736	28,873
Other reserves	27	7,833	11,722	1,243	1,330
Total equity		369,542	381,315	356,292	332,299
Total equity and liabilities		708,898	714,430	476,980	454,790

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

2019 Group	Note	Share capital	Retained earnings	Total other reserves	Foreign currency translation reserve	Statutory reserves	Restricted Share Plan reserve	Reserve on consolidation	Total equity
		Attributable to owners of the Company							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2019		302,096	67,497	11,722	(4,279)	14,629	1,330	42	381,315
Profit for the year		–	7,988	–	–	–	–	–	7,988
Other comprehensive income									
Foreign currency translation		–	–	(5,534)	(5,118)	(416)	–	–	(5,534)
Share of other comprehensive income of joint venture		–	–	(105)	(105)	–	–	–	(105)
Other comprehensive income for the year, net of tax		–	–	(5,639)	(5,223)	(416)	–	–	(5,639)
Total comprehensive income for the year		–	7,988	(5,639)	(5,223)	(416)	–	–	2,349
Contributions by and distributions to owners									
Grant of equity-settled share awards to employees	30	–	–	1,130	–	–	1,130	–	1,130
Issuance of ordinary shares under share awards	26	1,217	–	(1,217)	–	–	(1,217)	–	–
Dividends on ordinary shares	12	–	(15,252)	–	–	–	–	–	(15,252)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		1,217	(15,252)	(87)	–	–	(87)	–	(14,122)
Others									
Transfer to statutory reserve		–	(1,837)	1,837	–	1,837	–	–	–
Closing balance at 31 December 2019		303,313	58,396	7,833	(9,502)	16,050	1,243	42	369,542

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

2018 Group	Note	Share capital $'000	Retained earnings $'000	Total other reserves $'000	Foreign currency translation reserve $'000	Statutory reserves $'000	Restricted Share Plan reserve $'000	Reserve on consolidation $'000	Total equity $'000
		Attributable to owners of the Company							
Opening balance at 1 January 2018		301,015	52,661	12,448	(1,632)	12,737	1,301	42	366,124
Profit for the year		–	29,758	–	–	–	–	–	29,758
Other comprehensive income									
Foreign currency translation		–	–	(1,402)	(2,562)	1,160	–	–	(1,402)
Share of other comprehensive income of joint venture		–	–	(85)	(85)	–	–	–	(85)
Other comprehensive income for the year, net of tax		–	–	(1,487)	(2,647)	1,160	–	–	(1,487)
Total comprehensive income for the year		–	29,758	(1,487)	(2,647)	1,160	–	–	28,271
Contributions by and distributions to owners									
Grant of equity-settled share awards to employees	30	–	–	1,110	–	–	1,110	–	1,110
Issuance of ordinary shares under share awards	26	1,081	–	(1,081)	–	–	(1,081)	–	–
Dividends on ordinary shares	12	–	(14,190)	–	–	–	–	–	(14,190)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		1,081	(14,190)	29	–	–	29	–	(13,080)
Others									
Transfer to statutory reserve		–	(732)	732	–	732	–	–	–
Closing balance at 31 December 2018		302,096	67,497	11,722	(4,279)	14,629	1,330	42	381,315

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

Company	Note	Share capital	Retained earnings	Restricted Share Plan reserve	Total equity
		$'000	$'000	$'000	$'000
2019					
Opening balance at 1 January 2019		302,096	28,873	1,330	332,299
Profit for the year, representing total comprehensive income for the year		–	38,115	–	38,115
Contributions by and distributions to owners					
Grant of equity-settled share awards to employees	30	–	–	1,130	1,130
Issuance of ordinary shares under share awards	26	1,217	–	(1,217)	–
Dividends on ordinary shares	12	–	(15,252)	–	(15,252)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		1,217	(15,252)	(87)	(14,122)
Closing balance at 31 December 2019		303,313	51,736	1,243	356,292
2018					
Opening balance at 1 January 2018		301,015	17,522	1,301	319,838
Profit for the year, representing total comprehensive income for the year		–	25,541	–	25,541
Contributions by and distributions to owners					
Grant of equity-settled share awards to employees	30	–	–	1,110	1,110
Issuance of ordinary shares under share awards	26	1,081	–	(1,081)	–
Dividends on ordinary shares	12	–	(14,190)	–	(14,190)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		1,081	(14,190)	29	(13,080)
Closing balance at 31 December 2018		302,096	28,873	1,330	332,299

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Operating activities			
Profit before tax		13,542	37,757
Adjustments for:			
Depreciation of property, plant and equipment	13	27,333	29,223
Depreciation of right-of-use assets	15	7,803	–
Net allowance for impairment loss on property, plant and equipment	13	709	552
Property, plant and equipment written off	7	85	103
Net gain on disposal of property, plant and equipment	6	(172)	(12,925)
Amortisation of intangible assets	14	1,401	1,512
Impairment loss on intangible assets	14	–	26
Net gain on termination of lease contracts	6	(23)	–
Net reversal of provision for onerous contract	23	(300)	(324)
Net provision for retrenchment costs	23	1,346	3,926
Net impairment loss on trade receivables	20	178	8
Bad debts written off	9	6	–
Net allowance/(reversal of allowance) for inventories obsolescence	19	656	(62)
Net (reversal of impairment loss)/impairment loss on capitalised contract costs	19	(489)	1,120
Grant of equity-settled share awards to employees	30	1,130	1,110
Share of results of joint venture		(1,351)	(1,423)
Interest expense	8	5,203	4,030
Interest income	5	(541)	(468)
Exchange differences		(2,388)	1,337
Operating cash flows before changes in working capital		54,128	65,502
Changes in working capital:			
Decrease/(increase) in trade and other receivables and contract assets		8,948	(29,717)
Decrease in prepayments		2,152	659
Decrease in inventories		3,725	6,561
(Decrease)/increase in trade and other payables and contract liabilities		(2,947)	7,511
Decrease in other liabilities		(2,296)	(2,906)
Retrenchment costs paid	23	(4,785)	(1,314)
Cash flows from operations		58,925	46,296
Interest paid		(5,203)	(4,030)
Interest received		541	468
Income tax paid		(6,829)	(7,403)
Net cash flows from operating activities		47,434	35,331

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Investing activities			
Purchase of property, plant and equipment		(34,572)	(37,008)
Net proceeds from disposal of property, plant and equipment		28,898	238
Payment of transaction costs on disposal of property, plant and equipment		–	(5,855)
Purchase of other investments		–	(111)
Net cash inflow on acquisition of a subsidiary	17	–	287
Dividend income from joint venture	18	770	750
Net cash flows used in investing activities		(4,904)	(41,699)
Financing activities			
Proceeds from borrowings		33,208	31,147
Repayment of borrowings		(37,462)	(25,896)
Decrease/(increase) in bank balance pledged		106	(100)
Payment of principal portion of lease liabilities	24	(6,684)	–
Dividends paid on ordinary shares	12	(15,252)	(14,190)
Net cash flows used in financing activities		(26,084)	(9,039)
Net increase/(decrease) in cash and cash equivalents		16,446	(15,407)
Cash and cash equivalents at 1 January		86,484	102,951
Effects of exchange rate changes on cash and cash equivalents		(1,549)	(1,060)
Cash and cash equivalents at 31 December	21	101,381	86,484

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

1. Corporate information

Sunningdale Tech Ltd. (the "Company") is a limited liability company, domiciled and incorporated in the Republic of Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 51 Joo Koon Circle, Singapore 629069.

The principal activities of the Company consist of manufacturing and sale of dies, tools, jigs, fixtures, high precision steel moulds and plastic components. The principal activities of the subsidiaries and joint venture are disclosed in Notes 17 to 18. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Changes in accounting policies*

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

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases* (cont'd)

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption SFRS(I) 16 as at 1 January 2019 is, as follows:

	Group		
	1.1.2019 (As previously reported)	SFRS(I) 16 adjustments	1.1.2019 (Restated)
	$'000	$'000	$'000
Assets			
Right-of-use assets	–	40,607	40,607
Property, plant and equipment	190,435	(19,977)	170,458
Total assets	190,435	20,630	211,065
Liabilities			
Loans and borrowings (Current)	86,264	4,799	91,063
Loans and borrowings (Non-current)	23,458	15,831	39,289
Total liabilities	109,722	20,630	130,352

	Company		
	1.1.2019 (As previously reported)	SFRS(I) 16 adjustments	1.1.2019 (Restated)
	$'000	$'000	$'000
Assets			
Right-of-use assets	–	1,341	1,341
Total assets	–	1,341	1,341
Liabilities			
Loans and borrowings (Current)	44,296	67	44,363
Loans and borrowings (Non-current)	547	1,274	1,821
Total liabilities	44,843	1,341	46,184

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases* (cont'd)

The Group has lease contracts for various assets. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.8 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.8 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

<u>Leases previously accounted for as operating leases</u>

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

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

Based on the above, as at 1 January 2019:

- Right-of-use assets of $40,607,000 were recognised and presented separately in the consolidated balance sheet of the Group. This includes the assets of $19,977,000 that were reclassified by the Group from Property, plant and equipment. Right-of-use assets of $1,341,000 were recognised and presented separately in the balance sheet of the Company.
- Additional lease liabilities of $20,630,000 and $1,341,000 (included in Loans and borrowings) were recognised by the Group and the Company, respectively.

The initial adoption of SFRS(I) 16 does not have material tax impact on the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases* (cont'd)

Leases previously accounted for as operating leases (cont'd)

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

	Group
	$'000
Operating lease commitments as at 31 December 2018	25,030
Weighted average incremental borrowing rate as at 1 January 2019	4.41%
Discounted operating lease commitments as at 1 January 2019	21,924
Less:	
Commitments relating to short-term leases	(5,322)
Commitments relating to leases of low-value assets	(33)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	4,061
Lease liabilities as at 1 January 2019	20,630

2.3 *Standards issued but not yet effective*

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

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

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

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

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

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

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

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

(b) *Consolidated financial statements*

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

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment (cont'd)*

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

Leasehold land and buildings	-	Over the term of the lease of 20 to 60 years
Leasehold improvements	-	1 to 30 years
Motor vehicles	-	3 to 10 years
Machinery and equipment	-	1 to 10 years
Office equipment and furniture	-	1 to 10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

<u>Customer relationships</u>

Customer relationships were acquired in business combinations and is amortised on a straight-line basis over its finite useful life of 5 years.

2. Summary of significant accounting policies (cont'd)

2.8 *Leases*

Accounting policy beginning 1 January 2019

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

As a lessee

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

(i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold lands	-	4 to 60 years
Leasehold buildings	-	2 to 37 years
Motor vehicles	-	2 to 5 years
Office furniture and equipment	-	2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9.

(ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Summary of significant accounting policies (cont'd)

2.8 *Leases (cont'd)*

Accounting policy beginning 1 January 2019 (cont'd)

As a lessee (cont'd)

(ii) ***Lease liabilities (cont'd)***

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

The Group's lease liabilities are included in Loans and borrowings (Note 24).

(iii) ***Short-term leases and leases of low-value assets***

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

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.22(c). Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policy prior to 1 January 2019

As lessee

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

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(c). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

2.10 *Subsidiaries*

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

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

2.11 *Joint arrangement*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operations or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint venture

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.12.

2. Summary of significant accounting policies (cont'd)

2.12 *Joint venture*

The Group accounts for its investment in joint venture using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture is eliminated to the extent of the interest in the joint venture.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement

Investments in debt instruments

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

Amortised cost

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

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

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

Derecognition

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

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

2.14 *Impairment of financial assets*

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

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

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

2. Summary of significant accounting policies (cont'd)

2.14 *Impairment of financial assets (cont'd)*

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits 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. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 *Inventories*

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

– Raw materials – purchase costs on a weighted average basis;

– Finished goods – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

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

2.17 *Provisions*

General

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

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

Restructuring provision

Restructuring provisions are only recognised when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and the number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

2. Summary of significant accounting policies (cont'd)

2.17 *Provisions (cont'd)*

Provision for onerous contract

Provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.18 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.19 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised as a liability initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.20 *Borrowing costs*

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

2.21 *Employee benefits*

(a) *Defined contribution plans*

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

2. Summary of significant accounting policies (cont'd)

2.21 *Employee benefits (cont'd)*

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

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

(c) ***Employee share plans – Restricted Share Plan and Performance Share Plan***

Employees (including senior executives) of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value at the date on which the share awards are granted which takes into account market conditions and non-vesting conditions. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable. This cost is recognised in profit or loss, with a corresponding increase in the restricted share plan reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of share awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The restricted share plan reserve is transferred to retained earnings upon forfeiture of the share award.

(d) ***Termination benefits***

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

A liability and expense for a termination benefits are recognised at the earlier of when an entity can no longer withdraw the offer of those benefits and when an entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

2.22 *Revenue*

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

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised 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.

2. Summary of significant accounting policies (cont'd)

2.22 *Revenue (cont'd)*

(a) ***Sale of plastic components***

The Group manufactures and supplies plastic components for manufacturers.

Revenue is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Certain goods are sold with a right of return and with retrospective volume rebates based on the aggregate sales over a period of time.

The amount of revenue recognised is based on the estimated transaction price which comprises the contractual price, net of the estimated volume rebates and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the volume rebates payable to customer where consideration have been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the goods less expected costs to recover the goods, and adjusted them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

Consignment arrangements

In some consignment arrangements, although the good has been delivered to the customer, the Group retains control of the good and satisfies its performance obligation only when the good is drawn down by the customer.

(b) ***Sale of moulds***

The Group manufactures and supplies moulds for manufacturers.

For moulds whereby the Group is restricted contractually from directing the moulds for another use as they are being produced and has an enforceable right to payment for performance completed to-date, revenue is recognised over time, based on stages of mould manufacturing process completed to-date.

For moulds whereby the Group does not have an enforceable right to payment for performance completed to-date, revenue is recognised when the customer obtains control of the mould.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified manufacturing milestones. 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 considerations have been received or are due from customers. 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.

2. Summary of significant accounting policies (cont'd)

2.22 *Revenue (cont'd)*

(b) *Sale of moulds (cont'd)*

Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

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

Contract modifications

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

(c) *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 *Taxes*

(a) *Current income tax*

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

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

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(b) *Deferred tax*

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

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

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

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

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

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

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

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(c) *Sales tax*

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

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

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

2.24 *Share capital and share issuance expenses*

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

2.25 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3. Significant accounting judgements and estimates (cont'd)

3.1 *Judgements made in applying accounting policies*

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

Mould fabrication contracts

The Group recognises revenue from sale of moulds over time, based on stages of mould manufacturing process completed to-date. Management has determined that an activity-based output method provides a faithful depiction of the Group's performance in transferring control of the moulds to customers, as it reflects the value of the activities performed to-date, relative to the total value of the activities promised in the contracts. The carrying amounts of contract assets, contract liabilities and capitalised contract costs arising from mould fabrication contracts at the end of the reporting period are disclosed in Notes 4 and 19.

3.2 *Key sources of estimation uncertainty*

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

(a) ***Provision for expected credit losses of trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 32(c).

The carrying amount of trade receivables and contract assets at the end of the reporting period is disclosed in Notes 4 and 20.

(b) ***Impairment of goodwill***

The recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on fair value less costs of disposal calculations. The key assumptions applied in the determination of the fair value including a sensitivity analysis, are disclosed and further explained in Note 14.

The carrying amount of the goodwill at the end of the reporting period is disclosed in Note 14.

3. Significant accounting judgements and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Management 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, deferred tax assets and deferred tax liabilities in the period in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2019 were $2,509,000 (2018: $4,042,000), $3,652,000 (2018: $2,707,000) and $8,608,000 (2018: $7,480,000) respectively.

4. Revenue

(a) *Disaggregation of revenue*

	Plastic components for manufacturers						Moulds for manufacturers			
	Automotive		Consumer/IT		Healthcare		Mould fabrication		Total revenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets										
Singapore	1,016	931	64,267	65,519	18,470	22,454	16,790	13,197	100,543	102,101
Malaysia	8,170	14,595	43,658	44,882	1,942	1,690	4,383	4,936	58,153	66,103
People's Republic of China and Hong Kong	114,488	122,175	71,122	83,000	9,111	9,973	18,182	33,601	212,903	248,749
Americas	77,730	75,557	24,164	23,404	17,062	9,707	44,745	36,086	163,701	144,754
Europe	20,024	28,042	13,339	20,649	8,499	10,434	19,351	23,987	61,213	83,112
Others	23,714	28,633	36,485	36,730	2,233	2,481	14,846	14,132	77,278	81,976
	245,142	269,933	253,035	274,184	57,317	56,739	118,297	125,939	673,791	726,795
Timing of transfer of goods or services										
At a point in time	245,142	269,933	253,035	274,184	57,317	56,739	-	–	555,494	600,856
Over time	–	–	–	–	–	–	118,297	125,939	118,297	125,939
	245,142	269,933	253,035	274,184	57,317	56,739	118,297	125,939	673,791	726,795

4. Revenue (cont'd)

(b) *Judgement and methods used in estimating revenue*

(i) *Estimating variable consideration for plastic components*

Some contracts with customers provide for volume rebates. In estimating the variable consideration for the sale of plastic components, the Group uses the most likely amount method to estimate the volume rebates and product returns. Management relies on historical experience with purchasing patterns of customers and product returns of customers.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For volume rebates, the Group has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue. For product returns, management considers its historical experience to estimate variable consideration for expected returns.

(ii) *Recognition of revenue from manufacture and sale of moulds over time*

For sale of moulds where the Group satisfies its performance obligation over time, management has determined that an activity-based output method provides a faithful depiction of the Group's performance in transferring control of the moulds to customers, as it reflects the activities performed to-date, relative to the total value of the activities promised in the contracts.

(c) *Contract balances*

Information about receivables, contract assets and contract liabilities from contracts with customer is disclosed as follows:

		Group	
	Note	**2019**	**2018**
		$'000	$'000
Receivables from contracts with customers	20	169,466	180,805
Capitalised contract costs	19	28,822	30,463
Contract assets		34,850	41,744
Contract liabilities		29,677	37,047

During the financial year, the Group has recognised net impairment losses on receivables arising from contracts with customers amounting to $178,000 (2018: $8,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of moulds. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which considerations have been received or are due from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

4. Revenue (cont'd)

(c) *Contract balances (cont'd)*

(i) Significant changes in contract assets are explained as follows:

	Group	
	2019	**2018**
	$'000	$'000
Contract assets reclassified to receivables	30,787	13,933

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2019	**2018**
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	25,094	14,366

5. Interest income

	Group	
	2019	**2018**
	$'000	$'000
Interest income from debts instruments at amortised cost	541	468

6. Other income

		Group	
	Note	2019	2018
		$'000	$'000
Net gain from disposal of scrap materials		1,224	732
Government grants		1,096	1,699
Net gain on disposal of property, plant and equipment		172	12,925
Net foreign exchange gain		–	657
Reimbursement from customers and suppliers		737	443
Rental income	15	986	1,233
Commission income from joint venture		190	185
Net gain on termination of lease contracts		23	–
Miscellaneous income		1,809	1,496
		6,237	19,370

7. Other operating expenses

		Group	
	Note	2019	2018
		$'000	$'000
Property, plant and equipment written off		(85)	(103)
Net allowance for impairment loss on property, plant and equipment	13	(709)	(552)
Amortisation of intangible assets	14	(1,401)	(1,512)
Impairment loss on intangible assets	14	–	(26)
Retrenchment costs	23	(1,346)	(3,926)
Net foreign exchange loss		(1,145)	–
Onerous rental expense		(483)	–
Miscellaneous expenses		(3,169)	(3,676)
		(8,338)	(9,795)

8. Finance costs

	Group 2019	Group 2018
	$'000	$'000
Interest expense on bank loans, bills payable and bank overdrafts carried at amortised cost	(4,209)	(4,030)
Interest expense on lease liabilities carried at amortised cost	(994)	–
	(5,203)	(4,030)

9. Profit before tax and impairment losses on financial assets

The following items have been included in arriving at profit before tax:

	Note	Group 2019	Group 2018
		$'000	$'000
Inventories recognised as an expense in cost of sales	19	(499,376)	(530,657)
Capitalised contract costs recognised as an expense in cost of sales	19	(100,094)	(109,005)
Depreciation of property, plant and equipment	13	(27,333)	(29,223)
Amortisation of intangible assets	14	(1,401)	(1,512)
Impairment loss on intangible assets	14	–	(26)
Depreciation of right-of-use assets	15	(7,803)	–
Impairment losses on financial assets (included in administrative expenses) – Trade receivables	20	(178)	(8)
Bad debt written off		(6)	–
Audit fees:			
– Auditor of the Company		(421)	(465)
– Other auditors		(933)	(910)
Non-audit fees:			
– Auditor of the Company		(87)	(99)
– Other auditors		(134)	(477)
Employee benefits expense	30	(157,677)	(169,587)
Operating lease expense	28(b)	–	(13,266)
Expense relating to short-term leases	15	(6,910)	–
Expense relating to low-value assets	15	(54)	–

10. Income tax expense

Major components of income tax expense

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

	Note	Group 2019 $'000	Group 2018 $'000
Consolidated income statement			
Current income tax:			
Current income taxation		(5,851)	(7,908)
Over provision in respect of previous years		1,114	264
		(4,737)	(7,644)
Withholding tax		(559)	(714)
Deferred income tax:			
Origination and reversal of temporary differences		(1,251)	(65)
Over provision in respect of previous years		993	424
	25	(258)	359
Income tax expense recognised in profit or loss		(5,554)	(7,999)

Relationship between income tax expense and accounting profit

A reconciliation between the income tax expenses and accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group 2019 $'000	Group 2018 $'000
Profit before tax	13,542	37,757
Tax at the domestic rates applicable to profits in the countries where the Group operates	(2,068)	(7,695)
Adjustments:		
Non-deductible expenses	(1,345)	(3,279)
Income not subject to taxation	1,582	3,212
Benefits from previously unrecognised deferred tax assets	1,048	2,414
Deferred tax assets not recognised	(6,759)	(3,581)
Effect of tax relief and tax incentive	632	739
Over provision in respect of previous years	2,107	688
Effect of undistributed earnings of subsidiaries	(249)	93
Withholding tax	(559)	(714)
Others	57	124
Income tax expense recognised in profit or loss	(5,554)	(7,999)

10. Income tax expense (cont'd)

Relationship between income tax expense and accounting profit (cont'd)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The overseas subsidiaries are taxed at the domestic corporate tax rate of respective countries except for two subsidiaries in People's Republic of China ("PRC"), which are entitled to concessionary rate of 15% in accordance with the "Income Tax Law of the PRC for high-tech enterprises".

11. Earnings per share

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

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

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2019 and 2018:

	Group	
	2019	**2018**
	$'000	$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	7,988	29,758

	Group	
	2019	**2018**
	Number of shares	**Number of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	190,693	189,513
Effect of dilution:		
– Restricted share plan	2,910	3,226
Weighted average number of ordinary for diluted earnings per share computation	193,603	192,739

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

12. Dividends

		Group and Company	
		2019	2018
		$'000	$'000
(a)	**Declared and paid during the financial year**		
	Dividends on ordinary shares:		
	Final exempt (one-tier) dividend for 2018: $0.05 (2017: $0.045) per share	9,532	8,514
	Interim exempt (one-tier) dividend for 2019: $0.03 (2018: $0.03) per share	5,720	5,676
		15,252	14,190
(b)	**Proposed but not recognised as a liability as at 31 December**		
	Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
	Final exempt (one-tier) dividend for 2019: $0.05 (2018: $0.05) per share	9,597	9,532

13. Property, plant and equipment

2019 Group	Note	Freehold land	Leasehold land	Buildings	Leasehold improve-ments	Motor vehicles	Machinery and equipment	Office equipment and furniture	Construction-in-progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
At 1 January 2019 (As previously reported)		2,459	22,564	94,876	59,485	5,374	464,545	33,691	1,066	684,060
Cumulative effects of adopting SFRS(I) 16		–	(22,564)	–	–	–	–	–	–	(22,564)
At 1 January 2019 (Restated)		2,459	–	94,876	59,485	5,374	464,545	33,691	1,066	661,496
Additions		–	–	6,250	4,020	113	18,282	701	3,444	32,810
Reclassification		–	–	483	139	33	1,043	26	(1,724)	–
Disposals		–	–	(57)	–	(84)	(11,299)	(308)	–	(11,748)
Write-offs		–	–	–	(3,033)	(24)	(8,532)	(2,817)	–	(14,406)
Currency realignment		(18)	–	(1,359)	(616)	(70)	(4,290)	(437)	(73)	(6,863)
At 31 December 2019		2,441	–	100,193	59,995	5,342	459,749	30,856	2,713	661,289
Accumulated depreciation and impairment loss										
At 1 January 2019 (As previously reported)		–	2,587	30,474	51,744	4,156	376,791	27,843	30	493,625
Cumulative effects of adopting SFRS(I) 16		–	(2,587)	–	–	–	–	–	–	(2,587)
At 1 January 2019 (Restated)		–	–	30,474	51,744	4,156	376,791	27,843	30	491,038
Charge for the year		–	–	3,471	2,215	264	18,833	2,550	–	27,333
Impairment loss/(reversal of impairment loss)		–	–	–	777	–	(84)	16	–	709
Reclassification		–	–	9	(9)	223	48	(271)	–	–
Disposals		–	–	(40)	–	(83)	(10,351)	(290)	–	(10,764)
Write-offs		–	–	–	(3,023)	(24)	(8,468)	(2,806)	–	(14,321)
Currency realignment		–	–	(416)	(525)	(47)	(3,026)	(355)	–	(4,369)
At 31 December 2019		–	–	33,498	51,179	4,489	373,743	26,687	30	489,626
Net carrying amount										
At 31 December 2019		2,441	–	66,695	8,816	853	86,006	4,169	2,683	171,663

13. Property, plant and equipment (cont'd)

2018 Group	Note	Freehold land	Leasehold land	Buildings	Leasehold improve-ments	Motor vehicles	Machinery and equipment	Office equipment and furniture	Construction-in-progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
At 1 January 2018		2,459	19,114	101,493	58,710	4,117	442,536	35,540	6,441	670,410
Acquisition of a subsidiary	17	–	–	–	584	–	7,276	–	–	7,860
Additions		–	59	5,807	1,341	354	24,740	2,299	2,567	37,167
Reclassification		–	5,322	1,593	26	(16)	949	57	(7,931)	–
Disposals		–	(2,092)	(13,373)	(443)	(2,102)	(4,240)	(2,788)	–	(25,038)
Write-offs		–	–	–	(713)	–	(1,175)	(2,013)	–	(3,901)
Currency realignment		–	161	(644)	(20)	3,021	(5,541)	596	(11)	(2,438)
At 31 December 2018		2,459	22,564	94,876	59,485	5,374	464,545	33,691	1,066	684,060
Accumulated depreciation and impairment loss										
At 1 January 2018		–	358	36,058	48,767	3,288	359,804	28,240	30	476,545
Acquisition of a subsidiary	17	–	–	–	576	–	7,109	–	–	7,685
Charge for the year		–	124	4,184	3,200	373	17,751	3,591	–	29,223
Impairment loss		–	–	–	331	–	219	2	–	552
Reclassification		–	2,657	(2,657)	–	(220)	(29)	249	–	–
Disposals		–	(552)	(7,111)	(443)	(1,821)	(3,294)	(2,523)	–	(15,744)
Write-offs		–	–	–	(713)	–	(1,097)	(1,988)	–	(3,798)
Currency realignment		–	–	–	26	2,536	(3,672)	272	–	(838)
At 31 December 2018		–	2,587	30,474	51,744	4,156	376,791	27,843	30	493,625
Net carrying amount										
At 31 December 2018		2,459	19,977	64,402	7,741	1,218	87,754	5,848	1,036	190,435

13. Property, plant and equipment (cont'd)

Company	Buildings	Leasehold improvements	Motor vehicles	Machinery and equipment	Office equipment and furniture	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2018	4,732	6,751	59	10,509	6,258	49	28,358
Additions	–	186	–	3,065	208	–	3,459
Disposals	–	–	–	(246)	–	–	(246)
Write-offs	–	–	–	(168)	(156)	–	(324)
At 31 December 2018 and 1 January 2019	4,732	6,937	59	13,160	6,310	49	31,247
Additions	5,710	313	–	2,018	33	–	8,074
Disposals	–	–	–	(387)	–	–	(387)
Write-offs	–	–	–	(1,089)	(100)	–	(1,189)
At 31 December 2019	10,442	7,250	59	13,702	6,243	49	37,745
Accumulated depreciation and impairment loss							
At 1 January 2018	1,683	5,381	24	7,264	3,942	26	18,320
Charge for the year	79	211	11	587	1,535	–	2,423
Disposals	–	–	–	(188)	–	–	(188)
Write-offs	–	–	–	(168)	(155)	–	(323)
At 31 December 2018 and 1 January 2019	1,762	5,592	35	7,495	5,322	26	20,232
Charge for the year	173	218	9	861	818	–	2,079
Disposals	–	–	–	(317)	–	–	(317)
Write-offs	–	–	–	(1,089)	(100)	–	(1,189)
At 31 December 2019	1,935	5,810	44	6,950	6,040	26	20,805
Net carrying amount							
At 31 December 2018	2,970	1,345	24	5,665	988	23	11,015
At 31 December 2019	8,507	1,440	15	6,752	203	23	16,940

13. Property, plant and equipment (cont'd)

Impairment of assets

During the financial year, the Group carried out a review of certain property, plant and equipment within the Automotive and Consumer/IT segments and recognised a net impairment loss of $709,000 (2018: $552,000), representing the write-down of these property, plant and equipment to the recoverable amount which was recognised in the "Other operating expenses" (Note 7) line item of profit or loss.

14. Intangible assets

Group	Note	Goodwill	Customer relationships	Club membership	Total
		$'000	$'000	$'000	$'000
Cost					
At 1 January 2018		19,704	9,063	71	28,838
Acquisition of a subsidiary	17	4	–	–	4
Currency realignment		–	149	–	149
At 31 December 2018 and 1 January 2019		19,708	9,212	71	28,991
Currency realignment		–	(84)	–	(84)
At 31 December 2019		19,708	9,128	71	28,907
Accumulated amortisation and impairment					
At 1 January 2018		7,000	6,184	71	13,255
Amortisation		–	1,512	–	1,512
Impairment loss		26	–	–	26
Currency realignment		–	111	–	111
At 31 December 2018 and 1 January 2019		7,026	7,807	71	14,904
Amortisation		–	1,401	–	1,401
Currency realignment		–	(80)	–	(80)
At 31 December 2019		7,026	9,128	71	16,225
Net carrying amount					
At 31 December 2018		12,682	1,405	–	14,087
At 31 December 2019		12,682	–	–	12,682

14. Intangible assets (cont'd)

Customer relationships

Customer relationships were amortised on a straight-line basis over the remaining useful life of nil year (2018: One year).

Amortisation expense

The amortisation for customer relationships is included in the "Other operating expenses" (Note 7) line item in profit or loss.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("CGUs") identified according to the Group's business units, for impairment testing as follows:

- Sunningdale Tech Ltd., Omni Mold Ltd., Sunningdale Tech (Malaysia) Sdn Bhd and its subsidiaries, PT Sunningdale Tech Batam and Plasolux Pte Ltd CGUs ("CGU 1");
- AS Sunningdale Tech (Latvia) ("ST Latvia") and SIA Sunningdale Tech (Riga) ("ST Riga") CGUs ("CGU 6"). On 20 September 2019, ST Latvia had been merged into ST Riga;
- SIA Skan-Tooling CGU ("CGU 8"); and
- Sunningdale Tech (Rayong) Co., Ltd CGU ("CGU 9").

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2019	**2018**
	$'000	$'000
CGU 1	6,808	6,808
CGU 6	5,870	5,870
CGU 9	4	4
Total	12,682	12,682

Key assumptions used in the calculations of fair value less costs of disposal

The recoverable amounts of CGU 1 and CGU 6 are determined based on fair value less costs of disposal ("FVLCOD") of the CGUs. To calculate these values, an appropriate multiple was applied to the maintainable operating earnings of the CGUs. The FVLCOD of the CGUs are determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation ("EBITDA"), which management believes is sustainable in view of the current and anticipated business conditions.

The FVLCOD of CGU 1 and CGU 6 are estimated based on current EBITDA and market multiple of 5.15 (2018: 3.96) and 6.30 (2018: 7.38) respectively. The market multiples are calculated based on the median of comparable companies' indications, after adjustments for differences in risk and growth. The fair value derived is categorised under Level 3 of the fair value hierarchy.

14. Intangible assets (cont'd)

Sensitivity to changes in assumptions

With regards to the assessment of fair value less costs of disposal for CGU 1 and CGU 6, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Impairment loss recognised

During the financial year ended 31 December 2018, an impairment loss was recognised to write down the carrying amount of goodwill of CGU 8 attributable to the Mould Fabrication segment. The impairment loss of $26,000 had been recognised in the "Other operating expenses" (Note 7) line item of profit or loss. No impairment loss was recognised for the financial year ended 31 December 2019.

15. Leases

As a lessee

The Group has lease contracts for various items of lands, buildings, motor vehicles and office furniture and equipment used in its operations. These leases have lease terms between two years and 60 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets without prior approval from lessors.

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

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Leasehold lands	Leasehold buildings	Motor vehicles	Office furniture and equipment	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2019 (Restated)	22,353	17,892	125	237	40,607
Additions	904	9,498	24	–	10,426
Depreciation	(671)	(7,006)	(64)	(62)	(7,803)
Termination of lease contracts	–	(1,268)	–	–	(1,268)
Currency realignment	(237)	(172)	(2)	(1)	(412)
At 31 December 2019	22,349	18,944	83	174	41,550

15. Leases (cont'd)

As a lessee (cont'd)

Company	Leasehold lands	Leasehold buildings	Motor vehicles	Office furniture and equipment	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2019 (Restated)	1,199	–	31	111	1,341
Additions	904	3,024	24	–	3,952
Depreciation	(103)	(828)	(25)	(30)	(986)
At 31 December 2019	2,000	2,196	30	81	4,307

Set out below are the carrying amounts of lease liabilities (included under Loans and borrowings) and the movements during the period:

	Note	Group 2019	Company 2019
		$'000	$'000
At 1 January (Restated)		20,630	1,341
Additions	24	10,426	3,952
Accretion of interest	8	994	139
Payments		(7,678)	(1,012)
Termination of lease contracts		(1,291)	–
Currency realignment		(249)	–
At 31 December		22,832	4,420
Current	24	7,449	1,235
Non-current	24	15,383	3,185
		22,832	4,420

The maturity analysis of lease liabilities is disclosed in Note 32(d).

15. Leases (cont'd)

As a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	Group 2019 $'000
Depreciation of right-of-use assets	(7,803)
Interest expense on lease liabilities	(994)
Expenses relating to short-term leases	(6,910)
Expenses relating to leases of low-value assets	(54)
Total amount recognised in profit or loss	(15,761)

The Group had total cash outflows for leases of $14,642,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $10,426,000 in 2019.

As a lessor

The Group has entered into operating leases on certain buildings. These leases have terms of between one and two years. Rental income recognised by the Group during the year is $986,000 (2018: $1,233,000).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2019 $'000	2018 $'000
With third parties		
Not later than one year	295	–
Later than one year but not later than five years	51	–
	346	–
With joint venture		
Not later than one year	478	735
Later than one year but not later than five years	–	476
	478	1,211

16. Other investments

	Group	
	2019	2018
	$'000	$'000
At fair value through other comprehensive income		
Equity securities (Unquoted)	1,539	1,539

Investments in equity instruments designated at fair value through other comprehensive income

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation. The carrying amount of other investments does not differ materially from its fair value at the end of the reporting period.

17. Investment in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted shares, at cost	553,440	545,878
Impairment losses	(180,016)	(180,016)
Carrying amount of investments	373,424	365,862

17. Investment in subsidiaries (cont'd)

The Group has the following significant investment in subsidiaries.

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2019 %	2018 %
Held by the Company			
Chi Wo Plastic Moulds Fty. Limited [2] (Hong Kong)	Manufacturing and sale of mould and plastic injection products, trading of car audio equipment and investment holding	100	100
Omni Mold Ltd. [1] (Singapore)	Design, manufacturing, marketing and export of high precision steel moulds	100	100
Sunningdale Tech (Malaysia) Sdn Bhd [2] (Malaysia)	Manufacturer of plastic products in video front panels, office automation products and sub-assembly of paper feeders for printers and computer components	100	100
Sunningdale Precision Industries Ltd [1] (Singapore)	Precision mould making, injection moulding of precision engineering plastic components, as well as contract manufacturing of assembled plastic products	100	100
Sunningdale Tech Investment Holding Pte. Ltd. [1] (Singapore)	Investment holding	100	100
Sunningdale Technologies S.A. de C.V. [2] (Mexico)	Manufacturing and sale of precision plastic injection moulding products	100*	100*
UFE Pte Ltd [1] (Singapore)	Designing and manufacturing of moulds and plastic injection moulding plastics products	100##	100
PT Sunningdale Tech Batam [2] (Indonesia)	Manufacturing of precision plastic injection moulding products	100**	100**
First Engineering Limited [1] (Singapore)	Design, fabrication, manufacture and sale of high precision moulds for plastic gears and investment holding	100	100

17. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2019 %	2018 %
Held by the Company (cont'd)			
Sunningdale Tech (Thailand) Co., Ltd [4] (Thailand)	Manufacturing and sale of precision plastic injection moulding products	100***	100***
Sunningdale Tech (Penang) Sdn. Bhd. [8] (Malaysia)	Manufacturing of precision plastic injection moulding products	100	100
Sunningdale Tech Inc [5] (United States of America)	Support office	100	100
Sunningdale Tech (Rayong) Co., Ltd (previously known as Adval Tech (Thailand) Co., Ltd) [7] (Thailand)	Manufacturing and sale of precision plastic injection moulding products	100***	100***
Held through Chi Wo Plastic Moulds Fty. Limited			
Zhongshan Zhihe Electrical Equipment Co., Ltd [2] (People's Republic of China)	Manufacturing and sale of mould and plastic injection products	100	100
Held through Sunningdale Precision Industries Ltd			
SDP Manufacturing Sdn Bhd [2] (Malaysia)	Manufacturing of plastic and metal parts of machinery and equipment	100	100
Sunningdale Precision Industries (Shanghai) Co., Ltd [2] (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
Sunningdale Precision Mold Industries (Tianjin) Co., Ltd [2] (People's Republic of China)	Manufacturing of precision moulds and provision of technical consulting services	100	100
Sunningdale Technologies S.A. de C. V. [2] (Mexico)	Manufacturing of precision plastic injection moulding products	100*	100*
Sunningdale Plastic Technology (Tianjin) Co., Ltd [3] (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100

17. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2019 %	2018 %
Held through Sunningdale Precision Industries Ltd (cont'd)			
Sunningdale Precision Technology (Shanghai) Co., Ltd [(2)] (People's Republic of China)	Designing and manufacturing of precision moulds and precision engineering plastic components	100	100
Sunningdale Innovative Technology (Tianjin) Co., Ltd [(2)] (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
PT Sunningdale Tech Batam [(2)] (Indonesia)	Manufacturing of precision plastic injection moulding products	100**	100**
Sunningdale Precision Tech (Chuzhou) Co., Ltd [(2)] (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
Held through Sunningdale Plastics Sdn Bhd			
Sunningdale Tech Plásticos (Brasil) Ltda [(5)] (Brazil)	Manufacturing of precision plastic injection moulding products	100****	100****
Held through Omni Mold Ltd.			
SIA Skan-Tooling [(2)] (Latvia)	Designing manufacturing, marketing and export of high precision steel moulds	100	100
Held through Omni Mold Investment Holding Pte. Ltd.			
Omni Tech (Suzhou) Co., Ltd [(2)] (People's Republic of China)	Product design and development, tooling and moulding	100	100
Held through Sunningdale Tech Investment Holding Pte. Ltd.			
AS Sunningdale Tech (Latvia) [(2)] (Latvia)	Manufacture, production and sale of plastic products	#	100
SIA Sunningdale Tech (Riga) [(2)] (Latvia)	Manufacture, production and sale of plastic products	100	100

17. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest	
		2019	2018
		%	%
Held through First Engineering Limited			
First Engineering (Guangzhou) Co., Ltd. [6] (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering (Shanghai) Co., Ltd [2] (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering (Suzhou) Co., Ltd [2] (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Plastics (Malaysia) Sdn Bhd [2] (Malaysia)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Plastics India Private Limited [2] (India)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Decorative (Suzhou) Co., Ltd [2] (People's Republic of China)	Manufacturing and sale of painted and laser etched plastic parts	100	100

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of EY Global in the respective countries

(3) Audited by Tianjin Jinhua Certified Public Accountants Ltd

(4) Audited by P.J. Accounting & Consultant Co., Ltd.

(5) Not required to be audited under the law in the country of incorporation

(6) Audited by GD Zhong Qian Certified Public Accountants

(7) Audited by PricewaterhouseCoopers ABAS Ltd

(8) Audited by BDO PLT

* 17.0% of equity held by the Company and 83.0% of equity held by Sunningdale Precision Industries Ltd

** 85.0% (2018: 70.0%) of equity held by the Company and 15.0% (2018: 30.0%) of equity held by Sunningdale Precision Industries Ltd

*** 99.9% of equity held by the Company and the remaining equity is equally held by Sunningdale Precision Industries Ltd and Omni Mold Ltd.

**** 98.0% of equity held by the Sunningdale Plastics Sdn Bhd and 2.0% of equity held by Sunningdale Technologies S.A. de C. V.

On 20 September 2019, AS Sunningdale Tech (Latvia) had been merged into SIA Sunningdale Tech (Riga)

On 1 January 2020, UFE Pte Ltd had been amalgamated with Omni Mold Ltd. and had ceased to exist as a separate legal and reporting entity on that date

17. Investment in subsidiaries (cont'd)

During the financial year ended 31 December 2019, three wholly-owned subsidiaries of the Company, PT Sunningdale Tech Batam, Sunningdale Technologies S.A. de C.V. and Sunningdale Tech (Penang) Sdn Bhd, increased the issued and paid up capital by $343,000, $2,316,000 and $4,903,000 respectively.

During the financial year ended 31 December 2018, two wholly-owned subsidiaries of the Company, First Engineering Limited, and Sunningdale Tech (Penang) Sdn. Bhd., increased the issued and paid-up capital by $23,886,000 and $2,794,000 respectively.

Acquisition of a subsidiary

On 5 September 2018 (the "acquisition date"), the Group acquired 100% equity interest in Sunningdale Tech (Rayong) Co., Ltd ("ST Rayong"), a manufacturer of precision plastic components in Thailand. Upon the acquisition, ST Rayong became a wholly-owned subsidiary of the Group.

The Group is of view that the existing business of ST Rayong will be synergistic to the Group's mould fabrication business by expanding the customer base and product portfolio in Thailand.

The fair value of the identifiable assets and liabilities of ST Rayong as at the acquisition date were:

	Fair value recognised on acquisition
	$'000
Assets	
Property, plant and equipment	175
Inventories	269
Contract assets	93
Prepayments	15
Trade and other receivables	1,606
Cash and short-term deposits	258
	2,416
Liabilities	
Trade and other payables	947
Other liabilities	546
Long-term payables	956
	2,449
Total identifiable net liabilities at fair value	(33)
Goodwill arising from acquisition	4
	(29)

17. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

	$'000
Consideration received for the acquisition	
Cash received	(29)
Total consideration received	(29)
Effect of the acquisition on cash flows	
Total consideration for 100% equity interest acquired, representing consideration received in cash	29
Add: Cash and cash equivalents of subsidiary acquired	258
Net cash inflow on acquisition	287

Transaction costs

Transaction costs related to the acquisition of $260,000 had been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2018.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of $1,606,000, which were their gross amounts.

Goodwill arising from acquisition

The goodwill is allocated entirely to the Consumer/IT segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, ST Rayong had contributed $2,049,000 of revenue and $212,000 to the Group's profit for the year ended 31 December 2018. If the business combination had taken place at the beginning of the year ended 31 December 2018, the Group's revenue would have been $730,785,000 and the Group's profit for the year, net of tax would have been $29,878,000.

18. Investment in joint venture

The Group's investment in joint venture is summarised below:

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest 2019 %	2018 %
Held through a subsidiary			
First Engineering-Erwin Quarder Pte. Ltd. ("FEEQ") [1] (Singapore)	Design, fabrication, manufacturing, assembly and sale of moulded plastic products and investment holding	50	50

(1) Audited by Ernst & Young LLP, Singapore

Information about the Group's investment in joint venture that is not material is as follows:

	2019 $'000	2018 $'000
Profit after tax	2,701	2,847
Other comprehensive income	210	170
Total comprehensive income	2,911	3,017

During the financial year, dividend of $770,000 (2018: $750,000) was received from FEEQ.

19. Inventories

	Group	
	2019	**2018**
	$'000	$'000
Balance sheet		
Inventories		
Raw materials	33,009	35,613
Finished goods	49,188	48,835
	82,197	84,448
Capitalised contract costs	28,822	30,463
	111,019	114,911
Consolidated income statement		
Inventories recognised as an expense in cost of sales	(499,376)	(530,657)
Inclusive of the following (charge)/credit:		
– Inventories written down	(1,907)	(1,349)
– Reversal of write-down of inventories	1,251	1,411
Capitalised contract costs recognised as an expense in cost of sales	(100,094)	(109,005)
Inclusive of net reversal of impairment loss/(impairment loss) on capitalised contract costs	489	(1,120)

	Company	
	2019	**2018**
	$'000	$'000
Balance sheet		
Inventories		
Raw materials	1,753	1,955
Finished goods	3,376	3,252
	5,129	5,207
Capitalised contract costs	2,659	2,338
	7,788	7,545

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2019 and 2018.

20. Trade and other receivables

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Other receivables (Non-current)					
Loans to subsidiaries		–	–	371	374
Trade and other receivables (Current)					
Trade receivables		167,536	178,934	23,912	22,494
Unbilled trade receivables		1,851	1,798	51	15
Amounts due from subsidiaries					
– Trade		–	–	2,863	4,310
– Non-trade		–	–	34,271	27,703
– Loans		–	–	2,897	6,157
Amounts due from joint venture					
– Trade		79	73	–	–
– Non-trade		863	560	–	–
– Loans		–	1,591	–	–
Other receivables		5,694	32,005	814	286
Down payments		6,803	4,703	567	102
Notes receivables		3,580	1,447	–	–
Staff advances		444	183	–	–
Refundable deposits		1,994	2,737	153	98
Other taxes receivables		29,710	24,479	1,157	1,263
		218,554	248,510	66,685	62,428
Total trade and other receivables (Non-current and current)		218,554	248,510	67,056	62,802
Add: Cash and short-term deposits	21	103,366	88,746	3,373	3,148
Less: Down payments		(6,803)	(4,703)	(567)	(102)
Less: Notes receivables		(3,580)	(1,447)	–	–
Less: Other taxes receivables		(29,710)	(24,479)	(1,157)	(1,263)
Total financial assets carried at amortised costs		281,827	306,627	68,705	64,585

20. Trade and other receivables (cont'd)

Trade receivables

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

Other receivables

Included in other receivables of the Group as at 31 December 2018 is $28,911,000 relating to the sale proceeds from the disposal of a property in Zhongshan, China, which had been received on 3 January 2019.

Amounts due from subsidiaries and joint venture

Amounts due from subsidiaries are unsecured, non-interest bearing and are to be settled in cash. Current amounts due from subsidiaries are repayable on demand while non-current loans to subsidiaries are not expected to be repaid within the next 12 months.

Trade and non-trade amounts due from joint venture are unsecured, non-interest bearing and repayable on demand. Loans to joint venture are unsecured, repayable on demand and bear an interest at 4.35% per annum. Amounts due from joint venture are to be settled in cash.

Notes receivables and staff advances

Notes receivables are bill of exchange issued by drawer and the payer entrusts the payer to confirm the payment at unconditional payment on the appointed day of the amount to the payee or bearer's bill, stipulated by Article 19 of the "Notes Law" in People's Republic of China. Notes receivables are carried at FVOCI. The carrying amount of notes receivables does not differ materially from its fair value at the end of the reporting period.

Staff advances are unsecured and non-interest bearing.

Trade and other receivables denominated in foreign currencies at 31 December are mainly as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	60,039	72,109	37,906	39,675
Euro	9,313	9,345	4,224	2,624
Chinese Renminbi	28,313	40,469	–	–
Hong Kong Dollar	67	199	–	–

20. Trade and other receivables (cont'd)

Expected credit losses

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Movement in allowance accounts				
At 1 January	1,543	2,342	–	2
Charge for the year	334	402	–	–
Write-off	(234)	(777)	–	(2)
Reversal	(156)	(394)	–	–
Currency realignment	(4)	(30)	–	–
At 31 December	1,483	1,543	–	–

21. Cash and short-term deposits

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at banks and on hand	101,570	74,074	3,373	3,148
Short-term deposits	1,796	14,672	–	–
Cash and short-term deposits	103,366	88,746	3,373	3,148

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates, ranging from 0.01% to 5.58% (2018: 0.30% to 4.35%) per annum.

At the end of the reporting period, the Group and the Company had undrawn borrowing facilities of $187,751,000 (2018: $174,592,000) and $60,131,000 (2018: $60,762,000) respectively, in which all conditions precedent had been met.

21. Cash and short-term deposits (cont'd)

Cash and short-term deposits denominated in foreign currencies at 31 December are mainly as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	39,989	31,687	2,745	2,385
Euro	5,779	4,527	63	85
Chinese Renminbi	5,722	733	–	–
Hong Kong Dollar	178	248	–	–

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the end of the reporting period:

		Group	
	Note	**2019**	**2018**
		$'000	$'000
Cash and short-term deposits		103,366	88,746
Bank overdrafts	24	(439)	(571)
Pledged fixed deposits		(1,546)	(1,691)
Cash and cash equivalents		101,381	86,484

22. Trade and other payables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Other payables (Non-current)					
Other payables		175	40	–	–
Trade and other payables (Current)					
Trade payables		66,900	72,645	2,619	2,808
Amounts due to subsidiaries					
– Trade		–	–	52,956	47,733
– Non-trade		–	–	1,767	1,929
– Loans		–	–	851	2,683
Other payables		25,261	27,626	8,054	8,974
Deposits from tenants		99	–	99	–
Other taxes payables		24,499	13,851	825	1,090
		116,759	114,122	67,171	65,217
Total trade and other payables (Non-current and current)		116,934	114,162	67,171	65,217
Add: Other liabilities	23	52,144	52,664	3,091	4,027
Add: Loans and borrowings	24	127,200	109,722	42,115	44,843
Less: Other taxes payables		(24,499)	(13,851)	(825)	(1,090)
Total financial liabilities carried at amortised cost		271,779	262,697	111,552	112,997

Trade payables/other payables

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

Amounts due to subsidiaries and joint venture

Amounts due to subsidiaries and joint venture are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

22. Trade and other payables (cont'd)

Trade and other payables denominated in foreign currencies at 31 December are mainly as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	21,321	26,241	34,883	34,924
Euro	886	1,574	480	1,201
Chinese Renminbi	14,129	7,088	–	–
Hong Kong Dollar	20	49	5	–

23. Other liabilities, provisions and deferred capital grants

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Other liabilities				
Trade accrual	24,841	14,960	232	659
Accrued other operating expenses	12,465	19,654	752	836
Accrued directors' fees	718	694	718	694
Accrued employee benefits expense	13,719	16,908	1,220	1,613
Accrued interest expenses	401	448	169	225
	52,144	52,664	3,091	4,027
Accrual for other taxes	242	2,071	–	–
Others	53	–	–	–
Total other liabilities	52,439	54,735	3,091	4,027

23. Other liabilities, provisions and deferred capital grants (cont'd)

Group	Provisions		
	Onerous contract	Retrench-ment costs	Total
	$'000	$'000	$'000
Current			
At 1 January 2018	616	1,286	1,902
(Written back)/charge for the year, net	(324)	3,926	3,602
Utilised	–	(1,314)	(1,314)
Currency realignment	9	(98)	(89)
At 31 December 2018 and 1 January 2019	301	3,800	4,101
(Written back)/charge for the year, net	(300)	1,346	1,046
Utilised	–	(4,785)	(4,785)
Currency realignment	(1)	(32)	(33)
At 31 December 2019	–	329	329

Provision for onerous contract

Onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provision for retrenchment costs

The Group carried out restructuring and relocation exercises in People's Republic of China and Brazil. Accordingly, net provision for retrenchment costs amounting to $1,346,000 (2018: $3,926,000) was recognised during the financial year ended 31 December 2019. The exercises in People's Republic of China have been completed in 2019, while the exercise in Brazil is expected to be completed in 2020.

23. Other liabilities, provisions and deferred capital grants (cont'd)

Group	Deferred capital grants 2019 $'000	2018 $'000
Cost		
At 1 January	2,180	2,229
Currency realignment	(67)	(49)
At 31 December	2,113	2,180
Accumulated amortisation		
At 1 January	354	243
Amortisation	111	117
Currency realignment	(12)	(6)
At 31 December	453	354
Net carrying amount		
Current	111	114
Non-current	1,549	1,712
	1,660	1,826

Deferred capital grants relate to government grant received for the acquisition of land undertaken by the Group's subsidiary in People's Republic of China. There are no unfulfilled conditions or contingencies attached to the grant.

24. Loans and borrowings

	Interest rate (Per annum)	Maturity	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current						
Unsecured short-term loans [a]	2.72% – 8.20% (2018: 2.34% – 5.90%)	2020	45,899	49,547	18,562	17,872
Secured short-term loans [b]	4.35% (2018: 4.35%)	2020	1,546	1,591	–	–
Unsecured bank loans [a]	2.85% – 11.10% (2018: 2.85% – 11.00%)	2020	13,817	33,124	6,047	26,240
Unsecured bankers acceptance and letter of credit [a]	3.40% – 4.92% (2018: 3.36% – 5.21%)	2020	1,997	1,431	161	184
Bank overdrafts [a]	10.55% – 11.30% (2018: 10.55% – 11.75%)	On demand	439	571	–	–
Lease liabilities	2.80% – 6.00% (2018: Nil%)	2020	7,449	–	1,235	–
			71,147	86,264	26,005	44,296
Non-current						
Unsecured bank loans [a]	2.85% – 11.10% (2018: 2.85% – 11.00%)	2021 – 2024	40,670	23,458	12,925	547
Lease liabilities	2.80% – 6.00% (2018: Nil%)	2021 – 2056	15,383	–	3,185	–
			56,053	23,458	16,110	547
Total loans and borrowings			127,200	109,722	42,115	44,843

(a) Included in these facilities are borrowings which are covered by corporate guarantees provided by the Company (Note 29).

(b) These loans are secured by pledged fixed deposits of subsidiaries of $1,546,000 (2018: $1,591,000) (Note 21).

24. Loans and borrowings (cont'd)

Loans and borrowings denominated in foreign currencies at 31 December are mainly as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	7,757	10,256	6,923	5,470

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

			Non-cash changes			
	1.1.2019 (Restated)	**Cash flows**	**New leases**	**Foreign exchange movement**	**Other**	**31.12.2019**
	$'000	$'000	$'000	$'000	$'000	$'000
Loans and borrowings (excluding lease liabilities)						
– Current	85,693	(18,542)	–	(561)	(3,331)	63,259
– Non-current	23,458	14,288	–	(407)	3,331	40,670
Lease liabilities						
– Current	4,799	(6,684)	3,149	(62)	6,247	7,449
– Non-current	15,831	–	7,277	(187)	(7,538)	15,383
Total liabilities from financing activities	129,781	(10,938)	10,426	(1,217)	(1,291)	126,761

			Non-cash changes		
	1.1.2018	**Cash flows**	**Foreign exchange movement**	**Other**	**31.12.2018**
	$'000	$'000	$'000	$'000	$'000
Loans and borrowings (excluding lease liabilities)					
– Current	60,126	(8,149)	303	33,413	85,693
– Non-current	42,861	13,400	610	(33,413)	23,458
Total liabilities from financing activities	102,987	5,251	913	–	109,151

The 'Other' column includes the effect of reclassification of non-current portion of loans and borrowings to current due to the passage of time, reclassification of current portion of loans and borrowings to non-current due to the rollover of existing loan facilities and the effect of termination of lease contracts. The Group classifies interest paid as cash flows from operating activities.

25. Deferred tax

Deferred income tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets				
Unutilised tax losses	–	371		
Provisions	3,652	2,336		
	3,652	2,707	945	279
Deferred tax liabilities				
Differences in depreciation for tax purpose	(2,573)	(1,931)		
Fair value adjustment on acquisition of a subsidiary	(2,736)	(3,255)		
Undistributed earnings of subsidiaries	(1,707)	(1,502)		
Others	(1,592)	(792)		
	(8,608)	(7,480)	(1,203)	80
Deferred tax (expense)/credit			(258)	359

Unrecognised tax losses and capital and investment allowances

At the end of the reporting period, the Group has tax losses and capital and investment allowances of approximately $17,774,000 (2018: $12,162,000) and $7,269,000 (2018: $6,390,000) respectively, that are available for offset against future taxable profits of the companies in which the losses and allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these amounts is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses in PRC, Malaysia and India can be carried forward for 5 years, 7 years and 8 years respectively. The tax losses in Singapore have no expiry date.

Unrecognised temporary differences relating to investments in subsidiaries and joint venture

At the end of the reporting period, $1,707,000 (2018: $1,502,000) of deferred tax liabilities have been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint venture. The temporary differences for which no deferred tax liability has been recognised aggregate to $13,481,000 (2018: $16,789,000) as:

- The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and

- The joint venture of the Group cannot distribute its earnings until it obtains the consent of both the venturers. At the end of the reporting period, the Group does not foresee giving such consent.

25. Deferred tax (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences (2018: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 12).

26. Share capital

	Note	Group and Company			
		2019		2018	
		Number of shares		Number of shares	
		'000	$'000	'000	$'000
Issued and fully paid ordinary shares					
At 1 January		190,647	302,096	189,206	301,015
Issue of ordinary shares under share awards	30	1,295	1,217	1,441	1,081
At 31 December		191,942	303,313	190,647	302,096

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 restriction. The ordinary shares have no par value.

The Company has an employee share award plan under which ordinary shares would be issued to employees of the Group upon certain conditions being met. The details of these conditions are included in Note 30.

27. Other reserves

(a) *Foreign currency translation reserve*

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

(b) *Statutory reserve*

In accordance with the Foreign Enterprise Law applicable to the companies in PRC, the subsidiaries and the joint venture's subsidiary in PRC are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the entity. The SRF is not available for dividend distribution to shareholders.

27. Other reserves (cont'd)

(c) *Restricted Share Plan reserve*

Restricted Share Plan reserve represents the equity-settled share awards granted to employees (Note 30). The reserve is made up of cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the forfeiture or release of such share awards.

(d) *Reserve on consolidation*

The reserve on consolidation was related to the acquisition of additional 13% equity interest in Plasolux Pte Ltd in 2007.

28. Commitments

(a) *Capital commitments*

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	9,686	4,087	3,776	–

(b) *Operating lease commitments – As lessee*

The Group has entered into commercial leases on certain land, office, production floor and warehouse and equipment with lease terms of between one to 40 years. Certain leases include renewal options for additional lease period of one year to five years at rental rates to be based on negotiations. The leases do not contain any escalation clauses and do not provide for contingent rents. The Group is restricted from subleasing the leased assets to third parties, unless written consent is obtained from the lessor.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $13,266,000.

Future minimum rental payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	Group
	2018
	$'000
Not later than one year	10,024
Later than one year but not later than five years	12,328
Later than five years	2,678
	25,030

29. Contingent liabilities

As at 31 December 2019, the Company has provided corporate guarantees to financial institutions and companies in connection with credit facilities provided to its subsidiaries and joint venture, of which $61,454,000 (2018: $62,509,000) of the credit facilities have been utilised.

At the end of the reporting period, the Group has outstanding notes receivables of $565,000 (2018: $203,000) endorsed to suppliers for which the Group retained a recourse obligation.

30. Employee benefits

	Group	
	2019	2018
	$'000	$'000
Employee benefits expense (including directors)		
Salaries and bonuses	126,227	133,069
Contributions to defined contribution plans	21,099	23,888
Share-based payments	1,130	1,110
Other short-term benefits	7,875	7,594
Termination benefits	1,346	3,926
	157,677	169,587

Restricted Share Plan

The following table illustrates the number of, and movements in, Restricted Share Plan ("RSP") during the financial year:

	Group	
	2019	2018
	Number of RSP	Number of RSP
	'000	'000
Outstanding at 1 January	2,939	3,501
Granted	447	912
Forfeited	(48)	(33)
Released	(1,295)	(1,441)
Outstanding at 31 December	2,043	2,939

30. Employee benefits (cont'd)

Restricted Share Plan (cont'd)

Terms of outstanding RSP at the end of the reporting period are as follows:

	Group	
	2019	**2018**
	Number of RSP	**Number of RSP**
	'000	'000
Grant date		
9 December 2016	22	1,328
22 November 2017	687	699
18 December 2018	887	912
13 December 2019	447	–
	2,043	2,939

The share awards granted from 2016 to 2019 were subject to the following conditions:

(i) One-third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one-third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant;

(iii) in order to receive the share award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular dated 11 April 2014;

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his/her age and length of service is greater than 60 years, he/her has worked with the Company or its group of companies for at least 10 years and he/she does not go to work for a competitor; and

(vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any group of companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

30. Employee benefits (cont'd)

Restricted Share Plan (cont'd)

Any waiver to these conditions would need the Remuneration Committee's final decision.

The weighted average fair value of the RSP granted was estimated by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis.

The weighted average fair value of the RSP as at the dates of grant was $1.36 (2018: $1.20). The following table lists the inputs to the pricing model for the years ended 31 December 2019 and 2018:

	2019	**2018**
Dividend yield ($)	0.09	0.09
Risk-free interest rate (%)	1.56 – 1.62	1.93 – 1.99
Expected life of RSP (months)	36	36
Last traded share price ($)		
18 December 2018	–	1.46
13 December 2019	1.33	–

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

The expenses recognised for the RSP for the financial year ended 31 December 2019 amounted to $1,130,000 (2018: $1,110,000). The carrying amount of the Group's employee share awards reserve relating to the above equity-settled RSP as at 31 December 2019 is $1,243,000 (2018: $1,330,000).

31. Related party transactions

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

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

	Group	
	2019	**2018**
	$'000	$'000
Rental income from joint venture	748	753
Interest income from joint venture	64	71
Sales of goods to joint venture	19	109
Maintenance and utility charges paid on behalf of joint venture	377	294

31. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group	
	2019	**2018**
	$'000	$'000
Short-term employee benefits	2,797	3,047
Contributions to defined contribution plans	83	89
Share-based payments	522	486
	3,402	3,622
Comprise amounts paid/payable to:		
– Directors of the Company	1,664	1,824
– Other key management personnel	1,738	1,798
	3,402	3,622

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of each individual key management personnel and market trends.

During the financial year, 130,000 (2018: 250,000) share awards were granted to one (2018: One) executive director of the Company under the RSP but have yet to be released as at 31 December 2019. Similarly, 87,000 (2018: 171,000) share awards were granted to five (2018: Five) key management personnel, other than directors of the Company, under the RSP in 2019 but were not released as at 31 December 2019. 255,000 (2018: 312,000) share awards granted under the RSP in 2016 (2018: 2015) were released to the key management personnel in 2019.

32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the year under review, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risk. There has been no change to the Group's and the Company's exposure to above-mentioned financial risks or the manner in which the Group and the Company manage and measure these risks.

32. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 (2018: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been increased/reduced by $1,028,000 (2018: $1,079,000), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(b) *Foreign currency risk*

The Group has transactional currency exposures arising mainly from sales, purchases and loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit ("MYR"), Chinese Renminbi ("RMB"), United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Euro ("EUR"). The foreign currencies in which these transactions are mainly denominated are USD, EUR and RMB.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 21.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Thailand, Indonesia, India, People's Republic of China, Mexico, Brazil and Europe. The Group does not hedge its net investments in foreign operations as these are considered to be long-term in nature.

The Group has certain practices for the management of financial risks. The following guidelines are followed:

– All financial risk management activities are carried out and monitored by senior management.

– All financial risk management activities are carried out following good market practices.

In addition to management's efforts to mitigate risk by way of natural hedging through the Group's foreign currency borrowings, the Group had also entered into forward currency contracts during the year.

32. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk (cont'd)*

Sensitivity analysis of foreign currency risk

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

		Group	
		2019	**2018**
		Profit before tax	**Profit before tax**
		$'000	$'000
USD/SGD	– Strengthened 1% (2018: 2%)	360	595
	– Weakened 1% (2018: 2%)	(360)	(595)
USD/RMB	– Strengthened 4% (2018: 2%)	1,396	751
	– Weakened 4% (2018: 2%)	(1,396)	(751)
EUR/SGD	– Strengthened 4% (2018: 2%)	568	246
	– Weakened 4% (2018: 2%)	(568)	(246)
RMB/HKD	– Strengthened 4% (2018: 2%)	796	682
	– Weakened 4% (2018: 2%)	(796)	(682)

(c) *Credit risk*

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

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

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk (cont'd)*

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations

– Actual or expected significant changes in the operating results of the counterparty

– Significant increases in credit risk on other financial instruments of the same counterparty

– Significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment, based on the Group's historical information.

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

– There is significant difficulty of the issuer or the counterparty

– A breach of contract, such as a default or past due event

– It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk (cont'd)*

Trade receivables and contract assets

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

Summarised below is the information about the credit risk exposure on the Group's and the Company's trade receivables and contract assets using provision matrix, grouped by product line:

	Plastic components				Moulds			
	2019		2018		2019		2018	
Group	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Contract assets	–	–	–	–	34,850	–	41,744	–
Trade receivables past due:								
– 1 to 30 days	30,489	–	28,774	–	5,271	–	4,765	–
– 31 to 60 days	10,893	–	8,021	–	2,439	–	1,148	–
– 61 to 90 days	2,254	–	697	–	1,277	–	924	–
– 91 to 150 days	288	4	1,120	15	1,060	–	1,411	–
– 151 to 365 days	169	14	1,072	115	945	48	1,805	166
– > 365 days	1,774	1,342	1,678	1,115	732	75	451	132
Total	45,867	1,360	41,362	1,245	46,574	123	52,248	298

	Plastic components				Moulds			
	2019		2018		2019		2018	
Company	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**	**Gross carrying amount**	**Loss allowance provision**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Contract assets	–	–	–	–	3,312	–	3,620	–
Trade receivables past due:								
– 1 to 30 days	3,509	–	3,333	–	853	–	1,813	–
– 31 to 60 days	1,579	–	839	–	297	–	179	–
– 61 to 90 days	215	–	94	–	41	–	–	–
– 91 to 150 days	115	–	1	–	43	–	35	–
– 151 to 365 days	40	–	–	–	42	–	111	–
– > 365 days	37	–	–	–	–	–	1	–
Total	5,495	–	4,267	–	4,588	–	5,759	–

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk (cont'd)*

Trade receivables and contract assets (cont'd)

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 20.

During the financial year, the Group wrote-off $234,000 (2018: $777,000) of trade receivables which are more than 365 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and the amounts relating to the corporate guarantees provided by the Group and the Company as disclosed in Note 29.

Credit risk concentration profile

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

	Group			
	2019		2018	
	$'000	%	$'000	%
By country				
Asia Pacific	52,720	31	61,703	34
People's Republic of China	59,251	36	66,795	37
Europe	21,295	13	19,028	11
United States of America	18,408	11	13,974	8
Other countries	15,862	9	17,434	10
	167,536	100	178,934	100
By industry sector				
Automotive	82,989	50	86,120	48
Consumer/IT	69,509	41	80,365	45
Healthcare	15,038	9	12,449	7
	167,536	100	178,934	100

At the end of the reporting period, approximately 23% (2018: 43%) of the Group's trade receivables were due from five major customers who are established multi-national companies.

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and Company's objective is to maintain a balance of continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. The Group's and the Company's undrawn facilities are disclosed in Note 21.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	2019			
Group	**One year or less**	**One to five years**	**More than five years**	**Total**
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables	183,524	–	–	183,524
Cash and short-term deposits	103,366	–	–	103,366
Total undiscounted financial assets	286,890	–	–	286,890
Financial liabilities				
Trade and other payables	92,260	175	–	92,435
Other liabilities	52,144	–	–	52,144
Loans and borrowings (excluding lease liabilities)	63,539	33,744	–	97,283
Lease liabilities	8,235	14,089	3,558	25,882
Total undiscounted financial liabilities	216,178	48,008	3,558	267,744
Total net undiscounted financial assets/ (liabilities)	70,712	(48,008)	(3,558)	19,146

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	2018 One year or less $'000	One to five years $'000	More than five years $'000	Total $'000
Financial assets				
Trade and other receivables	220,871	–	–	220,871
Cash and short-term deposits	88,746	–	–	88,746
Total undiscounted financial assets	309,617	–	–	309,617
Financial liabilities				
Trade and other payables	100,271	40	–	100,311
Other liabilities	52,664	–	–	52,664
Loans and borrowings (excluding lease liabilities)	88,363	25,491	–	113,854
Total undiscounted financial liabilities	241,298	25,531	–	266,829
Total net undiscounted financial assets/ (liabilities)	68,319	(25,531)	–	42,788

Company	2019 One year or less $'000	One to five years $'000	More than five years $'000	Total $'000
Financial assets				
Trade and other receivables	64,961	371	–	65,332
Cash and short-term deposits	3,373	–	–	3,373
Total undiscounted financial assets	68,334	371	–	68,705
Financial liabilities				
Trade and other payables	66,346	–	–	66,346
Other liabilities	3,091	–	–	3,091
Loans and borrowings (excluding lease liabilities)	25,339	13,554	–	38,893
Lease liabilities	1,369	2,326	1,848	5,543
Total undiscounted financial liabilities	96,145	15,880	1,848	113,873
Total net undiscounted financial liabilities	(27,811)	(15,509)	(1,848)	(45,168)

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2018			
Company	**One year or less**	**One to five years**	**More than five years**	**Total**
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables	61,063	374	–	61,437
Cash and short-term deposits	3,148	–	–	3,148
Total undiscounted financial assets	64,211	374	–	64,585
Financial liabilities				
Trade and other payables	64,127	–	–	64,127
Other liabilities	4,027	–	–	4,027
Loans and borrowings (excluding lease liabilities)	45,097	551	–	45,648
Total undiscounted financial liabilities	113,251	551	–	113,802
Total net undiscounted financial liabilities	(49,040)	(177)	–	(49,217)

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

	2019			2018		
Company	**One year or less**	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Corporate guarantees	32,982	28,472	61,454	36,204	26,305	62,509

33. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

(b) *Asset measured at fair value*

		Fair value measurements at the end of the reporting period using			
Group	**Note**	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
		$'000	$'000	$'000	$'000
Financial assets measured at fair value					
Equity security at FVOCI	16				
Unquoted equity securities		–	–	1,539	1,539
Financial assets as at 31 December 2019		–	–	1,539	1,539
Financial assets measured at fair value					
Equity security at FVOCI	16				
Unquoted equity securities		–	–	1,539	1,539
Financial assets as at 31 December 2018		–	–	1,539	1,539

33. Fair value of assets and liabilities (cont'd)

(c) *Level 3 fair value measurement*

The significant unobservable input used in determining recurring fair value measurement of unquoted equity securities is developed by the issuer of the equity securities.

34. Capital management

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

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

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

In order to maintain its listing on the Singapore Exchange, the Group is required to have share capital with a free float of at least 10% of the ordinary shares. As disclosed in Note 27(b), the subsidiaries of the Group in PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. These externally imposed capital requirements have been complied with by the Group for the financial years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 40% (2018: 40%). The Group includes within net debts, loans and borrowings (excluding lease liabilities), trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less intangible assets.

		Group	
	Note	**2019**	**2018**
		$'000	$'000
Loans and borrowings (excluding lease liabilities)	24	104,368	109,722
Trade and other payables	22	116,934	114,162
Less: Cash and short-term deposits	21	(103,366)	(88,746)
Net debt		117,936	135,138
Equity attributable to the owners of the Company		369,542	381,315
Less: Intangible assets	14	(12,682)	(14,087)
Total capital		356,860	367,228
Capital and net debt		474,796	502,366
Gearing ratio		24.8%	26.9%

35. Segment information

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

(i) The Automotive segment produces mainly faceplates for automotive audio systems and climate controls, speedometers/clusters, steering switches and exterior antenna covers, etc.

(ii) The Healthcare segment produces mainly scoops, caps, drug delivery and diagnostic devices.

(iii) The Consumer/IT segment produces mainly IT, consumer and telecommunication products including point-of-sale terminals, water filtration products, grooming products and inkjet cartridges, etc.

(iv) The Mould Fabrication segment designs and manufactures the moulds used in the manufacturing of plastic injection parts.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer price between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

35. Segment information (cont'd)

2019	Automotive	Consumer/ IT	Healthcare	Mould fabrication	Adjustments	Notes	Per consolidated financial statements
	$'000	$'000	$'000	$'000	$'000		$'000
Revenue							
External customers	245,142	253,035	57,317	118,297	–		673,791
Income/(expenses)							
Depreciation and amortisation	(13,909)	(14,203)	(3,832)	(4,593)	–	A	(36,537)
Impairment loss on non-financial assets	(343)	(366)	–	–	–	B	(709)
Interest income	175	309	16	41	–		541
Property, plant and equipment written off	(32)	(46)	–	(7)	–		(85)
Net provision for retrenchment costs	(550)	(358)	(1)	(437)	–		(1,346)
Share of results of joint venture	1,351	–	–	–	–		1,351
Other non-cash expenses	(929)	(692)	(125)	265	–	C	(1,481)
Segment (loss)/profit	(13,762)	19,416	5,278	7,813	(5,203)	D	13,542
Segment (loss)/ profit (excluding net retrenchment costs, net foreign exchange (loss)/gain, onerous rental expense, penalty on early termination of rental contracts and net gain on disposal of a property)	(12,146)	20,300	5,465	8,454	(5,203)		16,870

35. Segment information (cont'd)

2018	Automotive	Consumer/ IT	Healthcare	Mould fabrication	Adjustments	Notes	Per consolidated financial statements
	$'000	$'000	$'000	$'000	$'000		$'000
Revenue							
External customers	269,933	274,184	56,739	125,939	–		726,795
Income/(expenses)							
Depreciation and amortisation	(10,967)	(11,680)	(2,282)	(5,806)	–	A	(30,735)
Impairment loss on non-financial assets	(552)	–	–	(26)	–	B	(578)
Interest income	245	152	18	53	–		468
Property, plant and equipment written off	(12)	(62)	(4)	(25)	–		(103)
Net provision for retrenchment costs	(3,328)	(563)	–	(35)	–		(3,926)
Share of results of joint venture	1,423	–	–	–	–		1,423
Other non-cash expenses	(247)	(332)	(242)	(1,355)	–	C	(2,176)
Segment (loss)/profit	(1,656)	23,904	632	18,907	(4,030)	D	37,757
Segment profit (excluding net retrenchment costs, net foreign exchange (loss)/gain, onerous rental expense, penalty on early termination of rental contracts and net gain on disposal of a property)	1,260	24,288	613	5,770	(4,030)		27,901

35. Segment information (cont'd)

A. Depreciation and amortisation consist of depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets.

B. Impairment loss on non-financial assets consist of net allowance for impairment loss on property, plant and equipment and impairment loss on intangible assets.

C. Other non-cash expenses consist of share-based payments, net (allowance)/reversal of allowance for inventories obsolescence, net reversal of impairment loss/(impairment loss) on capitalised contract costs, bad debt written off and impairment loss on financial assets as presented in the respective notes to the financial statements.

D. The following items are deducted from segment profit/(loss) to arrive at profit before tax presented in the consolidated income statement:

	Group	
	2019	**2018**
	$'000	$'000
Finance costs	(5,203)	(4,030)

Geographical information

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

	Group			
	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Singapore	100,543	102,101	31,193	30,827
Malaysia	58,153	66,103	48,051	39,291
People's Republic of China and Hong Kong	212,902	248,749	106,694	103,991
Americas	163,701	144,754	18,821	12,225
Europe	61,214	83,112	17,083	16,219
Others	77,278	81,976	11,191	8,765
	673,791	726,795	233,033	211,318

Non-current assets information presented above consist of property, plant and equipment, intangible assets, right-of-use assets, investment in joint venture and prepayments as presented in the balance sheet.

Information about major customers

Revenue from two major customers amounted to $150,008,000 (2018: $166,243,000), arising from sales by the Automotive, Consumer/IT and Mould Fabrication segments.

36. Event occurring after the reporting period

Uncertainties relating to COVID-19 outbreak

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a global pandemic. The rapid spread of the virus has caused major disruptions to worldwide supply chains, dampened economic sentiment and led to several countries declaring national emergencies while closing their borders to contain the outbreak. The full extent of the financial impact is difficult to ascertain as the situation continues to evolve, causing disruption across global supply chains, and will be dependent to a large extent on the efficacy of the fiscal and other measures undertaken by the affected countries where the Group operates to successfully meet those economic challenges, which are beyond management's control. To mitigate the impact from COVID-19, the Group is focusing on tightening cost controls, improving productivity and enhancing operational efficiency.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 3 April 2020.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	101	2.06	4,124	0.00
100 - 1,000	1,241	25.35	677,814	0.35
1,001 - 10,000	2,522	51.51	12,181,229	6.35
10,001 - 1,000,000	1,017	20.77	55,489,283	28.91
1,000,001 AND ABOVE	15	0.31	123,589,386	64.39
TOTAL	**4,896**	**100.00**	**191,941,836**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	39,242,516	20.45
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,814,661	8.76
3	GOI SENG HUI	15,301,600	7.97
4	KOH BOON HWEE	12,998,343	6.77
5	CITIBANK NOMINEES SINGAPORE PTE LTD	9,257,844	4.82
6	RAFFLES NOMINEES (PTE.) LIMITED	5,934,168	3.09
7	ABN AMRO CLEARING BANK N.V.	5,764,700	3.00
8	PHILLIP SECURITIES PTE LTD	4,210,856	2.19
9	HSBC (SINGAPORE) NOMINEES PTE LTD	2,815,672	1.47
10	LIM & TAN SECURITIES PTE LTD	2,611,700	1.36
11	KHOO BOO HOR	2,080,482	1.08
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,949,250	1.02
13	OCBC SECURITIES PRIVATE LIMITED	1,605,844	0.84
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,560,814	0.81
15	WONG CHI HUNG JOHN	1,440,936	0.75
16	UOB KAY HIAN PRIVATE LIMITED	975,200	0.51
17	TEO SOK HUN	926,020	0.48
18	DBSN SERVICES PTE. LTD.	809,700	0.42
19	TAY SEOW PIN	770,000	0.40
20	CORINNE HENG YEONG THING	694,000	0.36
	TOTAL	**127,764,306**	**66.55**

The percentage of shareholdings in the hands of the public is 64.59%. Therefore, Rule 723 of the Listing Manual has been complied with.

SUBSTANTIAL SHAREHOLDERS

As at 19 March 2020

	No. of Ordinary Shares					
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**	**Total Interest**	**%**
KOH BOON HWEE	29,947,401	15.60	22,008	0.01	29,969,409	15.61
GOI SENG HUI#	-	-	15,301,600	7.97	15,301,600	7.97
YARWOOD ENGINEERING & TRADING LIMITED*	15,301,600	7.97	-	-	15,301,600	7.97

Notes:

Goi Seng Hui is deemed to be interested in the 15,301,600 shares held by Citibank Nominees Singapore Pte. Ltd.

* Yarwood Engineering & Trading Limited ("Yarwood") is 100% owned by Kong Siang Group Holdings Pte. Ltd. ("KSGH"). Both David Lee Eng Thong and Lee Eng Khian who are directors and having controlling interests in KSGH are deemed to be interested in the 15,301,600 shares held by Yarwood.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

SunningdaleTech

SUNNINGDALE TECH LTD
ROC No. 199508621R
51 Joo Koon Circle, Singapore 629069
T 65 6861 1161
F 65 6863 4173
www.sdaletech.com