ANNUAL REPORT 2019

SECURA GROUP LIMITED

Cyber Security | Homeland Security and Digital Forensic
Security Guarding | Integrated Command Centre
Security Consultancy | Systems Integration | Training
Security Printing | Event Security | Executive Protection

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This annual report has been prepared by the Company and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the accuracy, completeness, or correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Mr Chia Beng Kwan, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.

CORPORATE PROFILE

Secura Group Limited (**"Secura"** or the **"Company"**, and together with its subsidiaries, the **"Group"**) is a leading provider of an integrated suite of security products, services and solutions. The Group was formed through a merger of Secura Singapore Pte Ltd and its subsidiaries (the **"Secura group of companies"**) and Soverus Group Pte Ltd and its subsidiaries (the **"Soverus group of companies"**).

The Secura group of companies has been providing security printing services of value documents with anti-counterfeit features since 1976, and owns one of the largest cheque printing businesses in Singapore. With operations in Singapore, Bangladesh and Taiwan, the group's range of value documents include bank cheques and passbooks, cash vouchers, educational certificates, marriage certificates and machine-readable betting slips, amongst others.

The Soverus group of companies provides security services including security guarding, security systems integration, cybersecurity, homeland security and other security products and services. As a premium security agency in Singapore, the group provides unarmed manned security guarding services, as well as operate a state-of-the-art 24-hour command centre with remote CCTV surveillance and video analytics for round-the-clock monitoring of premises.

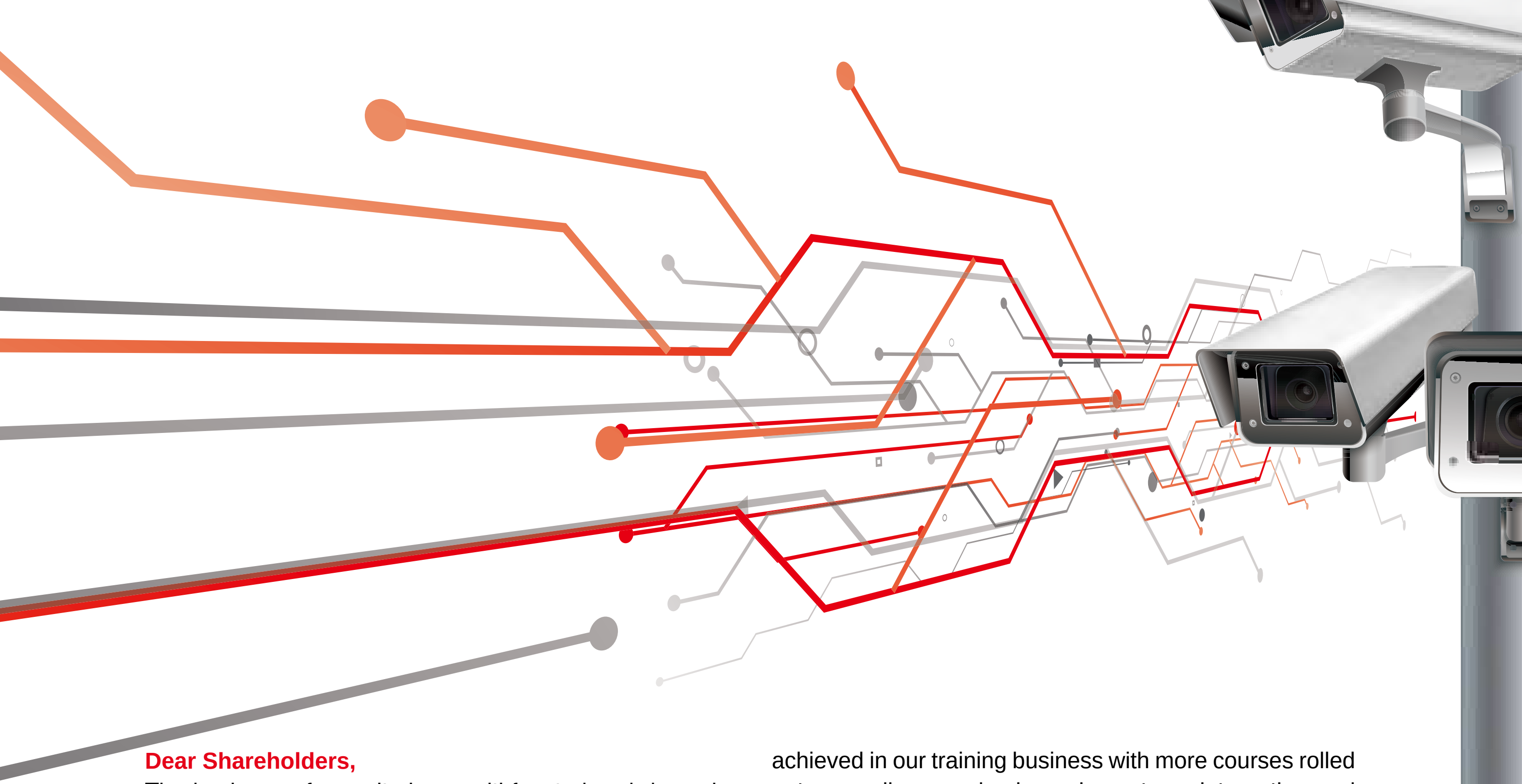
The Group moved into the skills training arena in 2017, when it incorporated a new business entity which was certified as a Public Approved Training Organisation to offer training modules for security and service organisations.

Secura also holds 20% interest in Custodio Technologies Pte Ltd (**"Custodio Technologies"**), a subsidiary of Israel Aerospace Industries Ltd. The main business of Custodio Technologies is in research and development of new cybersecurity solutions and capabilities with a focus on cyber early warning technology.

The Group has a well-diversified clientele comprising more than 800 customers in various industries, including multinational corporations, financial institutions and government agencies.

On 28 January 2016, the Group listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**).

MESSAGE TO SHAREHOLDERS



Dear Shareholders,

The business of security is a multi-faceted and dynamic business. With the multitude of factors at play, our business is often faced with new and evolving challenges which require foresight and innovative strategies in order to deal with them. At the same time, the industry has no shortage of opportunities that have emerged from new security risks and technologies. Against these trends, we continue to consolidate our business as a Group and streamline the different segments in 2019, while reviewing our existing strategies and adjusting them to suit current developments.

Financial Performance

The Group was loss-making during the financial year ended 31 December (**"FY"**) 2019. Net attributable loss was S$4.5 million in FY2019 compared to S$1.9 million profit in FY2018 due to a combination of lower overall revenue, profit margin pressures, higher expenses and impairment of investment.

During FY2019, the Group faced challenges across several product segments that led to a 6.1% year-on-year (**"y-o-y"**) decrease in revenue to S$38.7 million. These include reduced security printing demand from Singapore's paperless drive, increased competition in security guarding contract tenders, and decreased demand for digital forensics and cybersecurity products and solutions. On the other hand, stronger revenue was achieved in our training business with more courses rolled out, as well as our business in systems integration and security consultancy services. Gross profit dipped 24.1% y-o-y with a corresponding decline in gross profit margin to 14.9% in FY2019 compared to 18.4% in the previous year, mainly due to pricing pressures, cost spikes and shifts in business mix. However, we achieved a reduction in our expenses, particularly in distribution and selling expenses, with cost-cutting measures on staff remuneration and travelling for participation in overseas exhibitions.

The Group's performance was adversely impacted by the poor financial results of its associate, Custodio Technologies. As the associate had been loss making for the past two financial years, the Board has accepted Management's assessment and recommendation for the goodwill on acquisition of S$4.8 million to be fully impaired.

Reviewing Our Business Segments

The market for man-guarding has continued to evolve over the years driven by the impact of new technologies, regulations governing the security guarding industry and an increasingly competitive landscape. While we have maintained our 'A' Grade (Excellent)[1] service standing on one hand, we faced increased price competition, which has impacted our margins and led to the non-renewal of certain guarding contracts. In FY2019, revenue for security guarding dipped S$1.7 million or 6.0% y-o-y to S$26.2 million.

[1] *Graded by the Police Licensing & Regulatory Department for licensed security guard agencies*

MESSAGE TO SHAREHOLDERS

We see technology as a long-term solution to this situation. Security guarding is a labour-intensive business and the application of technology as seen in forms such as virtual patrolling or leveraging on advanced video analytics to create productivity gains. With careful rationalisation of our operations and strategic realignments, these operational investments would eventually translate into cost benefits and higher profit margins. Our investments in the Integrated Command Centre (**"ICC"**) and the implementation of a Physical Security Information Management System are keeping us competitive and making our business scalable. Changes in government regulations which favour the increasing use of technology to replace labour-intensive work and the removal of the exemption of overtime work necessitates the integration of technology into our work systems, and hence creates a potential payoff for our early technological investments. Looking at the immediate horizon, we are still in the midst of negotiations for certain projects and hope to announce them later this year.

Our business under the Secura Training Academy performed relatively well with the Singapore government making it mandatory for security officers to obtain a third basic licensing unit called "Recognised Terrorism Threats" in order to work in places other than condominiums and warehouses. During the year, we expanded our number of courses from 5 to 8 and the number of trainees enrolled from 1,100 to 1,800. As such, training segment revenue increased S$0.3 million or 75.0% y-o-y. We are also exerting tighter control on our running costs, and we are seeking to replace our full-time trainers with adjunct trainers, among other measures.

The academy is also exploring the possibility of leveraging on its status as an accredited Public Approved Training Organisation to widen its scope of courses beyond the field of security, to tap into high-demand segments of the service industry such as food and beverage as well as hospitality. The latest measures announced in the recent Singapore Budget[2] support this direction to expand our scope. A SkillsFuture Enterprise Credit of S$10,000 per company will be granted to over 35,000 enterprises, to defray 90% of out-of-pocket costs of business transformation, job redesign, and skills training. In relation to this, government funding will be mainly channelled towards training providers and courses with a stronger link to job and wage outcomes. Individuals will benefit from a new SkillsFuture Credit injection which includes a top-up of S$500 for all Singaporeans aged 25 and older, and an additional S$500 specifically for those aged 40 to 60 as at end of 2020.

Our performance in the technology business segment was mainly supported by the healthy volume in our systems integration projects which saw revenue increasing 57.5% or S$0.5 million y-o-y, buoyed by building infrastructure-related demand. However, this was offset by weakness in the digital forensics segment with a S$0.7 million or 32.7% y-o-y decrease in revenue. Following the initial robust sales of Cellebrite mobile forensic products in the Philippines, the lack of budgets impacted subsequent

[2] *Singapore Budget 2020, https://www.singaporebudget.gov.sg/budget_2020*

MESSAGE TO SHAREHOLDERS

renewal contract sales. However, as long as threats to security remain, with events such as the resurgence of terrorist groups and violent protests, which have been rampant during 2019, we believe the demand for mobile or digital forensic equipment and other homeland security equipment and solutions will continue to find support.

We have consolidated our cybersecurity business, and found ways to repackage our services to tap market opportunities. Indeed, we are faced with new technologies at an unprecedented pace in fields like the Internet of Things, blockchain and artificial intelligence, among others, which also open up the gates for new cybersecurity risks. We are in the process of rebranding our Red Sentry business, which will shift its focus towards offering tailored solutions that answer to business needs instead of packaged services. Barring unforeseen circumstances, we expect to roll out this new business model in the first half of 2020. The Singapore Budget has also earmarked S$1.0 billion to build up the government's cyber and data security capabilities and we will seek out and assess opportunities in this area as they emerge.

Our security printing business is in the process of transition. Being a seasoned industry player, our current operations and costs remain well-controlled as evident by our higher segmental profit for security printing at S$0.7 million in FY2019 compared with S$0.4 million in FY2018, despite the S$0.8 million decrease in segmental revenue. However, against the backdrop of Singapore's paperless drive and the general global digitalisation move, we believe that evolving our business is the key to sustaining performance. We are currently examining ways to integrate the operations of Secura Documation Pte Ltd (**"Secura Documation"**) with our traditional security printing business following our buy-out of our business partner's 30.0% share in Secura Documation. Ultimately, we aim to realise the potential synergies from the integration and seek feasible ways to partake in the opportunities within the field of secured data handling. During the year, our security printing business in Taiwan and Bangladesh remained robust, especially in Bangladesh where demand is strong. While we are actively exploring ways to expand in these markets, we are also cognizant of the inherent challenges such as poor infrastructure, and scalability of the business. We are presently in discussion for further engagements in these markets.

Managing the Effects of COVID-19

The outbreak of the COVID-19 virus since December 2019 brings with it additional costs for our business as well as new opportunities. Internally, we have taken precautions as far as the health and safety of our employees are concerned. Apart from the enforced wearing of masks, the implementation of remote working arrangements for some employees, our ICC and technologies also equip us with the ability to perform certain remote surveillance work. Onsite, our security guards are now required to implement health screening measures and quarantine procedures. On one hand, this drives up manpower costs but on the other hand, the situation creates additional demand for our guarding services at various buildings and premises. Looking at the larger picture, the severity of the virus situation has impacted the economy. The Ministry of Trade and Industry has downgraded Singapore's 2020 economic growth forecast to between negative 4.0% and negative 1.0% indicating of recession[3]. To deal with this economic headwind, the Group will continue to explore different opportunities to build a diversified portfolio of security businesses and income streams.

Appreciation

We would like to thank the Board members for your invaluable guidance in steering the Group's business towards its desired goals. Thank you to Mr Lim Joey Matthias for your service to the Board over the past year. Mr Lim has relinquished his directorship and we wish him well in his future endeavours.

We are grateful to our management and staff for their hard work and dedication, as well as to our suppliers, business partners and customers for their collaboration and support. Finally to our shareholders, we value your continued support and belief in the long term future of this business and the Company, and we are committed to maximising the Company's value and building a sustainable future for all stakeholders.

Dr Ho Tat Kin
Chairman and Independent Director

Mr Kan Kheong Ng
Executive Director and Chief Executive Officer

[3] *26 March 2020, Straits Times, Singapore economy could be headed for its worst-ever contraction this year*

OPERATIONS & FINANCIAL REVIEW

The Group registered net loss attributable to owners of the Company of S$4.5 million in FY2019 compared to a profit of S$1.9 million in FY2018. Revenue and gross profit decreased 6.1% and 24.1% y-o-y to S$38.7 million and S$5.8 million respectively in FY2019. Net assets as at 31 December 2019 stood at S$40.4 million compared to S$46.1 million a year ago, while the Group's cash and cash equivalents edged up to S$14.5 million from S$13.9 million of the previous year.

Income Statement (S$'000)	FY2019	FY2018	% Change
Revenue: · Security guarding dipped 6.0% to S$26.2 million due to non-renewal of guarding contracts · Security printing decreased 9.0% to S$7.8 million due to decrease in demand for printing products with nation-wide initiatives to go paperless · Homeland security and digital forensics decreased 32.7% to S$1.4 million due to absence of overseas contract sales in FY2019 compared with FY2018 · Cybersecurity dipped 35.5% to S$0.7 million due to non-renewal of licenses and decrease in maintenance income · Partially offset by system integration, security consultancy and security training increasing 53.1% to S$2.7 million due to an increase in number of training courses rolled out and increase in sales of system integration and security consultancy projects	**38,704**	41,231	(6.1)
Cost of Sales	**(32,927)**	(33,624)	(2.1)
Gross Profit: Gross profit margin declined to 14.9% in FY2019 from 18.4% in FY2018 due mainly to: · Increase in liquidated damages for security guarding with shortage of manpower · Pricing pressure in system integration projects leading to lower margin · Absence of overseas digital forensic contract sales which had yielded higher margin in FY2018 · Absence of write back of stock obsolescence	**5,777**	7,607	(24.1)
Other Operating Income: · Increase in management fees, interest income from placement of fixed deposit and bad debts recovered, partially offset by reduction in government grants	**1,727**	1,632	5.8
Distribution and Selling Expenses: · Decrease in staff remuneration and lower travelling expenses and cost from participation in exhibition	**(1,623)**	(1,828)	(11.2)
Administrative Expenses: · Increase in staff headcount, decrease in foreign exchange gain, partially offset by one-off loss on disposal of factory premises in Malaysia in FY2018	**(5,127)**	(5,006)	2.4
Finance Cost: · Increase largely due to the effects of adoption of SFRS(I) 16 Leases	**(322)**	(295)	9.2
Share of Results of Joint ventures and Associates: · Impairment of investment and share of losses in Custodio Technologies of S$5.0 million · Impairment of investment in Secura Foremost eMage Pte Ltd of S$115,000 · Offset by share of profits in Secura Bangladesh Ltd and Foremost Secura Corporation of S$206,000 and S$45,000 respectively	**(4,896)**	(205)	NM
(Impairment loss)/Write Back on Financial Assets	**(8)**	43	NM
(Loss)/Profit Before Tax	**(4,472)**	1,948	NM
Income Tax Credit/(Expense)	**15**	(86)	NM
(Loss)/Profit for the Year	**(4,457)**	1,862	NM
(Loss)/Profit Attributable to Owners of the Company	**(4,453)**	1,866	NM

OPERATIONS & FINANCIAL REVIEW

Balance Sheet (S$'000)	As at 31 Dec 2019	As at 31 Dec 2018
Current Assets: · Inventories decreased S$1.0 million with the delivery of digital forensic inventories · Trade and other receivables decreased S$0.6 million · Partially offset by increase in cash and cash equivalents of S$0.6 million due to improved operational cash flow	25,815	26,671
Non-current Assets: · Impairment of investment of S$4.8 million in Custodio Technologies · Amortisation of intangible assets in relation to customer relationships, depreciation/amortisation charge of property, plant and equipment and right-of-use assets · Partially offset by the capitalisation of operating lease as right-of-use assets upon adoption of SFRS(I) 16 Leases and the additions of property, plant and equipment	31,970	37,601
Total Assets	57,785	64,272
Current Liabilities: · Increase in contract liabilities of S$1.9 million and lease liabilities of S$0.1 million · Partially offset by decrease in trade and other payables of S$1.3 million, accrued operating expenses of S$0.2 million and income tax payable of S$0.1 million	7,892	7,484
Non-current Liabilities: · Decreased due to repayment of bank loans and a reduction in deferred tax liabilities · Partially offset by recognition of operating lease liabilities upon adoption of SFRS(I) 16 Leases and increase in provision of reinstatement cost of the leased factory building	9,523	10,708
Total Liabilities	17,415	18,192
Net Assets	40,370	46,080
Share Capital	61,644	61,644
(Accumulated Losses)/Retained Earnings	(5,301)	352
Reserves	(16,022)	(16,031)
Non-controlling Interests	49	115
Total Equity	40,370	46,080

OPERATIONS & FINANCIAL REVIEW

Cash Flow (S$'000)	FY2019	FY2018
Net Cash generated from Operating Activities: · Operating cash flows before working capital changes amounted to S$2.8 million · Net cash generated from working capital was S$2.0 million due to decrease in inventories, decrease in trade and other receivables and contract assets, and increase in trade and other payables and contract liabilities · Partially offset by increase in prepaid operating expenses, increase in amount due from a joint venture and decrease in accrued operating expenses	**4,588**	2,368
Net Cash (used in)/generated from Investing Activities: · Mainly driven by addition of property, plant and equipment · Partially offset by dividend income from a joint venture and proceeds from disposal of property, plant and equipment	**(284)**	2,123
Net Cash used in Financing Activities: · Dividend payment of S$1.2 million · Bank loan repayment of S$2.2 million · Lease liabilities repayment of S$0.2 million · Acquisition of non-controlling interest in Secura Documation of S$0.1 million	**(3,673)**	(482)
Net Increase in Cash and Cash Equivalents	**631**	4,009
Cash and Cash Equivalents at beginning of the Year	**13,853**	9,842
Cash and Cash Equivalents at end of Year	**14,479**	13,853


DATA
LOADING

BOARD OF DIRECTORS

Dr Ho Tat Kin
Chairman and Independent Director

Dr Ho Tat Kin was appointed to our Board on 16 October 2015 and was last re-elected on 25 April 2019.

Dr Ho is a management consultant, concentrating on mergers and acquisitions, business ventures in the private education sector, digital information technology and green technology. He brings with him more than 30 years of experience in senior and risk management, operations and corporate governance. Over the years, Dr Ho has served as director of various companies listed on the main boards of Hong Kong and Singapore. His last appointment was the Executive Chairman of Rowsley Ltd (now known as Thomson Medical Group Limited), a company listed on the SGX-ST from August 2010 to December 2013.

Prior to joining the private sector, Dr Ho had a successful career in the public sector, having served in the Ministry of Education, Singapore Economic Development Board and was Deputy Director of the Japan-Singapore Institute of Software Technology (a Government-to-Government Technology Transfer Project) from 1982 to 1990 and then as director till 1997.

Dr Ho was an elected Member of Parliament, from December 1984 to October 2001, serving 4 terms in the Parliament of Singapore. He was concurrently a Town Council Chairman from 1988 to 1999.

Dr Ho graduated with a Bachelor of Science (Honours) from the University of Singapore in 1966, and received a Japan International Co-operation Agency (Post-graduate) Certificate (Teacher on Computer Science) completed at the Yamanashi University and Tokyo University in 1975. Dr Ho completed his M.Sc. in Technological Economics in 1980 and Ph. D. in 1982 at the University of Stirling, Scotland, UK.

Dr Ho Tat Kin is a life member of the Institute of Physics of Singapore and received a Distinguished Science Alumni Award from the University of Singapore in 2011.

Mr Kan Kheong Ng
Executive Director and Chief Executive Officer

Mr Kan Kheong Ng was appointed to our Board on 1 February 2019 and was re-elected on 25 April 2019. As the Executive Director and Chief Executive Officer, he oversees the overall business operations, and provides leadership to drive the growth of our Group's business in the region.

Mr Kan has almost 30 years of regional management and business development experience in the automotive industry, having managed various illustrious global brands with renowned regional dealership, Wearnes Automotive, headquartered in Singapore. From 2001 to 2009, he was General Manager at Malayan Motors, a division of Wearnes Automotive, where he managed the Rolls-Royce, Bentley, Jaguar and Volvo Trucks franchises in Singapore, and successfully introduced some of the brands into new territories such as Brunei, Indonesia, Taiwan and Thailand. From 2009 to 2012, he was promoted to Managing Director of the Prestige Division of Wearnes Automotive, where he led the acquisition of new brands such as Bugatti, Land Rover and McLaren.

In 2012, Mr Kan joined Fastrack Autosports (Iskandar) Pte Ltd to conceptualise and develop an integrated automotive hub in Nusajaya, Iskandar Malaysia, in partnership with UEM Sunrise Berhad. He led the project's joint venture company, Fastrack Iskandar Sdn Bhd, as its Chief Executive Officer.

Mr Kan currently holds directorships in the Fastrack group of companies and is also an Executive Director of TMC Life Sciences Berhad, a company listed on Bursa Malaysia.

Mr Kan graduated from the Royal Melbourne Institute Technology with a degree in Business Administration.

Ms Lim Siok Leng
Executive Director and Chief Financial Officer

Ms Lim Siok Leng was appointed to our Board on 16 October 2015 and was re-elected on 25 April 2019. Ms Lim has been serving with our Group for over 20 years. She is responsible for overseeing the overall operations of the security printing business as well as the finance and accounting functions of our Group.

Ms Lim began her career in Hofer Communications (Pte) Ltd as a Finance Manager in 1986. In 1995, she joined the Secura group of companies as a Finance and Administrative Manager, progressing to the position of Financial Controller in 2002. Between 2002 and 2015, Ms Lim was responsible for the overall finance functions and accounting matters of the Secura group of companies, including the implementation of internal controls and compliance with regulatory requirements.

Ms Lim was later appointed as Managing Director of the Secura group of companies in 2015, and her role

BOARD OF DIRECTORS

expanded to include overseeing our Group's performance, implementation of company policies and development of strategic plans.

Ms Lim graduated from the National University of Singapore in 1986 with a Bachelor of Accountancy. She has been an associate of the Institute of Singapore Chartered Accountants since 1995.

Mr Gary Ho Kuat Foong

Independent Director

Mr Gary Ho Kuat Foong was appointed to our Board on 16 October 2015 and was re-elected on 23 April 2018.

Mr Ho has over 35 years of experience in corporate management and finance having been a Director of both publicly-listed and private companies in Singapore, Malaysia and Australia. He currently serves on the board of Avarga Limited, a company listed on the SGX-ST and TMC Life Sciences Berhad, listed on Bursa Malaysia.

Mr Ho graduated with a Bachelor of Science and a Bachelor of Commerce from the University of Western Australia in 1975 and 1977 respectively. He is also a member of the Institute of Singapore Chartered Accountants and CPA Australia.

Mr Ong Pang Liang

Independent Director

Mr Ong Pang Liang was appointed to our Board on 16 October 2015 and was re-elected on 27 April 2017.

He is also currently an Independent Director of Thomson Medical Group Limited, a company listed on the SGX-ST. Mr Ong has over 25 years of experience in banking and finance. His career in various international banks covered management responsibilities in capital markets, treasury operations and corporate banking. He spent 15 years in Bank of America where he held positions of such as Managing Director and Head of Foreign Exchange in Singapore and General Manager of Bank of America Shanghai in People's Republic of China.

Subsequent to his banking career, Mr Ong spent a number of years in the corporate business sector. He was Chief Financial Officer and Finance Director of companies listed on the mainboard of the SGX-ST.

Mr Ong graduated from the National University of Singapore in 1983 with a Bachelor of Business Administration.

Ms Christina Teo Tze Wei (Zhao Ziwei)

Independent Director

Ms Christina Teo was appointed to our Board on 1 February 2019 and was re-elected on 25 April 2019.

Ms Teo has over 20 years of experience in private equity, leveraged buyouts, and mergers and acquisitions, having led numerous investments globally with notable deals including Jaya Holdings, Crystal Jade, 2XU, Seafolly, RM Williams, Guiseppe Zanotti and Cristiano Ronaldo's global image rights.

She is the Co-Founder and currently, the Chief Executive Officer of Singapore-based start-up UCARE.AI, an artificial intelligence (**"AI"**)-powered technology enabler for health data and solutions. She brought UCARE.AI to its Series A financing phase, and launched its AI-powered predictive hospital bill estimation system throughout Parkway Pantai's hospitals.

Prior to founding UCARE.AI in 2016, she was the Chief Executive Officer of Catpital, Director of Mint Media, Managing Director at L Capital Asia (LVMH), and held other senior investment positions at Affinity Equity Partners and Deutsche Bank's Strategic Investments Group.

Ms Teo graduated with a Master of Business Administration from Harvard Business School in 2002 and a Bachelor of Business Administration (Finance), Honours, from the National University of Singapore in 1995.

EXECUTIVE OFFICER

Mr Goh Ching Hua Kelvin
Managing Director (Security Guarding)

Mr Goh Ching Hua Kelvin joined our Group in 2013 as a Business Development Manager and was promoted to General Manager of Soverus Pte Ltd in 2014 and to Managing Director (Security Guarding) in 2018. Mr Goh is responsible for managing the overall operations, and sales and marketing strategies of our security guarding business, integrated command centre for remote surveillance and our training services. He is also involved in planning the recruitment strategies for our security officers.

Prior to joining our Group, Mr Goh began his career as an Engineer at Panasonic Factory Solutions Asia Pacific Pte Ltd in 2003. In 2006, he moved to Logicom Instruments Pte Ltd, where he worked as a Senior Engineer till 2007. From 2007 to 2009, Mr Goh was a Sales Manager at Certis CISCO Security Pte Ltd, where he was responsible for generating new sales for security systems, such as CCTVs intrusion detections systems, electronics access control systems and car park barrier systems.

Subsequently, he joined Security Distribution and Consultancy Pte Ltd from 2009 to 2010 as a Sales Manager before taking on the role of Business Development and Strategic Planning Manager at Pico Guards Pte Ltd from 2010 to 2011. From 2011 to 2013, Mr Goh served as the General Manager of Jasa Investigation & Security Services Pte Ltd, where he was responsible for developing and implementing strategic marketing plans and forecasts for security systems and security guarding services. In 2016, Mr Goh was elected as the Vice President (Systems) for the Security Association Singapore, the largest association representing security professionals and companies in Singapore.

Mr Goh graduated from the National University of Singapore in 2002 with a Bachelor of Engineering (Electrical).

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Gary Ho Kuat Foong and Mr Ong Pang Liang are Directors seeking re-election at the forthcoming annual general meeting of the Company ("**AGM**") to be convened at a future date to be advised (collectively, the "**Retiring Directors**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**"), the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules, is as set out below:

	GARY HO KUAT FOONG	**ONG PANG LIANG**
Date of Appointment	16 October 2015	16 October 2015
Date of last re-appointment (if applicable)	23 April 2018	27 April 2017
Age	65	60
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ho as Independent Director was recommended by the nominating committee and approved by the board of directors of the Company ("**Board**"), after taking into consideration Mr Ho's qualifications, expertise, past experiences and overall contribution since he was appointed as a director of the Company.	The re-election of Mr Ong as Independent Director was recommended by the nominating committee and approved by the Board, after taking into consideration Mr Ong's qualifications, expertise, past experiences and overall contribution since he was appointed as a director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Independent Director • Chairman of the Remuneration Committee • Member of the Audit and Nominating Committees	• Independent Director • Chairman of the Audit Committee • Member of the Nominating and Remuneration Committees
Professional qualifications	• Bachelor of Science and Bachelor of Commerce, University of Western Australia • Member of Institute of Singapore Chartered Accountants and CPA Australia	Bachelor of Business Administration, National University of Singapore
Working experience and occupation(s) during the past 10 years	2010 – Present: Director • Avarga Limited ("AL") • TMC Life Sciences Bhd ("TMCL") • Elnora Pty Ltd • Thailoy Investments Pty Ltd 2019 Director • RSP Holdings Pte Ltd ("RSP") 2015 – 2019 Director • Thomson Medical Group Limited ("TMC")	Present Independent Director, TMC Director, Bluewater Investments Pte Ltd 2012 – 2019 Non-Executive Director, AL 2010 – 2012 Finance Director, AL

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	GARY HO KUAT FOONG	ONG PANG LIANG
Shareholding interest in the listed issuer and its subsidiaries	Please refer to the "Directors' Statement" section on pages 37 to 40 of the annual report.	
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rules720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * *"Principal Commitments" has the same meaning as defined in the Code – "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments* # *These fields are not applicable for announcement of appointments pursuant to Rule 704(8)*	**Past (for the last 5 years)** Directorships • TMC • RSP Principal Commitments • Chairman of Remuneration Committee and member of Audit and Risk Management, and Investment Committees of TMC **Present** Directorships • AL • TMCL • Elnora Pty Ltd • Thailoy Investments Pty Ltd Principal Commitments • Chairman of Audit and Risk Management Committee and member of Nominating Committee of AL • Chairman of Nominating Committee and member of Audit and Risk Management, and Remuneration Committees of TMCL	**Past (for the last 5 years)** Directorships • AL • UPP Industries Pte. Ltd. • UPP Greentech Pte. Ltd. • Avarga Investment Pte. Ltd. • RSP **Present** Directorships • TMC • Bluewater Investments Pte Ltd Principal Commitments • Chairman of Audit and Risk Management Committee of TMC

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		GARY HO KUAT FOONG	ONG PANG LIANG
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		GARY HO KUAT FOONG	ONG PANG LIANG
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or Management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the Management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the Management or conduct, in Singapore or elsewhere, of the affairs of:-		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	GARY HO KUAT FOONG	ONG PANG LIANG
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance in order to safeguard the interests of shareholders of the Company (**"Shareholders"**).

This report outlines the Company's corporate governance practices which are in line with the principles and provisions set out in the Code of Corporate Governance 2018 (the **"Code"**) issued by the Monetary Authority of Singapore on 6 August 2018 and Rule 710 of the Catalist Rules.

The Group has complied substantially with the principles and provisions of the Code. Where there are deviations from the recommendations of the Code, reasons and explanations in relation to the Company's practices are provided, where appropriate.

A. BOARD MATTERS

The Board's Conduct of Affairs

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

The Board oversees the business affairs of the Group and provides entrepreneurial leadership to the Company. This includes evaluation of the performance of the Company's management (**"Management"**), establishment of a prudent and effective controls framework and setting the strategic direction for the Company. It is responsible for the overall policies and integrity of the Group to ensure success and long-term interests of Shareholders are served.

The principal functions of the Board are to:

- Supervise the Management of the business and affairs of the Group;
- Approve the Group's strategic plans, key operational initiatives, major investments, disposals and funding decisions;
- Identify the Group's business risks and ensure the implementation of appropriate systems to manage these risks;
- Monitor and review the Group's financial performance;
- Review Management's performance;
- Approve the nominations and re-election of Directors to the Board and the appointment of key personnel; and
- Assume responsibility for corporate governance.

The Board has adopted a set of internal guidelines specifying matters requiring the Board's approval. These include, among others, approval of the Group's strategic plans, major investment and funding proposals, review of annual budget and financial performance of the Group and appointment of Directors and key office holders.

Functions of the Board are carried out directly by the Board or through Board Committees (**"Board Committees"**), which have been set up to support its work, with written terms of reference that have been approved by the Board. In this regard, Board Committees namely the Nominating Committee (**"NC"**), the Remuneration Committee (**"RC"**) and the Audit Committee (**"AC"**) have been constituted to assist the Board in the discharge of specific responsibilities. Further information on the roles and responsibilities of the NC, the RC and the AC are provided below.

CORPORATE GOVERNANCE REPORT

Formal appointment letters setting out the Directors' duties and obligations are issued to each newly appointed Director. Newly appointed Directors will attend relevant trainings and are briefed on their duties and obligations as Directors. Meeting with the Chairman, Chief Executive Officer (**"CEO"**) and Chief Financial Officer (**"CFO"**) is part of an orientation programme for newly appointed Directors to familiarise themselves with the affairs of the business. The Company also arranges for the newly appointed Directors to visit the Group's key operating premises. Directors can also request further briefings or information on any aspect of the Group's business or operations from Management. The Directors are encouraged to attend seminars, workshops and receive training in areas such as directors' duties and responsibilities, changes in regulations and regulatory framework (including financial reporting standards and listing rules) which are relevant to the Company's business and operations, so as to enable them to perform effectively as Directors. The Company arranges and funds the training of Directors. The Directors are also briefed on developments in accounting standards by the CFO and the external auditor, on developments in corporate governance practices by the Company Secretary, and on developments in business and strategy by the CEO.

The number of general meetings, Board and Board Committee meetings held during FY2019 as well as the attendance of each Director at these meetings is set out below:

Name	Annual General Meeting	Board Meeting	AC Meeting	NC Meeting	RC Meeting
No. of meetings held	**1**	**4**	**4**	**1**	**1**
Name of Directors					
Dr Ho Tat Kin	1	4	4	1	1
Mr Kan Kheong Ng	1	4	N.A.	N.A.	N.A.
Ms Lim Siok Leng	1	4	N.A.	N.A.	N.A.
Mr Lim Joey Matthias (1)	1	4	2	N.A.	N.A.
Mr Ong Pang Liang	1	4	4	1	1
Mr Gary Ho Kuat Foong	1	4	4	1	1
Ms Christina Teo Tze Wei (Zhao Ziwei)	1	4	N.A.	1	N.A.

Note:

(1) Mr Lim Joey Matthias was re-designated from a Non-Executive, Non-Independent Director to an Executive Director and ceased to be a member of the AC with effect from 1 July 2019. Mr Lim resigned as Director with effect from 31 March 2020.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board will meet on a quarterly basis or more frequently, when required. The constitution of the Company (**"Constitution"**) has provided for telephonic and video-conference meetings. The Directors, despite some having multiple board representations, have attended all Board and Board Committee meetings for FY2019 and have given sufficient time and attention to the affairs of the Group.

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Directors with periodic updates of the latest developments in the Group, accounts, reports and other financial information. Detailed Board papers are provided to the Directors before the scheduled meetings so as to enable them to make informed decisions. In respect of budgets, any material variance between the projections and actual results is reviewed by the Board, with Management providing explanations and further details as required.

CORPORATE GOVERNANCE REPORT

At each quarterly Board meeting, the Executive Directors and Management brief the Non-Executive Directors on the state of the Group's business, finance and risks. The Non-Executive Directors are also briefed on the key developments in the security printing and security services industry. Members of Management and the external auditor who are able to provide additional insight on the matters for discussion, are also invited from time to time to attend such meetings.

If a Director were unable to attend a Board or Board Committee meeting, he would still receive all the papers and materials for discussion at that meeting. He would review them and advise the Chairman or Board Committee Chairman of his views and comments (if any) on the matters to be discussed so that they may be conveyed to other members at the meeting.

The Directors are informed and are aware that they may take independent professional advice at the Company's expense, where necessary, in furtherance of their duties.

All Directors have unrestricted access to the Company's records and information. They also have separate and independent access to the Company's senior Management and the Company Secretary at all times. The Company Secretary also attends all Board and Board Committee meetings. Her duties include minute taking, assisting the Chairman in the dissemination of information to the Board as well as ensuring timeliness of information flows within the Board and the Board Committees and between Management and the Non-Executive Directors. The Company Secretary's responsibilities also include assisting the Chairman in ensuring that Board procedures are followed and communicating changes in the Catalist Rules or other regulations affecting corporate governance and compliance where appropriate, facilitating orientation and assisting with professional development as required.

The appointment and removal of the Company Secretary is a matter for the Board as a whole to approve.

Board Composition and Guidance

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

As at 31 December 2019, the Board comprised 7 Directors, 3 of whom are Executive Directors. The remaining 4 Non-Executive Directors are Independent Directors. Memberships of the Board Committees are as follows:

Name	Date of appointment	Board membership	AC	NC	RC
Dr Ho Tat Kin	16 October 2015	Chairman and Independent Director	Member	Chairman	Member
Mr Kan Kheong Ng	1 February 2019	Executive Director, and CEO	–	–	–
Ms Lim Siok Leng	16 October 2015	Executive Director, and CFO	–	–	–
Mr Lim Joey Matthias (1)	1 February 2019	Executive Director	–	–	–
Mr Ong Pang Liang	16 October 2015	Independent Director	Chairman	Member	Member
Mr Gary Ho Kuat Foong	16 October 2015	Independent Director	Member	Member	Chairman
Ms Christina Teo Tze Wei (Zhao Ziwei)	1 February 2019	Independent Director	–	Member	–

Note:

(1) Mr Lim Joey Matthias was re-designated from a Non-Executive Non-Independent Director to an Executive Director with effect from 1 July 2019. Mr Lim resigned as Director with effect from 31 March 2020.

CORPORATE GOVERNANCE REPORT

As a majority of the members of the Board are Non-Executive, Independent Directors, there is a strong and independent element on the Board. The Chairman of the Board is our Independent Director, Dr Ho Tat Kin. As such, the composition of the Board complies with the requirements of the Code.

The independence of each Independent Director is assessed at least annually by the NC, adopting the Code's and Catalist Rules' definition. Annually, each Independent Director is required to complete a Director's Independence Checklist ("**Checklist**") to confirm his independence. The Checklist is drawn up based on the provisions provided in the Code and Catalist Rules. Thereafter, the NC reviews the Checklist completed by each of the Independent Directors, assesses the independence of each of the Independent 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, with each individual Director concerned abstaining from the review of his own independence. The Independent Directors do not have any relationships with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. No individual or small group of individuals dominates the Board's decision-making.

The Non-Executive Directors constructively challenge and participate in setting strategies and goals for the Company and review as well as monitor the performance of Management in the implementation of the agreed strategies and goals. Where necessary, the Non-Executive Directors will have meetings amongst themselves without the presence of Management.

Each year, the Board reviews its size, taking into account, *inter alia*, the scope and nature of the Group's businesses and operations and the benefits of all aspects of diversity, including but not limited to gender, age, educational background and professional experience in order to provide the Board access to an appropriate range and balance of skills, experience and backgrounds.

All Directors are professionals in their own fields, together they bring to the Board multiple skill sets, relevant competencies, and attributes to discharge the functions of the Board and Board Committees, and respond to challenges facing by the Group.

On 12 February 2020, the Company announced the resignation of Mr Lim Joey Matthias as Executive Director with effect from 31 March 2020.

The current Board size of 6 members (following the resignation of Mr Lim Joey Matthias with effect from 31 March 2020) is considered appropriate for the Company, after taking into account the nature and scope of the Group's operations. In addition, the Board believes that the current composition provides an appropriate balance of skills, experience, gender and knowledge which facilitates effective decision making. The Directors hold core competencies such as accounting and finance, business and Management as well as industry knowledge. At present, the Board has 2 female Directors, namely, Ms Lim Siok Leng and Ms Christina Teo Tze Wei (Zhao Ziwei).

Chairman and Chief Executive Officer

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

The Chairman of the Board is our Independent Director, Dr Ho Tat Kin and the CEO is Mr Kan Kheong Ng. The Chairman and CEO are not immediate family members.

This ensures a clear division of responsibilities between the leadership of the Board and executives responsible for managing the Group's businesses. Hence, a lead independent director is not separately appointed.

CORPORATE GOVERNANCE REPORT

The Chairman sets the tone of the Board meetings to encourage participation and constructive discussions on the agenda topics. He leads the Board in its discussions and deliberations, facilitates effective contribution by the Directors and ensures the timeliness of information flow between the Board and Management. The CEO is responsible for overseeing the overall business operations and implementation of the Group's strategies and policies.

Board Membership

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

The NC comprises 4 Non-Executive Directors, all of whom, are Independent Directors:

Dr Ho Tat Kin (Chairman)
Mr Ong Pang Liang
Mr Gary Ho Kuat Foong
Ms Christina Teo Tze Wei (Zhao Ziwei)

The NC holds at least 1 NC meeting each financial year.

Based on the written terms of reference, the principal functions of the NC are to:

- making recommendations to the Board on appointment of new Directors and key management personnel, including nominations of Directors for re-election in accordance with the Constitution;

- reviewing and approving any new employment of persons related to the Directors and substantial Shareholders and proposed terms of their employment;

- determining the independence of Directors;

- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;

- review the training and professional development programs for the Board;

- reviewing succession plans for Directors, in particular the CEO, Chairman and key management personnel;

- reviewing the Directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;

- determining and recommending to the Board the maximum number of listed company board representations which any Director may hold; and

- developing a process for evaluation of the performance of the Board, the Board Committees and the Directors and proposing objective performance criteria, as approved by the Board that allows comparison with its industry peers, and addressing how the Board has enhanced long-term Shareholders' value.

In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills required to support the Group's business activities and strategies as well as the qualifications, experience and attributes of prospective candidates.

CORPORATE GOVERNANCE REPORT

The Company has adopted a comprehensive and detailed process in the selection of new Directors. Candidates will be sourced through an extensive network of contacts and selected based on, *inter alia,* the needs of the Group and the relevant expertise required. When necessary, the NC may seek the help of external consultants in the search process. In selecting suitable candidates, the Board, in consultation with the NC, will consider the Group's strategic goals, business direction and needs. The Board will also consider gender diversity requirements in seeking any new appointment to the Board. The NC will conduct interviews with the candidates and nominate the candidate deemed most suitable for appointment to the Board.

In recommending a Director for re-election to the Board, the NC considers, *inter alia,* his/her performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). The Constitution requires newly appointed Directors to retire at the next AGM following their appointment and one-third of the Board is to retire from office at every AGM.

The Directors standing for re-election at the forthcoming AGM are Mr Gary Ho Kuat Foong and Mr Ong Pang Liang, who will retire pursuant to the Article 93 of the Constitution. Upon assessing these Directors' performance and contributions to the Board, the NC recommended them for re-appointment to the Board for consideration and the Board has accepted the NC's recommendations to put forth these Directors for re-election at the forthcoming AGM. These Directors have also offered themselves for re-election. Additional information on Mr Gary Ho Kuat Foong and Mr Ong Pang Liang, being the Directors who have been nominated for re-election, as required under Appendix 7F of the Catalist Rules are set out on pages 13 to 17 of the annual report.

No member of the NC participated in deliberations or decisions on recommendations for his own re-nomination to the Board.

The NC determines annually whether a Director with other listed company representations and/or other principal commitments is able to and has been adequately carrying out his duties as a director of the Company. The NC takes into account the conduct of the Director on the Board in making this determination. In respect of FY2019, the NC had reviewed the multiple board representations held by the Directors and their confirmations that they are able to devote sufficient time and attention to the matters of the Group. The NC was of the view that each Director had given sufficient time and attention to the affairs of the Company and had been able to discharge his duties as director effectively. The NC noted that based on the attendance of the Board and Board Committee meetings during FY2019, all the Directors were able to participate in at least a substantial number of such meetings in order to carry out their duties.

Key information (including the listed company directorships and principal commitments) on the Directors can be found on pages 9 to 10 of the annual report.

None of the Directors has appointed an alternate Director. As a Director is expected to be able to commit time to the affairs of the Company, the NC will generally not support the appointment of an alternate Director.

CORPORATE GOVERNANCE REPORT

Board Performance

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

The NC has formulated an evaluation process for assessing the effectiveness of the Board as a whole and the Board Committees.

The assessment parameters include, among others, Board and Board Committees size and composition, board independence, board processes, board information and accountability, attendance at meetings of the Board and the Board Committees, contributions and participation at meetings and ability to make informed decisions.

The primary objective of the assessment is to create a platform for the members of the Board and Board Committees to provide constructive feedback on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and Board Committees.

Each Director will evaluate the performance of the Board taking into account a set of performance criteria which includes, *inter alia,* Board composition and size, Shareholders' access to information, Board processes, Board effectiveness, Board standards of conduct and financial performance indicators.

The performance evaluation process is performed annually. Each Director is required to complete assessment forms to evaluate the Board and Board Committees. The Company Secretary collates the completed forms and prepares a consolidated report for the Chairman of the NC. The NC discusses the report and concludes the performance results during the NC meeting before tabling the same to the Board. In consultation with the NC, the Chairman of the Board will act on the results of the performance evaluation.

The performance of individual Directors is observed through their contributions and participation at meetings, and time and attention devoted to the affairs of the Company. The NC will also consider other contributions by a Director such as providing objective perspectives on issues, facilitating business opportunities and strategic relationships and the Director's accessibility to Management outside of formal Board and/or Board Committee meetings.

For FY2019, based on the completed assessment forms submitted by all Directors, with the consultation of the NC, the Board is of the view that the Board and the Board Committees have fared well against the performance criteria and satisfied with the performance of the Board and the Board Committees and each Director is contributing to the overall effective of the Board.

No external facilitator was engaged for the evaluation process for FY2019.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

Disclosure of Remuneration

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

The RC comprises 3 Non-Executive Directors, all of whom, are Independent Directors:

Mr Gary Ho Kuat Foong (Chairman)
Dr Ho Tat Kin
Mr Ong Pang Liang

The RC holds at least 1 meeting each financial year.

Based on the written terms of reference, the principal functions of the RC are to:

- reviewing and recommending to the Board, a framework for determining executive remuneration including the remuneration of the, Executive Directors, CEO and key management personnel;
- reviewing the remuneration of key management personnel and employees related to the Directors, the CEO or substantial Shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines;
- administering the Secura Employee Share Option Scheme and the Secura Performance Share Plan (collectively, the **"Share-Based Incentive Plans"**);
- reviewing and approving each award/option as well as the total awards/options under each of the Share-Based Incentive Plans in accordance with the rules governing them, including awards/options granted to the Directors and key management personnel; and
- reviewing and recommending to the Board, a framework of remuneration (including Directors' fees) for Non-Executive Directors.

The RC considers all aspects of remuneration, including termination terms, to ensure that they are fair. The Group's remuneration policy is to provide competitive remuneration packages to reward, retain and motivate Directors to provide good stewardship of the Group and key management personnel to successfully manage the Group for long term. In setting remuneration packages, the Group takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual.

The Company had entered into a service agreement with each of our Executive Director and CEO, Mr Kan Kheong Ng and Executive Director and CFO, Ms Lim Siok Leng (the **"Executive Directors"**) on 1 February 2019 and 20 January 2016 respectively for an initial period of 3 years. Both the service agreements are renewable thereafter on a yearly basis and may be terminated by either party giving not less than 90 days' written notice.

CORPORATE GOVERNANCE REPORT

Each of our Executive Directors and key management personnel is entitled to, *inter alia,* a base salary and performance-related incentives linked to the financial performance of the Group and the individual's performance, which is assessed based on their respective performance indicators.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and key management personnel with those of Shareholders by linking rewards to corporate and individual performance, and ensures that the remuneration commensurate with the roles and responsibilities of each Director and key management personnel. The RC reviews the remuneration received by the Executive Directors based on the financial performance of the Group. The Executive Directors review the remuneration of key management personnel based on the staff remuneration guidelines to ensure that their remuneration packages commensurate with their respective job scope and responsibilities. The RC is satisfied that the performance conditions for the Executive Directors and key management personnel for FY2019 were met. Due to confidentiality and sensitivity attached to the remuneration matters, it would not be in the best interest of the Company to disclose information on performance conditions of the Executive Directors and key management personnel.

Non-Executive Directors receive Directors' fees for their services. Each Non-Executive Director receives a basic fee and additional fees for serving as Chairperson of a Board Committee. In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of Non-Executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. Comparisons are made periodically against directors' fees of other listed companies with similar market capitalisation as the Company to ensure that the Directors' fees are within market norms and commensurate with responsibilities of the Non-Executive Directors.

No Director is involved in deciding his or her own remuneration package.

All revisions to the remuneration packages of the Directors and key management personnel are subject to the review by and recommendation of the RC and the approval of the Board. Directors' fees are further subject to the approval of Shareholders at the AGM. Where necessary, the RC could seek external professional advice on remuneration matters of Directors and key management personnel. The RC did not seek any external professional advice to assist in the review of compensation and remuneration in FY2019.

In reviewing the service contracts of the Executive Directors and key management personnel, the RC will take into consideration the Company's obligations in the event of termination of these service contracts, to ensure that such service contracts contain fair and reasonable termination clauses which are in line with industry norms and practices.

The Company had adopted the Share-Based Incentive Plans on 14 January 2016. The primary objective of establishing the Share-Based Incentive Plans is to recognise and reward Directors and employees for their valuable contributions to the growth and success of the Group as well as to retain employees whose services are vital to the success of the Group. Details of the Share-Based Incentive Plans can be found in the Company's offer document dated 20 January 2016 (the **"Offer Document"**).

All Directors were granted options pursuant to the Secura Employee Share Option Scheme during FY2016, details of which can be found on pages 38 to 39 of the annual report. No further options have been granted since FY2016.

CORPORATE GOVERNANCE REPORT

The breakdown of remuneration paid to or accrued to the Directors for FY2019 is as follows:

Directors	Fees	Salary[1]	Bonus	Benefits-in-kind	Variable or performance-related incentive/ bonus	Total
Between S$250,000 to S$500,000						
Lim Siok Leng	–	**100.0%**	–	–	–	**100.0%**
Below S$250,000						
Kan Kheong Ng	–	**100.0%**	–	–	–	**100.0%**
Lim Joey Matthias[2]	**12.9%**	**78.8%**	–	**8.3%**	–	**100.0%**
Dr Ho Tat Kin	**100.0%**	–	–	–	–	**100.0%**
Ong Pang Liang	**100.0%**	–	–	–	–	**100.0%**
Gary Ho Kuat Foong	**100.0%**	–	–	–	–	**100.0%**
Christina Teo Tze Wei (Zhao Ziwei)	**100.0%**	–	–	–	–	**100.0%**

Notes:

(1) Includes CPF contribution by employer.

(2) Mr Lim Joey Matthias was re-designated from a Non-Executive, Non-Independent Director to an Executive Director with effect from 1 July 2019.

The Company has disclosed the remuneration of each Director and the CEO as a breakdown (in percentage terms) into salary, bonus, directors' fees, variable or performance-related incentive/bonus and benefits-in-kind. No other long-term incentives and no termination, retirement or post-employment benefits have been granted to the Directors. The Company has disclosed each Director's and the CEO's remuneration in bands of S$250,000.

While the Code recommends that the Company should fully disclose the remuneration of each individual Director and the CEO on a named basis, after careful consideration, the Board is of the view that such disclosure would not be in the best interests of the Company or its Shareholders, and that the details disclosed in the table provides an appropriate balance between detailed disclosure and confidentiality in the sensitive area of remuneration. In arriving at its decision, the Board took into consideration the competitive business environment in which the Group operates, and the negative impact such disclosure may have on the Group.

CORPORATE GOVERNANCE REPORT

The various components of the remuneration of the Group's key management personnel (who are not Directors or the CEO) in percentage terms are as follows:

Key management personnel	Salary	Variable bonus	Allowances and other benefits	Total
Below S$250,000				
Goh Ching Hua Kelvin	**56.2%**	**24.6%**	**19.2%**	**100.0%**

There are no other long-term incentives or termination, retirement or post-employment benefits for the key management personnel. As the Group only has 1 key management personnel who is not a Director or the CEO, it is not in the best interests of the Company to disclose the aggregate remuneration paid to the Group's top 5 key management personnel.

The remuneration of employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these employees will also be subject to the review of the RC. In addition, any new employment of employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder and the proposed terms of their employment will be subject to the review and approval of the NC. In the event that a member of the RC or the NC is related to the employee under review, he will abstain from the review.

The Company does not have any employee who is a substantial Shareholder, or is an immediate family member of a Director or the CEO or a substantial Shareholder, and whose remuneration exceeds S$100,000 in FY2019.

An annual remuneration report is not included in the annual report as the matters required to be disclosed therein have been disclosed in the Directors' Statements and in the notes to the financial statements. The Board responds to queries from Shareholders at AGMs on matters pertaining to remuneration policies and directors' remuneration.

C. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

The Board is responsible for the governance of risks and the overall internal controls framework. It ensures that the Management maintains a sound system of risk Management and internal controls to safeguard Shareholders' interests and the Company's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Company's strategic objectives.

As the Group does not have a risk management committee, the Board and the Management assume the responsibility of the risk management function. The Management is responsible for the design, implementation and monitoring of the Company's internal controls and risk management systems and providing the Board with a basis to determine the Company's level of risk exposure, risk tolerance and risk policies.

CORPORATE GOVERNANCE REPORT

At the Board meeting held on 18 February 2020, the Board had received written assurance from the CEO and CFO that:

- the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and

- the internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place within the Group are adequate and effective.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the external and internal auditors, and reviews performed by the Management as well as assurance from the CEO and CFO, the Board with the concurrence of the AC, confirms that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective as at 31 December 2019.

For FY2019, both the Board and the AC had not identified any material weaknesses in the internal controls and risk management systems of the Group.

The internal controls and risk management systems established by the Group provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

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

The AC comprises 3 Non-Executive Directors, all of whom, are Independent Directors:

Mr Ong Pang Liang (Chairman)
Dr Ho Tat Kin
Mr Gary Ho Kuat Foong

All the members of the AC have relevant accounting and financial management experience and expertise and are hence able to discharge their responsibilities competently. The Chairman of the AC, Mr Ong Pang Liang, was CFO and Finance Director of companies listed on the mainboard of the SGX-ST and Mr Gary Ho Kuat Foong is a member of the Institute of Singapore Chartered Accountants and CPA Australia. The AC has reasonable resources to enable it to discharge its functions effectively.

None of the AC members was a former partner of the Company's existing external auditor, Ernst & Young LLP **("EY")**, within the previous two years or has any financial interest in the firm.

The AC meets at least twice a year.

Based on the written terms of reference, the principal functions of the AC include:

- assisting the Board in the discharge of its responsibilities on financial reporting matters;

- reviewing with the internal and external auditors their plans and reports;

- reviewing the financial statements announcements and annual budget before submission to the Board for approval;

CORPORATE GOVERNANCE REPORT

- reviewing and reporting to the Board, at least annually, the effectiveness and adequacy of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

- reviewing the independence and objectivity of the internal and external auditors and recommending to the Board their appointment or re-appointment as well as their remuneration and terms of engagement;

- meeting with internal and external auditors without presence of the Management at least annually;

- reviewing and discussing with the internal and external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

- reviewing the financial risk areas, with a view to providing an independent oversight of the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

- reviewing the cooperation given by the Management to the internal and external auditors;

- reviewing interested person transactions;

- reviewing any potential conflicts of interest and setting out a framework to resolve or mitigate any potential conflict of interest; and

- reviewing and administering the Whistle Blowing Policy.

The AC shall also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

A breakdown of the audit and non-audit fees that are charged to the Group by the external auditor for FY2019 is set out below.

Service Category	**Fees Paid/Payable (S$'000)**
Audit Services	197
Non-Audit Services	56
Total Fees	**253**

Having undertaken a review of the non-audit services provided during the year, the AC is satisfied and remains confident that the objectivity and independence of the external auditor are not in any way impaired by the provision of such non-audit services to the Group as these services were provided solely in connection with corporate tax services.

EY confirmed that the firm has remained independent public accountants within the meaning of Rule 12 of the Companies Act, Chapter 50 of Singapore and the Accountants (Public Accountants) Rules for the audit of the Group for FY2019.

CORPORATE GOVERNANCE REPORT

The AC also has considered the adequacy of the resources, experience and competence of EY, and has taken into account the Audit Quality Indicators relating to EY at the firm level and on the audit engagement level. Consideration also given to the experience of the engagement partner and key team members in handling the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

On the basis above, the AC is of the opinion that EY is independent for the purpose of the Group's statutory audit and satisfied with the standard and quality of work performed by EY. The AC has recommended to the Board the nomination of EY for re-appointment as the Company's external auditor at the forthcoming AGM.

The Group has complied with Rules 712 and 715 of the Catalist Rules on the appointment of auditing firms for the Company and the entities in the Group.

The AC also meets with the internal auditor and the external auditor without the Management, at least annually and whenever necessary to review the adequacy of audit arrangements, with emphasis on the scope and quality of audit and the independence and objectivity of the internal and external auditors. The AC had met with the internal and external auditors without the presence of Management once in FY2019.

The external auditor provides regular updates and briefings to the AC on changes to accounting standards and other financial issues to enable the AC to keep abreast of such changes and their impact on the financial statements.

The Company has put in place a whistle-blowing framework **("Whistle Blowing Policy")** endorsed by the AC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other matters. A dedicated secured email address has been set up to allow whistle-blowers to contact the AC directly.

Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group. The AC will ensure that independent investigations and any appropriate follow-up actions are carried out.

There were no reported incidents pertaining to whistle blowing during FY2019.

The Board recognises that it is responsible for maintaining a sound system of internal controls to safeguard Shareholders' investments and the Group's business and assets. The Company's internal audit function has been outsourced to the internal auditor, RSM Risk Advisory Pte Ltd. The internal auditor is guided by the International Standards for the Professional Practice of Internal Auditing. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. Procedures are in place for the internal auditor to report, independently on its findings and recommendations to the AC for review. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. Management will update the AC on the status of the remedial action plans.

The internal auditor reports to the AC. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the adequate resources to perform its functions.

The internal auditor had conducted a review of the effectiveness of the Group's internal controls in FY2019.

CORPORATE GOVERNANCE REPORT

The AC reviews the adequacy and effectiveness of the internal audit function at least annually to, *inter alia,* ensure (i) that the majority of the identified risks are audited by cycle, (ii) that the recommendations of the Internal Auditor are properly implemented, and (iii) the effectiveness and independence of the Internal Auditor. For FY2019, the AC is satisfied that the internal audit function is independent, effective and adequately staffed with persons with the relevant experience and qualifications.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT, AND MANAGING STAKEHOLDERS RELATIONSHIPS

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treat 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.

Engagement with Shareholders

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

Engagement with Stakeholders

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

The Group's corporate governance practices promote fair and equitable treatment of all Shareholders. To facilitate Shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, in particular, information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable Shareholders to make informed decisions in respect of their investments in the Company.

The Company does not practise selective disclosure. Financial statements and annual reports are announced or issued within the mandatory period. In addition, information deemed to be price-sensitive, including press releases, presentations to analysts as well as major acquisitions or disposals, is disseminated without delay via announcements on SGXNET.

The Company also maintains a corporate website at www.securagroup.com.sg where the public can access investor-related information of the Group. All announcements made including financial statements, are published via SGXNET as well as on the Company's website. Shareholders, analysts and the press can contact the Company directly via online submission form on the Company's corporate website or office telephone number.

The Company has appointed an investor relations firm, August Consulting Pte Ltd, to manage communications with its stakeholders and to ensure that their queries and concerns are promptly addressed by the designated members of Management. The contact details of the investor relations firm is provided in the corporate information page of the annual report. The investor relations firm has procedures in place for responding to investors' queries as soon as possible.

CORPORATE GOVERNANCE REPORT

The Company's main dialogue with its Shareholders, which includes institutional and retail investors, takes place at its AGMs. Shareholders are encouraged to attend AGMs. The Board and Management, as well as the external auditor, are in attendance at AGMs to address Shareholders' questions on issues relevant to the Company and resolutions proposed at the AGMs. The Chairpersons of the AC, RC, and NC would be present at the AGM to answer those questions relating to the work of these Board Committees.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all Shareholders. Separate resolutions are proposed for substantially separate issues at Shareholders' meetings for approval unless they are linked, and the reasons and material implications are explained. "Bundling" of resolutions are done only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are voted by electronic polling. An independent scrutineer is also appointed to count and validate the votes cast at the general meetings. The detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET after the conclusion of the general meetings.

Provision 11.4 of the Code provides that a company's constitution should allow for absentia voting at general meetings of shareholders (such as via mail, email or fax). As the authentication of Shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated. Shareholders can vote in person or appoint not more than 2 proxies to attend, speak and vote on their behalf at general meetings of Shareholders, with the exception that Shareholders such as nominee companies which provide custodial services for securities are able to appoint more than 2 proxies to attend, speak and vote at general meetings notwithstanding the Constitution does not differentiate between the number of proxies which may be appointed by individual Shareholders and by nominee companies.

The Company will publish the minutes of general meetings of shareholders on its corporate website as soon as practicable. The Company Secretary prepares the minutes and such minutes record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Company holds briefings to present its financial statements for the media and analysts, when requested. Outside of the financial announcement periods, when necessary and appropriate, Management will meet investors and analysts who would like to seek a better understanding of the Group's business and operations. This also enables the Group to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company on investors' views. When opportunities arise, the Company conducts media interviews to give Shareholders and the public a better perspective of the Group's business, operations and prospects.

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to, *inter alia,* the Group's level of earnings, general business and financial condition, results of operations, capital requirements, cash flow, plans for expansion and other factors which the Directors may deem appropriate. In addition, the Company is a holding company and depends upon the receipt of dividends and other distributions from the subsidiaries to pay the dividends.

CORPORATE GOVERNANCE REPORT

The Board has not recommended any dividend for FY2019 as the Group intends to redeploy its cash reserve for the purpose of the Group's development and operations.

Sustainability Reporting

The Company recognises the importance of sustainability and will be implementing the appropriate policies and programs. The Company will publish its sustainability report for FY2019 by the end of May 2020, in accordance with Practice Note 7F of the Catalist Rules.

INTERESTED PERSON TRANSACTIONS

Rule 907 of the Catalist Rules

The Company does not have a general mandate from Shareholders for interested person transactions.

Interested person transactions carried out during FY2019 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
Mr Lim Eng Hock	Shareholder	S$401,000	–

The interested party transaction was mainly relates to executive protection and management consultancy services.

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions will not be prejudicial to the interests of the Group and its minority Shareholders. To ensure compliance with Chapter 9 of the Catalist Rules, the Board and the AC review, on a quarterly basis, interested person transactions entered into by the Group (if any).

MATERIAL CONTRACTS

Rule 1204(8) of the Catalist Rules

Save for the service agreements between the Company and the Executive Directors, disclosures under the sections "Interested Person Transactions" and the "Directors' Statement" of the annual report and the financial statements of the Group, there were no other material contracts entered into by the Company or its subsidiaries involving the interests of any Director, the CEO or controlling Shareholder which is either subsisting at the end of FY2019 or, if not then subsisting, entered into since the end of FY2018.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

Rule 1204(19) of the Catalist Rules

The Company has adopted a Code of Best Practices to provide guidance to all Directors and employees of the Group. The internal compliance code sets out a code of conduct to provide guidance for the Directors and employees of the Group on their dealings in the Company's securities, as well as the implications of insider trading.

The Company has advised the Directors and employees of the Group not to deal in the Company's securities during the period commencing 1 month before the announcement of the Company's half year and full year financial statements.

All Directors and employees of the Group are expected to observe insider trading laws at all times. In particular, they are aware that dealing in the Company's securities, when they are in possession of unpublished material price sensitive information in relation to those securities, is an offence. The Company has also reminded the Directors and employees of the Group not to deal in the Company's securities on short-term considerations.

NON-SPONSOR FEES

Rule 1204(21) of the Catalist Rules

There were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2019.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)

Rule 1204(22) of the Catalist Rules

The net proceeds from the IPO was approximately S$26.1 million.

The following table sets out the breakdown of the use of net proceeds from the IPO as at the date of the annual report:

Purpose	Allocation of net proceeds (as announced on 25 July 2019) (S$'000)	Net proceeds utilised as at the date of the annual report (S$'000)	Balance of net proceeds as at the date of the annual report (S$'000)
Expand cyber security, technology and systems integration business	13,300	(9,498)	3,802
Enhance and upgrade security printing equipment	1,000	(1,000)	–
Corporate infrastructure improvements	5,500	(5,500)	–
General working capital purposes	6,300	(6,005)*	295
	26,100	(22,003)	4,097

* Mainly relates to repayment of shareholders' loan and bank loan which were taken up for working capital purposes.

The use of the IPO proceeds was in accordance with the purposes and the proportional allocation as stated in the Company's announcement dated 25 July 2019.

The Company will continue to make announcements on the utilisation of the balance of the IPO proceeds as and when such net proceeds are materially disbursed.

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Secura Group Limited (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:

Dr Ho Tat Kin
Kan Kheong Ng
Lim Siok Leng
Ong Pang Liang
Gary Ho Kuat Foong
Christina Teo Tze Wei (Zhao Ziwei)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

	Direct interest	
Name of director	**At beginning of the financial year or date of appointment**	**At end of the financial year**
Ordinary shares of the Company		
Kan Kheong Ng	50,000	50,000
Lim Joey Matthias[1]	60,000	60,000

(1) Mr Lim Joey Matthias was appointed as director with effect from 1 February 2019 and resigned as director with effect from 31 March 2020

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

Share options

The Company has adopted a share option scheme known as the Secura Employee Share Option Scheme ("Secura ESOS"), which was approved by a shareholders' resolution passed on 14 January 2016. The Secura ESOS provides an opportunity for the Group's employees and Directors to participate in the equity of the Company.

Details of all the share options to subscribe for ordinary shares of the Company pursuant to the Secura ESOS as at 31 December 2019 are as follows:

Name of directors	**Exercise price (S$)**	**Number of options**
Lim Siok Leng	0.25	5,600,000
Dr Ho Tat Kin	0.25	1,200,000
Ong Pang Liang	0.25	800,000
Gary Ho Kuat Foong	0.25	800,000
Total		8,400,000

DIRECTORS' STATEMENT

Share options (continued)

Details of the share options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Secura ESOS are as follows:

Name of directors	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Options cancelled or lapsed since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Lim Siok Leng	–	5,600,000	–	5,600,000
Tan Wee Han*	–	1,200,000	(1,200,000)	–
Dr Ho Tat Kin	–	1,200,000	–	1,200,000
Ong Pang Liang	–	800,000	–	800,000
Gary Ho Kuat Foong	–	800,000	–	800,000
Total	–	9,600,000	(1,200,000)	8,400,000

* Mr Tan Wee Han resigned as director with effect from 1 February 2019.

These options are exercisable between the periods from 9 May 2017 to 8 May 2026 at the exercise price of $0.25 if the vesting conditions are met.

Since the commencement of the Secura ESOS plans till the end of the financial year:

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

Share plan

The Company has adopted a performance share plan known as the Secura Performance Share Plan ("Secura PSP"), which was approved by a shareholders' resolution passed on 14 January 2016. The Secura PSP aims to motivate, recognise and reward contributions made by employees.

No performance shares have been granted or awarded pursuant to the Secura PSP since its inception.

Rules of the Secura ESOS and the Secura PSP are set out in the Company's offer document dated 20 January 2016 and are administered by the Remuneration Committee as follows:-

Gary Ho Kuat Foong
Dr Ho Tat Kin
Ong Pang Liang

DIRECTORS' STATEMENT

Audit committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed 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:

Kan Kheong Ng
Director

Lim Siok Leng
Director

Singapore
7 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SECURA GROUP LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Secura Group Limited (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 statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SECURA GROUP LIMITED

Key audit matters (continued)

Impairment assessment of the Group's intangible assets and the Company's investment in subsidiaries

As at 31 December 2019, the Group's carrying amount of intangible assets which comprise goodwill and customer relationships amounted to $1.2 million and the Company's carrying amount of the investment in subsidiaries amounted to $21.0 million. Management has performed impairment testing on the intangible assets and investment in subsidiaries. The recoverable amounts of these assets are based on the value-in-use method using discounted cash flows which are determined based on a number of significant operational and predictive assumptions such as forecasted revenue, growth rate, profit margin and discount rate. These estimates require significant Management judgement. As such, we consider the impairment assessment of the Group's intangible assets and the Company's investment in subsidiaries to be a key audit matter for our audit.

Our audit procedures included, amongst others, assessing the appropriateness of Management's assumptions applied in the discounted cash flow models based on our knowledge of the cash generating units' operations and performance. This included obtaining an understanding of Management's planned strategies on revenue growth and cost initiatives and assessing them against historical results. We engaged our internal valuation specialists to assist us in reviewing the reasonableness of the discount rates. In addition, we reviewed Management's analysis of the sensitivity of the recoverable amount to changes in the respective assumptions and assessed the reasonableness of the terminal growth rates. We have also assessed the adequacy and appropriateness of the disclosures in the financial statements in Note 3, Note 7 and Note 8 to the financial statements.

Investment in associate – Custodio Technologies Pte. Ltd. ("CTPL")

The Group's gross investment in CTPL represents 9% of the Group's total assets as at 31 December 2019. The Group accounts for the investment in CTPL using the equity method. This was considered a key audit matter due to the significant carrying amount (before impairment) of the investment in CTPL.

We performed our audit procedures and determined the extent of our involvement in the audit of the equity accounted investment in CTPL and coordination with the component auditor in accordance with the requirements of SSA 600, Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors). Amongst other audit procedures, we discussed with component auditor the identified significant risks of misstatements, including the nature, timing and extent of audit procedures to address these risks. We examined reporting documents received from the component auditor in this regard and assessed the impact thereof on the consolidated financial statements of the Group.

We have also evaluated the significant accounting policies of CTPL to ensure alignment with group accounting policies. In addition, we evaluated management's impairment assessment and the disclosure made in Note 3 and Note 10 to the financial statements to ascertain that the disclosures made are adequate and appropriate.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SECURA GROUP LIMITED

Other information (continued)

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SECURA GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
7 April 2020

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	4	26,070	27,951	14,871	15,120
Right-of-use assets	5	1,446	–	–	–
Investment property	6	537	555	2,685	2,774
Intangible assets	7	1,214	1,432	–	–
Investment in subsidiaries	8	–	–	21,034	23,934
Investment in joint ventures	9	789	909	–	–
Investment in associates	10	1,912	6,752	952	6,221
Deferred tax asset	28	–	–	220	240
Trade and other receivables	12	2	2	–	–
		31,970	37,601	39,762	48,289
Current assets					
Inventories	11	2,288	3,312	–	–
Trade and other receivables	12	8,263	8,856	58	160
Contract assets	24	350	313	–	–
Prepaid operating expenses		348	265	18	15
Amounts due from subsidiaries	13	–	–	1,593	1,702
Amounts due from joint ventures	14	87	72	–	–
Cash and cash equivalents	16	14,479	13,853	7,820	7,752
		25,815	26,671	9,489	9,629
Total assets		57,785	64,272	49,251	57,918
Equity and liabilities					
Current liabilities					
Trade and other payables	17	3,024	4,302	268	270
Contract liabilities	24	2,272	356	–	–
Accrued operating expenses		1,224	1,400	173	280
Finance lease	18,32	–	100	–	–
Lease liabilities	18	148	–	–	–
Bank loan	18	833	833	833	833
Amount due to a joint venture	14	–	27	–	–
Amounts due to subsidiaries	13	–	–	4,650	552
Income tax payable		391	466	–	–
		7,892	7,484	5,924	1,935
Net current assets		17,923	19,187	3,565	7,694

BALANCE SHEETS
AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current liabilities					
Finance lease	18,32	–	148	–	–
Lease liabilities	18	1,030	–	–	–
Provision for reinstatement cost	19	122	–	–	–
Bank loan	18	7,742	9,920	7,742	9,920
Deferred tax liabilities	28	629	640	–	–
		9,523	10,708	7,742	9,920
Total liabilities		17,415	18,192	13,666	11,855
Net assets		40,370	46,080	35,585	46,063
Equity					
Share capital	20	61,644	61,644	61,644	61,644
Merger reserve	21	(16,291)	(16,291)	–	–
Foreign currency translation reserve	22	(102)	(87)	–	–
Employee share option reserve	23	371	347	361	337
(Accumulated losses)/ retained earnings		(5,301)	352	(26,420)	(15,918)
		40,321	45,965	35,585	46,063
Non-controlling interests		49	115	–	–
Total equity		40,370	46,080	35,585	46,063

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

	Note	2019 $'000	2018 $'000
Revenue	24	38,704	41,231
Cost of sales		(32,927)	(33,624)
Gross profit		5,777	7,607
Other operating income	25	1,727	1,632
Distribution and selling expenses		(1,623)	(1,828)
Administrative expenses		(5,127)	(5,006)
Finance costs	26	(322)	(295)
Share of results of joint ventures and associates		(4,896)	(205)
(Impairment loss)/write-back on financial assets	12	(8)	43
(Loss)/profit before tax	26	(4,472)	1,948
Income tax credit/(expense)	28	15	(86)
(Loss)/profit for the year		(4,457)	1,862
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Share of foreign currency translation of joint ventures and associates		(15)	(5)
Total comprehensive income for the year		(4,472)	1,857
(Loss)/profit for the year attributable to:			
Owners of the Company		(4,453)	1,866
Non-controlling interests		(4)	(4)
(Loss)/profit for the year		(4,457)	1,862
Total comprehensive income attributable to:			
Owners of the Company		(4,468)	1,861
Non-controlling interests		(4)	(4)
Total comprehensive income for the year		(4,472)	1,857
(Loss)/earnings per share (cents per share):			
Basic and diluted (loss)/earnings per share	29	(1.11)	0.47

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
	Share capital	**Merger reserve**	**Foreign currency translation reserve**	**Employee share option reserve**	**(Accumulated losses)/ Retained earnings**	**Non-controlling interests**	**Total equity**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
At 1 January 2019	61,644	(16,291)	(87)	347	352	115	46,080
Loss for the year	–	–	–	–	(4,453)	(4)	(4,457)
Other comprehensive income							
Share of foreign currency translation of joint ventures and associates	–	–	(15)	–	–	–	(15)
Other comprehensive income for the year, net of tax	–	–	(15)	–	–	–	(15)
Total comprehensive income for the year	–	–	(15)	–	(4,453)	(4)	(4,472)
Contributions by and distributions to owners							
Grant of equity-settled share options to employees (Note 27)	–	–	–	24	–	–	24
Dividends on ordinary shares (Note 30)	–	–	–	–	(1,200)	–	(1,200)
Total contributions by and distributions to owners	–	–	–	24	(1,200)	–	(1,176)
Change in ownership interests in a subsidiary							
Acquisition of non-controlling interests without a change in control (Note 8)	–	–	–	–	–	(62)	(62)
Total transaction with owners in their capacity as owners	–	–	–	–	–	(62)	(62)
At 31 December 2019	61,644	(16,291)	(102)	371	(5,301)	49	40,370

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
	Share capital	Merger reserve	Foreign currency translation reserve	Employee share option reserve	(Accumulated losses)/ Retained earnings	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
At 1 January 2018 (FRS framework)	61,644	(16,291)	(82)	281	(1,465)	119	44,206
Effects of SFRS(I) adoption	–	–	–	–	(49)	–	(49)
At 1 January 2018 (SFRS(I) framework)	61,644	(16,291)	(82)	281	(1,514)	119	44,157
Profit for the year	–	–	–	–	1,866	(4)	1,862
Other comprehensive income							
Share of foreign currency translation of joint ventures and associates	–	–	(5)	–	–	–	(5)
Other comprehensive income for the year, net of tax	–	–	(5)	–	–	–	(5)
Total comprehensive income for the year	–	–	(5)	–	1,866	(4)	1,857
Contributions by and distributions to owners							
Grant of equity-settled share options to employees (Note 27)	–	–	–	66	–	–	66
At 31 December 2018	61,644	(16,291)	(87)	347	352	115	46,080

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company			
	Share capital	Employee share option reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000
Company				
At 1 January 2019	61,644	337	(15,918)	46,063
Loss for the year, representing total comprehensive income for the year	–	–	(9,302)	(9,302)
Contributions by and distributions to owners				
Grant of equity-settled share options to employees (Note 27)	–	24	–	24
Dividends on ordinary shares (Note 30)	–	–	(1,200)	(1,200)
At 31 December 2019	61,644	361	(26,420)	35,585
At 1 January 2018	61,644	271	(17,334)	44,581
Profit for the year, representing total comprehensive income for the year	–	–	1,416	1,416
Contributions by and distributions to owners				
Grant of equity-settled share options to employees (Note 27)	–	66	–	66
	–	66	–	66
At 31 December 2018	61,644	337	(15,918)	46,063

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$'000	$'000
Operating activities:			
(Loss)/profit before tax		(4,472)	1,948
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4,6	1,842	2,083
Amortisation of intangible assets	7	218	218
Amortisation of right-of-use assets	5	232	–
(Gain)/loss on disposal of property, plant and equipment and right-of-use assets	26	(3)	212
Interest income	25	(218)	(100)
Write back of stock obsolescence	11	(9)	(335)
Impairment loss/(write back) on financial assets	12	8	(43)
Share of results of joint ventures and associates		4,896	205
Unrealised exchange gains, net		5	(3)
Finance costs		322	295
Grant of equity-settled share options to employees	27	24	66
Operating cash flows before working capital changes		2,845	4,546
Decrease/(increase) in inventories		1,033	(1,676)
Decrease/(increase) in trade and other receivables and contract assets		600	(11)
(Increase)/decrease in prepaid operating expenses		(83)	293
Increase in amount due from a joint venture		(42)	(49)
Increase/(decrease) in trade and other payables and contract liabilities		638	(309)
Decrease in accrued operating expenses		(176)	(215)
Cash flows generated from operations		4,815	2,579
Interest received		166	100
Interest paid		(322)	(294)
Tax paid		(71)	(17)
Net cash flows generated from operating activities		4,588	2,368
Investing activities:			
Proceeds from disposal of property, plant and equipment		14	2,337
Additions to property, plant and equipment		(347)	(214)
Dividend from a joint venture	9	49	–
Net cash flows (used in)/generated from investing activities		(284)	2,123

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		$'000	$'000
Financing activities:			
Acquisition of non-controlling interests	8	(62)	–
Proceed from issuance of shares	20	–*	–
Decrease in fixed deposits pledged		–	334
Dividends on ordinary shares	30	(1,200)	–
Repayment of finance leases		–	(100)
Payment of principal portion of leases liabilities	5	(233)	–
Repayment of bank loan	18	(2,178)	(716)
Net cash flows used in financing activities		(3,673)	(482)
Net increase in cash and cash equivalents		631	4,009
Effect of exchange rate changes on cash and cash equivalents		(5)	2
Cash and cash equivalents at 1 January		13,853	9,842
Cash and cash equivalents at 31 December	16	14,479	13,853

* Denotes less than $1,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Corporate information

Secura Group Limited (the "Company") is a limited company incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 38 Alexandra Terrace, Singapore 119932.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 8 to 10 to the financial statements.

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 a historical cost basis except as disclosed in the accounting policies below.

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

2.2 *Adoption of new and amended standards and interpretations*

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

SFRS(I) 16 *Leases*

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.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.2 *Adoption of new and amended standards and interpretations (continued)*

SFRS(I) 16 *Leases* (continued)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Increase/(decrease)
	$'000
Right-of-use assets	1,691
Property, plant and equipment	(516)
Lease liabilities	1,423
Finance lease	(248)

The Group has lease contracts for leasehold buildings, office premises, motor vehicles and machineries. Before the adoption of SFRS(I) 16, the Group classified its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.20.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.20. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019 and accordingly, property, plant and equipment which amounted to $516,000 were reclassified to right-of-use assets on 1 January 2019.

(b) Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. 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.

2. Summary of significant accounting policies (continued)

2.2 *Adoption of new and amended standards and interpretations (continued)*

SFRS(I) 16 *Leases* (continued)

(b) Leases previously classified as operating leases (continued)

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;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

Based on the above, as at 1 January 2019:

- Right-of-use assets of $1,691,000 were recognised and presented separately in the balance sheet. This includes the leased assets recognised previously under finance leases of $516,000 that were reclassified from Property, plant and equipment.
- Lease liabilities of $1,423,000 were recognised.

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

	$
Operating lease commitments as at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statement	1,437
Weighted average incremental borrowing rate as at 1 January 2019	3.0%
Discounted operating lease commitments as at 1 January 2019	1,175
Commitments relating to leases previously classified as finance leases	248
Lease liabilities as at 1 January 2019	1,423

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 10 & 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 other standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

(b) Business combinations and goodwill

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

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

Non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire 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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill (continued)

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.

The cash-generating units to which goodwill has 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.

<u>Business combinations involving entities under common control</u>

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

– The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

– No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.

– No additional goodwill is recognised as a result of the combination.

– Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

– The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(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 exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Joint arrangements

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 operation 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.

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 2.8.

2. Summary of significant accounting policies (continued)

2.8 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or 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 is accounted for as 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 associate or joint venture's profit or loss in the period in which the investment is acquired.

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

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or 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 associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of an associate or joint venture used in applying the equity method are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company.

2.9 Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.10 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.

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

Buildings and improvements	–	5 - 50 years
Plant and machinery	–	3 - 15 years
Furniture and fittings	–	4 - 15 years
Office equipment	–	1 - 10 years
Motor vehicles	–	1 - 10 years

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

Assets under construction are not depreciated as these assets are not yet available for use.

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

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

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

2.11 Investment property

Investment property is owned by the Company to earn rentals, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2. Summary of significant accounting policies (continued)

2.12 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.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Customer relationships

Customer relationships acquired in business combinations are amortised on a straight line basis over estimated finite useful life of three to five years.

2.13 Impairment of non-financial asset

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 group 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.

NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

2.14 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 financial instrument.

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.

Subsequent measurement

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.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

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

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

2. Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement

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

De-recognition

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

2.15 Cash and cash equivalents

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

2.16 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 (continued)

2.16 Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 150 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.

2.17 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 first-in first-out basis.

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

– Finished goods purchased: costs are recognised based on weighted average method.

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.

2.18 Provisions

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

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

2.19 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 the scheme are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) Employee share option plans

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

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.20 Leases – As lessee

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 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.

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) ***Rights-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.

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. The accounting policy for impairment is disclosed in Note 2.13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.20 Leases – As lessee (continued)

(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 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.

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.

(iii) ***Short-term leases***

Group applies the short-term lease recognition exemption to its short-term leases of motor vehicle (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

2. Summary of significant accounting policies (continued)

2.21 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods and 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 to the customer, which is when the customer obtains control of the good and 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.

(a) Security printing

The Group provides customised security printing services through fixed-price contracts. Revenue is recognised when the control over the goods has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the goods over time or at point in time by determining if (a) its performance does not create an asset with alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

As the security printing products are customised for each customer, it has no alternative use for the Group, and for certain contracts with customers, the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the security printing services.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the security printing services are completed and delivered to the customers and the customers have accepted it in accordance with the sales contracts.

(b) Security guarding

The Group provides security guarding services to customers over a specified contract period. The performance obligation is satisfied over time as the customers simultaneously receives and consume the benefits of the Group's performance in providing the security service. As the Group's efforts or inputs are expended throughout the performance period, revenue from security guarding services is recognised on a straight-line basis over the specified contract period.

Certain contracts with customers allow the customers to claim liquidated damages if certain conditions are met. The Group will estimate the transaction price and apply the constraint to the estimated transaction price. The Group will not recognise the portion of the revenue that is subject to the constraints until the amount is no longer constrained. The Group will recognise the amount received or receivable that is expected to be returned as a refund liability, representing its obligation to return the customers' consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.21 Revenue (continued)

(c) Security training

The Group provides security training courses to security officers. The performance obligation is satisfied over time as the security officers simultaneously receive and consume the benefits of the Group's performance in providing the security training courses. As the Group's efforts or inputs are expended throughout the performance period, revenue from security training services is recognised on a straight-line basis over the period of the training courses.

(d) Sale and installation of technology-related security products

The Group sells and installs technology-related security products for its cyber security, homeland security and digital forensic, system integration and security consultancy businesses. The sale of security products and rendering of installation services are either sold separately or in bundled packages with a standalone selling price for each of the performance obligations.

For the sale of the security products, revenue is recognised upon delivery of the products to the customer and accepted by the customer. For the installation services, revenue is recognised over time, based on the actual costs incurred relative to the total expected costs.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

Dividend income is recognised when the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of dividend can be reliably measured.

(g) Rental income

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

2.22 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 (continued)

2.22 Taxes (continued)

(b) Deferred tax

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

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

– Where the deferred 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, associates and joint ventures, 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, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

(c) Sales tax

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

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

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

2.23 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.

2.24 Segment reporting

For Management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the Management of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 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. Summary of significant accounting policies (continued)

2.26 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. Government grants related to an asset is presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset. Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under “Other operating income”.

2.27 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 initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.28 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.

3. Significant accounting judgements and estimates

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

Key assumptions concerning the future and other key sources of estimation uncertainty and accounting judgements made at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

3. Significant accounting judgements and estimates (continued)

(a) Impairment of intangible assets and investment in subsidiaries

As at 31 December 2019, the Group's carrying amount of intangible assets which includes goodwill and customer relationships amounted to $1,214,000 (2018: $1,432,000) and the Company's carrying amount of the investment in subsidiaries amounted to $21,034,000 (2018: $23,934,000). As part of the requirement under SFRS(I) 1-36 *Impairment of Assets* to perform impairment testing for non-financial assets, Management prepared a discounted cash flow model to determine the recoverable value of the cash generating units ("CGUs") which goodwill and customer relationships have been allocated to and the recoverable amount of the subsidiaries with indicators of impairment using the value in use model. The recoverable amounts are determined based on a number of significant operational and predictive assumptions such as forecasted revenue, profit margin and discount rate which involve significant estimates.

The assumptions applied by Management in the determination of value in use and sensitivity analysis for the impairment of intangible assets are described in more detail in Note 7.

In respect of investment in subsidiaries, based on the discounted cash flow model prepared by Management, an impairment loss of $4,400,000 was recognised to write down the carrying value of Soverus Group Pte Ltd. The estimated recoverable amount of the aforementioned subsidiary approximates its carrying amount and, consequently, any adverse/favourable change in any key assumptions would result in a further impairment loss/ write-back.

(b) Impairment of investment in associate and joint venture

The Group's investment in associates and joint ventures is accounted for using the equity method. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates and joint ventures. Investment in associates and joint ventures is tested for impairment whenever there is objective evidence or indication that it may be impaired. Judgment is required to determine if any such evidence exists. As Custodio Technologies Pte. Ltd. ("CTPL") and Secura Foremost eMage Pte. Ltd. ("SFE") have been making losses for the past two financial years, management is of the view that there is indicator of impairment in these investments. Management has calculated the amount of impairment as the difference between the recoverable amounts of CTPL and SFE and their respective carrying values and recognised the amount in profit or loss. Based on management's assessment, the recoverable amounts of CTPL and SFE approximate the share of the net assets of CTPL and SFE respectively at the end of the reporting period. Accordingly, the goodwill on acquisition of $4,779,000 and $115,000 in relation to CTPL and SFE respectively were fully impaired (Note 9 and Note 10).

4. Property, plant and equipment

Group	Freehold land $'000	Buildings and improvements $'000	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost								
At 1.1.2018	14,464	17,458	11,290	277	1,309	878	137	45,813
Reclassification	6	(6)	–	–	137	–	(137)	–
Transfer to investment property	–	(599)	–	–	–	–	–	(599)
Additions	–	31	11	17	140	15	–	214
Disposals	(1,970)	(1,220)	(161)	(33)	(67)	(236)	–	(3,687)
At 31.12.2018	12,500	15,664	11,140	261	1,519	657	–	41,741
Transfer to right-of-use assets on initial application of SFRS(I) 16	–	(162)	(282)	–	–	(251)	–	(695)
At 1.1.2019	12,500	15,502	10,858	261	1,519	406	–	41,046
Additions	–	328	71	–	70	–	–	469
Disposals	–	–	(154)	–	(27)	–	–	(181)
At 31.12.2019	12,500	15,830	10,775	261	1,562	406	–	41,334
Accumulated depreciation								
At 1.1.2018	–	4,400	7,741	99	439	210	–	12,889
Transfer to investment property	–	(34)	–	–	–	–	–	(34)
Depreciation charge for the year	–	745	773	59	440	56	–	2,073
Disposals	–	(797)	(161)	(33)	(61)	(86)	–	(1,138)
At 31.12.2018	–	4,314	8,353	125	818	180	–	13,790
Transfer to right-of-use assets on initial application of SFRS(I) 16	–	(29)	(110)	–	–	(40)	–	(179)
At 1.1.2019	–	4,285	8,243	125	818	140	–	13,611
Depreciation charge for the year	–	709	620	58	403	34	–	1,824
Disposals	–	–	(154)	–	(17)	–	–	(171)
At 31.12.2019	–	4,994	8,709	183	1,204	174	–	15,264
Net carrying amount								
At 31.12.2018	12,500	11,350	2,787	136	701	477	–	27,951
At 31.12.2019	12,500	10,836	2,066	78	358	232	–	26,070

4. Property, plant and equipment (continued)

Company	Freehold land $'000	Buildings and improvements $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost							
At 1.1.2018	12,500	2,208	96	658	236	137	15,835
Reclassification	–	–	–	137	–	(137)	–
Additions	–	240	10	–	–	–	250
Disposals	–	–	–	(15)	(236)	–	(251)
At 31.12.2018 and 1.1.2019	12,500	2,448	106	780	–	–	15,834
Additions	–	203	–	3	–	–	206
Disposals	–	–	–	(61)	–	–	(61)
At 31.12.2019	12,500	2,651	106	722	–	–	15,979
Accumulated depreciation							
At 1.1.2018	–	150	24	137	87	–	398
Depreciation charge for the year	–	157	26	226	–	–	409
Disposals	–	–	–	(6)	(87)	–	(93)
At 31.12.2018 and 1.1.2019	–	307	50	357	–	–	714
Depreciation charge for the year	–	173	27	201	–	–	401
Disposals	–	–	–	(7)	–	–	(7)
At 31.12.2019	–	480	77	551	–	–	1,108
Net carrying amount							
At 31.12.2018	12,500	2,141	56	423	–	–	15,120
At 31.12.2019	12,500	2,171	29	171	–	–	14,871

4. Property, plant and equipment (continued)

As at 1 January 2019, the Group's property, plant and equipment included lease assets with carrying amount of $516,000 relating to leasehold land, office premises, motor vehicles and machineries. This was reclassified to right-to-use assets as disclosed in Note 5.

Assets pledged as security

The Group's freehold land and building with a carrying amount of $16,527,000 (2018: $16,662,000) are mortgaged to secure the Group's bank loan (Note 18).

Provision for reinstatement cost

Included in additions is an amount of $122,000 (2018: Nil) which relates to a provision for reinstatement cost (Note 19).

5. Leases

Group as a lessee

The Group has lease contracts for leasehold lands, office premise, motor vehicles and machineries used in its operations. Leases of leasehold lands have lease term between 22 years to 30 years, while the lease for office premise has lease term of 3 years. Leases of plant and machinery and motor vehicles generally have lease term between 2 years to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

(a) Carrying amounts of right-of-use assets

	Leasehold lands	Office Premise	Plant and machinery	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Recognition upon application of SFRS(I) 16	1,064	51	–	60	1,175
Transfer from Property, plant and equipment (Note 4)	133	–	172	211	516
At 1 January 2019	1,197	51	172	271	1,691
Amortisation expense	(78)	(41)	(55)	(58)	(232)
Written-off	–	–	–	(13)	(13)
At 31 December 2019	1,119	10	117	200	1,446

The Group's carrying amount of motor vehicles and machineries held under finance leases at the end of the reporting period is $302,000 (2018: $383,000). Leased assets are pledged as security for these lease liabilities.

The carrying amount of lease liabilities (included under loans and borrowings) and the movements during the year are disclosed in Note 18.

During the current financial year, the Group has early terminated one of its finance leases and has accordingly fully written down the carrying amount of the right-of-use asset which amounted to $13,000 and de-recognised the carrying amount of the lease liability which amounted to $12,000. Accordingly, the Group recorded a loss on disposal of right-of-use assets of $1,000 (2018: Nil) during the current financial year.

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5. Leases (continued)

(b) Lease liabilities

The maturity analysis of lease liabilities is disclosed in Note 35.

(c) Amounts recognised in profit or loss

	2019
	$'000
Amortisation expense of right-of-use assets	232
Loss on disposal of right-of-use assets	1
Interest expense on leases liabilities (Note 26)	34
Total amount recognised in profit or loss	267

(d) Total cash outflow

The Group had total cash outflows for leases of $267,000 in 2019, which included principal repayments of $233,000.

<u>Group as a lessor</u>

The Group leased out a portion of its investment property and office premise to external parties. The lease is negotiated for a term of two years.

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

	2019	2018
	$'000	$'000
Not later than one year	87	119
Later than one year but not later than five years	121	38
	208	157

6. Investment property

	Group	Company
	$'000	$'000
Cost		
At 1.1.2018	–	2,993
Transfer from property, plant and equipment (Note 4)	599	–
At 31.12.2018, 1.1.2019 and 31.12.2019	599	2,993
Accumulated depreciation		
At 1.1.2018	–	129
Transfer from property, plant and equipment (Note 4)	34	–
Depreciation charge for the year	10	90
At 31.12.2018 and 1.1.2019	44	219
Depreciation charge for the year	18	89
At 31.12.2019	62	308
Net carrying amount		
At 31.12.2018	555	2,774
At 31.12.2019	537	2,685

The investment property is leased to certain subsidiaries within the Group. Accordingly, the leased property is classified as "investment property" in the Company's separate financial statements but classified as "property, plant and equipment" in the Group's consolidated financial statements as the property is owner-occupied from the Group's perspective.

The Group has leased out a portion of its freehold property to external parties. The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 5 to the financial statements.

The investment property with carrying amount of $537,000 (2018: $555,000) is mortgaged to secure the Group's bank loan (Note 18). The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

As at 31 December 2019, the fair value of the investment property is estimated to be approximately $3,603,000 (2018: $3,075,000) for the Company and approximately $836,000 (2018: $873,000) for the Group based on the income approach.

The investment property held by Group and Company as at 31 December 2019 is as follows:

Description and Location	Existing	Tenure
6-storey office tower, 38 Alexandra Terrace, Singapore 119932	Offices	Freehold

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7. Intangible assets

	Goodwill	Customer relationships	Total
Group	$'000	$'000	$'000
Cost:			
At 1.1.2018, 31.12.2018, 1.1.2019 and 31.12.2019	2,382	1,354	3,736
Accumulated amortisation and impairment:			
At 1.1.2018	1,388	698	2,086
Amortisation	–	218	218
At 31.12.2018 and 1.1.2019	1,388	916	2,304
Amortisation	–	218	218
At 31.12.2019	1,388	1,134	2,522
Net carrying amount			
At 31.12.2018	994	438	1,432
At 31.12.2019	994	220	1,214

Amortisation expense

The amortisation of customer relationships is included in the "distribution and selling expenses" line item in profit or loss.

Impairment testing of goodwill and customer relationships

Goodwill and customer relationships acquired through business combinations have been allocated to cash-generating unit ("CGU"), which is also the reportable operating segment, for impairment testing as follows:

– Security printing segment

The carrying amounts of goodwill and customer relationships allocated to CGU are as follows:

	Goodwill		Customer relationships		Total	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Security printing	994	994	220	438	1,214	1,432

7. Intangible assets (continued)

The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projection from financial budget approved by Management covering a five-year period. The revenue growth rate and pre-tax discount rate applied to the cash flow projection are as follows:

	Security printing	
	2019	2018
Revenue growth rate	–(1)	–(2)
Pre-tax discount rate	13.3%	11.3%

(1) Negative growth rate of 5%

(2) Negative growth rate of 6%

Key assumptions used in the value in use calculations

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Forecasted revenue and profit margin – The forecasted revenue and profit margin are based on Management's expectation of market developments and demands.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

For the security printing CGU, the estimated recoverable amount approximates its carrying amount and, consequently, any adverse change in any key assumptions would result in further impairment loss.

8. Investment in subsidiaries

	Company	
	2019	**2018**
	$'000	$'000
Unquoted equity shares at cost	4,551	3,051
Issuance of shares for acquisition of subsidiaries	34,583	34,583
Impairment losses	(18,100)	(13,700)
	21,034	23,934

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8. Investment in subsidiaries (continued)

(a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest % 2019	Effective interest % 2018
Held by the Company				
Secura Singapore Pte. Ltd. [(1)]	Security printing of value documents	Singapore	100	100
Soverus Group Pte. Ltd. ("SGPL")[(1)]	Investment holding	Singapore	100	100
Secura Malaysia Sdn.Bhd.[(2)]	Provision of cyber security products, services and solutions, integration and installation of security systems, and distribution of homeland security products	Malaysia	50	50
Soverus Technology Pte. Ltd.[(1),(4)]	Provision of cyber security products, services and solutions, integration and installation of security systems, and distribution of homeland security products	Singapore	100	100
Secura Training Academy Pte. Ltd.[(1)]	Provision of training services	Singapore	100	100
Soverus Pte. Ltd.[(1),(5)]	Provision of unarmed security guarding services	Singapore	100	100
Soverus Consultancy and Services Pte. Ltd.[(1),(6)]	Provision of security consultancy services and private investigations	Singapore	100	100
Held through Secura Singapore Pte. Ltd.				
Secura Forms Pte. Ltd.[(1)]	Printing of computer forms and stationery	Singapore	100	100
Secura Security Printing Sdn. Bhd.[(3)]	Dormant	Malaysia	100	100
Secura Documation Pte. Ltd.[(1)]	Provision of secured data solutions, eStatement, eArchiving, security data processing, printing and stationery	Singapore	100	70

8. Investment in subsidiaries (continued)

(a) Composition of the Group (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest % 2019	Effective interest % 2018
Held through Soverus Technology Pte. Ltd.				
Red Sentry Pte. Ltd. (1)	Provision of cyber security products, services and solutions	Singapore	100	100
Held through Soverus Consultancy and Services Pte. Ltd.				
Soverus Kingdom Systems Pte. Ltd.(1)	Provision of security system integration services	Singapore	100	100

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Baker Tilly Monteiro Heng.

(3) Audited by Y.C.Chong & Co, Malaysia.

(4) 100% held by the Company as at 31 December 2019 and was 80% held by the Company and 20% held by SGPL as at 31 December 2018.

(5) 100% held by the Company as at 31 December 2019 and was 32% held by the Company and 68% held by SGPL as at 31 December 2018.

(6) 100% held by the Company as at 31 December 2019 and was 100% held by SGPL as at 31 December 2018.

<u>Secura Malaysia Sdn. Bhd. (“Secura Malaysia”)</u>

On 14 September 2016, the Company entered into an agreement with Willowglen MSC Berhad (“Willowglen”) to establish Secura Malaysia. The Company subscribed for a 50% interest in Secura Malaysia for a cash consideration of MYR 150,000 (equivalent to $50,000).

Secura Malaysia has not commenced operations as at 31 December 2019. The Board of Directors is made up of four directors equally appointed by the Company and Willowglen. The Chairman has the casting vote and the Chairman is appointed on a two years rotational basis between the directors appointed by the Company and Willowglen. The first appointment of Chairman is from a director appointed by the Company. The appointment of Chairman from the Company was extended for another two years till 13 September 2020. Accordingly, Secura Malaysia is consolidated as a subsidiary as the Company by virtue of its casting vote at board meetings, has control over Secura Malaysia. The Company is exposed, or has rights, to variable returns from its involvement and has the ability to affect the returns through its power over the investee.

<u>Impairment in investment in subsidiaries</u>

During the current financial year, Management performed an impairment test for the investment in subsidiaries and an impairment loss of $4,400,000 was recognised to write down the carrying value of the investment in Soverus Group Pte. Ltd. to its recoverable amount.

8. Investment in subsidiaries (continued)

(b) Acquisition of non-controlling interests

On 8 November 2019, the Group's subsidiary company, Secura Singapore Pte. Ltd., acquired an additional effective 30% equity interest in Secura Documation Pte. Ltd. ("Secura Documation") from its non-controlling interests for a cash consideration of $62,000. As a result of this acquisition, Secura Documation became a wholly-owned subsidiary of Secura Singapore. The carrying value of the net assets of Secura Documation at 8 November 2019 was $206,000 and the carrying value of additional interest acquired was $62,000.

9. Investment in joint ventures

	Group	
	2019	**2018**
	$'000	$'000
Secura Foremost eMage Pte. Ltd.	158	274
Foremost Secura Corporation	631	635
	789	909

Name of joint ventures	Principal activities	Country of incorporation	Effective interest % 2019	Effective interest % 2018
Held through Secura Singapore Pte. Ltd.				
Secura Foremost eMage Pte. Ltd.[(1)]	Printing of pressure seal mailers and sale of pressure seal mailer equipment	Singapore	50	50
Foremost Secura Corporation [(2)]	Printing of cheques and vouchers	Taiwan	50	50

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Deloitte & Touche (Taiwan).

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9. Investment in joint ventures (continued)

Summarised financial information of the joint ventures and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Secura Foremost eMage Pte. Ltd.		Foremost Secura Corporation	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Summarised balance sheet				
Assets:				
Current assets	418	398	887	734
Non-current assets	–	1	81	414
Total assets	418	399	968	1,148
Liabilities:				
Current liabilities	103	82	62	234
Total liabilities	103	82	62	234
Net assets	315	317	906	914
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	158	159	453	457
Goodwill on acquisition of SSPL	–	115	178	178
Carrying amount	158	274	631	635

	Secura Foremost eMage Pte. Ltd.		Foremost Secura Corporation	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Summarised statement of comprehensive income				
Revenue	196	294	866	1,098
Other income	4	1	23	21
Expenses	(202)	(308)	(799)	(993)
(Loss)/profit for the year	(2)	(13)	90	126
Other comprehensive income	–	–	–	(10)
Total comprehensive income	(2)	(13)	90	116

Dividend income of $49,000 (2018: $Nil) was received from Foremost Secura Corporation.

Goodwill on acquisition of SSPL of $115,000, in relation to investment in Secura Foremost eMage Pte. Ltd., was impaired during the current financial year. The impairment loss is included in the "share of results of joint ventures and associates" line item in profit or loss.

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10. Investment in associates

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Custodio Technologies Pte. Ltd.	952	5,974	952	6,221
Secura Bangladesh Ltd.	960	778	–	–
	1,912	6,752	952	6,221

Impairment in Custodio Technologies Pte. Ltd. ("CTPL")

As CTPL has been making losses for the past two financial years, management has performed impairment assessment on the investment in CTPL. Based on management's assessment, the recoverable amount approximates the share of the net assets of CTPL at the end of the reporting period and accordingly, at group level, the goodwill on acquisition of $4,779,000 was fully impaired. The impairment loss is included in the "share of results of joint ventures and associates" line item in profit or loss. At Company level, the investment in CTPL has also been written down to its recoverable amount of $952,000.

Name of associates	Principal activities	Country of incorporation	Effective interest %	
			2019	2018
Held by the Company				
Custodio Technologies Pte. Ltd.[(1)]	Researcher and developer on information technology and trading in sales of solutions developed	Singapore	20	20
Held through Secura Singapore Pte. Ltd.				
Secura Bangladesh Ltd.[(2)]	Printing of cheques	Bangladesh	30	30

(1) Audited by BDO LLP, Singapore.

(2) Audited by Anisur Rahman & Co. Chartered Accountants.

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10. Investment in associates (continued)

Summarised financial information of the associates and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Custodio Technologies Pte. Ltd.		Secura Bangladesh Ltd.	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Summarised balance sheet				
Assets:				
Current assets	2,465	5,091	2,685	2,362
Non-current assets	3,529	2,016	1,625	1,415
Total assets	5,994	7,107	4,310	3,777
Liabilities:				
Current liabilities	831	1,130	1,050	1,125
Non-current liabilities	403	–	–	–
Total liabilities	1,234	1,130	1,050	1,125
Net assets	4,760	5,977	3,260	2,652
Proportion of the Group's ownership	20%	20%	30%	30%
Group's share of net assets	952	1,195	978	796
Goodwill on acquisition	–	4,779[(1)]	–	–
Other adjustments	–	–	(18)	(18)
Carrying amount	952	5,974	960	778

(1) Management has completed the PPA exercise in 2018. Goodwill and intangible assets arising from the PPA exercised was adjusted to $4,779,000 and $31,000 accordingly. The intangible assets relate to order backlog which was fully amortised in 2019. The amortisation was recognised in profit or loss under the line item "share of results of joint ventures and associates".

	Custodio Technologies Pte. Ltd.		Secura Bangladesh Ltd.	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Summarised statement of comprehensive income				
Revenue	3,836	3,417	4,528	3,254
Other income	268	732	57	43
Expenses	(5,245)	(6,125)	(3,977)	(2,750)
(Loss)/profit for the year	(1,141)	(1,976)	608	547
Other comprehensive income	(76)	–	–	–
Total comprehensive income	(1,217)	(1,976)	608	547

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11. Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	304	556	–	–
Work-in-progress	216	167	–	–
Finished goods	1,924	1,777	–	–
Machinery spares and consumables	26	14	–	–
Goods in transit	83	1,157	–	–
	2,553	3,671	–	–
Less: Allowance for stock obsolescence	(265)	(359)	–	–
Total inventories at lower of cost and net realisable value	2,288	3,312	–	–

Movements in allowance for stock obsolescence during the financial year:

	2019	**2018**
	$'000	$'000
At 1 January	359	703
Charge for the year	3	42
Written back	(12)	(377)
Written off	(85)	(9)
At 31 December	265	359
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	4,321	4,649

Inventories were written back as the Group expects the related inventories to be sold in the next financial year.

12. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Non-current				
Deposits	2	2	–	–
	2	2	–	–
Current				
Trade receivables	7,414	7,755	–	–
Other receivables	799	1,038	51	153
Deposits	50	63	7	7
	8,263	8,856	58	160
Total trade and other receivables	8,265	8,858	58	160
Add:				
Amounts due from subsidiaries (Note 13)	–	–	1,593	1,702
Amounts due from joint ventures (Note 14)	87	72	–	–
Cash and cash equivalents (Note 16)	14,479	13,853	7,820	7,752
Total financial assets carried at amortised cost	22,831	22,783	9,471	9,614

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

Expected credit losses

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

	Group	
	Trade receivables	
	2019	**2018**
	$'000	$'000
Movement in allowance accounts:		
At 1 January	6	86
Charge for the year	13	–
Written back	(5)	(43)
Written off	–	(37)
At 31 December	14	6

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12. Trade and other receivables (continued)

Trade receivables denominated in foreign currencies at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollar	1,389	379	–	–

13. Amounts due from/(to) subsidiaries

	Company	
	2019	2018
	$'000	$'000
Loans to subsidiaries – nominal amounts	1,448	1,724
Amounts due from subsidiaries – nominal amounts	3,146	3,226
Less: Allowance for impairment	(3,001)	(3,248)
	1,593	1,702

	Company	
	2019	2018
	$'000	$'000
Movement in allowance accounts:		
At 1 January	3,248	1,662
Charge for the year	640	2,089
Written back	(887)	(375)
Written off	–	(128)
At 31 December	3,001	3,248

	Company	
	2019	2018
	$'000	$'000
Amounts due to subsidiaries	4,650	552

Loans to subsidiaries

Loans to subsidiaries are unsecured, bear interest at three month SIBOR + 1.5% per annum, repayable upon demand and are to be settled in cash. The amounts are denominated in Singapore Dollar.

13. Amounts due from/(to) subsidiaries (continued)

Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash. Amounts due from subsidiaries are denominated in Singapore Dollar.

Amounts due to subsidiaries denominated in foreign currency at each reporting date is as follows:

	Company	
	2019	**2018**
	$'000	$'000
Malaysian Ringgit	50	50

The Company has assessed that there is a significant increase in credit risk since origination of the loan and amounts due from two (2018: two) of its subsidiaries. Accordingly, the Company has recognised a loss allowance amounting to $640,000 (2018: $2,089,000), representing credit losses expected over the remaining life of the exposure, irrespective of the timing of default (i.e. lifetime ECL).

14. Amounts due from/(to) joint ventures

Amounts due from/(to) joint ventures are unsecured, non-interest bearing and are repayable on demand. The amounts are denominated in Singapore Dollar.

15. Amounts due from associates

The amounts due from associates have been fully written off in 2018.

	Group	
	2019	**2018**
	$'000	$'000
Movement in allowance accounts:		
At 1 January	–	248
Written off	–	(248)
At 31 December	–	–

During the financial year, the Group recovered $30,000 (2018: wrote off $248,000) of amounts due from associates.

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16. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed deposits	10,071	8,762	7,304	7,500
Cash and bank balances	4,408	5,091	516	252
	14,479	13,853	7,820	7,752

Interest on fixed deposits with financial institutions are at rates ranging from 1.30% to 4.08% (2018: 0.85% to 4.08%) per annum. These fixed deposits mature in varying periods ranging from 1 to 6 months (2018: 1 to 6 months).

Cash and cash equivalents denominated in foreign currencies at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Malaysian Ringgit	5	5	–	–
United States Dollar	517	108	457	14

17. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	1,329	2,410	–	–
Other payables	1,695	1,892	268	270
Trade and other payables	3,024	4,302	268	270
Add:				
Accrued operating expenses	1,224	1,400	173	280
Lease liabilities (Note 18)	1,178	–	–	–
Finance lease (Note 32)	–	248	–	–
Bank loan (Note 18)	8,575	10,753	8,575	10,753
Amount due to a joint venture (Note 14)	–	27	–	–
Amounts due to subsidiaries (Note 13)	–	–	4,650	552
Less: Goods and services tax	(572)	(496)	(32)	(31)
Total financial liabilities carried at amortised costs	13,429	16,234	13,634	11,824

Trade and other payables

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

17. Trade and other payables (continued)

Trade payables denominated in foreign currencies at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Euro	–	59	–	–
United States Dollar	350	1,568	–	–
Malaysian Ringgit	14	12	–	–
British Pound	–	35	–	–

18. Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current:				
Lease liabilities (Note 5)	148	–	–	–
Obligations under finance leases (Note 32(b))	–	100	–	–
Bank loan	833	833	833	833
	981	933	833	833
Non-current:				
Lease liabilities (Note 5)	1,030	–	–	–
Obligations under finance leases (Note 32(b))	–	148	–	–
Bank loan	7,742	9,920	7,742	9,920
	8,772	10,068	7,742	9,920
Total loans and borrowings	9,753	11,001	8,575	10,753

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18. Loans and borrowings (continued)

A reconciliation of liabilities arising from financing activities is as follows:

	1.1.2019		Non-cash changes			31.12.2019
		Cash flows	Accretion of interests	Termination of lease (Note 5)	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities						
- current	245	(267)	34	(12)	148	148
- non-current	1,178	–	–	–	(148)	1,030
Bank loan						
- current	833	(678)	–	–	678	833
- non-current	9,920	(1,500)	–	–	(678)	7,742
	12,176	(2,445)	34	(12)	–	9,753

	1.1.2018		Non-cash changes		31.12.2018
		Cash flows	Accretion of interests	Other	
	$'000	$'000	$'000	$'000	$'000
Obligations under finance leases					
- current	100	(100)	–	100	100
- non-current	248	–	–	(100)	148
Bank loan					
- current	833	(716)	–	716	833
- non-current	10,636	–	–	(716)	9,920
	11,817	(816)	–	–	11,001

The 'other' column includes the reclassification of non-current portion of loans and borrowings due to passage of time.

Bank loan

During the year, the Company refinanced the bank loan with a new facility agreement with interest at 0.75% per annum over the bank's prevailing 3-month SOR for the first and second year and 6.25% per annum for subsequent years.

The Group has also entered into an interest rate swap agreement with a notional amount of $4,000,000 whereby the Group receives a variable rate equal to the 0.75% per annum over the bank's prevailing 3-month SOR and pays a fixed rate of interest of 1.8% on the notional amount. The swap is being used to manage the exposure in interest rate risk for the 0.75% per annum over the bank's prevailing 3-month SOR. Management did not recognise the fair value of the interest rate swap as it is not material.

The bank borrowing is secured by a mortgage over the Company's freehold land and building (Note 4 and Note 6) which is repayable over 180 monthly principal instalments ending 13 July 2031.

19. Provision for reinstatement cost

At 31 December 2019, the Group recognised a provision for reinstatement cost which amounted to $122,000 (2018: Nil). The provision is estimated based on the best estimate of the expenditure required to dismantle and restore a leasehold land back to its original condition, taking into consideration time value.

20. Share capital

	Group and Company			
	2019		2018	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid ordinary shares				
At 1 January	400,000,000	61,644	400,000,000	61,644
Issuance of shares	2,000	–*	–	–
At 31 December	400,002,000	61,644	400,000,000	61,644

* Denotes less than $1,000

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

On 31 December 2018, the Company has 224,000,000 outstanding warrants, each with an exercise price of $0.35. On 17 January 2019, the Company issued 2,000 new ordinary shares pursuant to the exercise of 2,000 warrants at the exercise price of S$0.35 for each warrant. The remaining 223,998,000 outstanding warrants had expired on 25 January 2019 and there were no outstanding warrants as at the end of the reporting period.

21. Merger reserve

Merger reserve represents the difference between the consideration transferred and the share capital of the subsidiary under common control accounted for by applying the pooling of interest method.

22. 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.

23. Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees.

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24. Revenue

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	At a point in time	Over time	Total
	$'000	$'000	$'000
2019			
Security printing			
- Singapore	5,217	2,626	7,843
Security guarding			
- Singapore	–	26,171	26,171
Cyber security			
- Singapore	482	177	659
Homeland security and digital forensic			
- Singapore	1,184	52	1,236
- Philippines	110	–	110
- Others	4	5	9
	1,298	57	1,355
System integration, security consultancy and security training			
- Singapore	6	2,670	2,676
Total	7,003	31,701	38,704

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24. Revenue (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

	At a point in time	Over time	Total
	$'000	$'000	$'000
2018			
Security printing			
- Singapore	5,482	3,136	8,618
Security guarding			
- Singapore	–	27,830	27,830
Cyber security			
- Singapore	724	297	1,021
Homeland security and digital forensic			
- Singapore	244	54	298
- Philippines	1,684	10	1,694
- Others	6	16	22
	1,934	80	2,014
System integration, security consultancy and security training			
- Singapore	86	1,662	1,748
Total	8,226	33,005	41,231

(b) Contract balances

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31 December		1 January
	2019	2018	2018
	$'000	$'000	$'000
Receivables from contracts with customers (Note 12)	7,414	7,755	7,710
Contract assets	350	313	196
Contract liabilities	2,272	356	911

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24. Revenue (continued)

(b) Contract balances (continued)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for security printing services rendered and sales of technology-related security products. Contract assets are transferred to receivables when the rights become unconditional. The contract assets balance increased at the end of the current financial year as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for rendering of security printing services and sale of technology-related security products. Contract liabilities are recognised as revenue as the Group performs under the contract.

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

	2019	2018
	$'000	$'000
Contract assets reclassified to receivables	296	196

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

	2019	2018
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	229	610

25. Other operating income

	2019	2018
	$'000	$'000
Interest income from debt instruments at amortised cost	218	100
Handling fee	226	284
Government grant income	852	985
Scrap sales	25	29
Rental income from investment properties	95	74
Income from short-term lease	24	24
Management fee from a joint venture	12	12
Bad debts recovered from an associate (Note 15)	30	–
Others	245	124
	1,727	1,632

Government grant income comprises special employment credit, wage credit scheme, temporary employment credit and productivity and innovation credit grants.

26. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	2019 $'000	2018 $'000
Audit fees:		
- Auditor of the Company	195	200
- Other auditors	2	2
Non-audit fees:		
- Auditor of the Company	56	106
Employee benefits (Note 27)	28,879	29,780
Depreciation of property, plant and equipment and investment property (Note 4,6)	1,842	2,083
Amortisation of intangible assets (Note 7)	218	218
Amortisation of right-of-use assets (Note 5)	232	–
Write back of stock obsolescence (Note 11)	(9)	(335)
Directors' fees	224	175
Rental expense under SFRS(I) 1-17	–	190
(Gain)/loss on disposal of property, plant and equipment and right-of-use assets	(3)	212
Finance costs		
- Interest expense on bank loan	288	295
- Interest expense on leases	34	–

27. Employee benefits (including directors)

	2019 $'000	2018 $'000
Wages, salaries and bonuses	24,480	25,112
Central Provident Fund contributions	2,238	2,465
Share-based payments expense	24	66
Other short-term benefits	2,137	2,137
	28,879	29,780

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27. Employee benefits (including directors) (continued)

Employee share option plan

Secura Employee Share Option Scheme

Under the Secura Employee Share Option Scheme ("ESOS"), 18,400,000 share options were granted to the Group's Directors during the financial year ended 31 December 2016. The exercise price of the options is $0.25. The options are vested over five years in the following proportions

Year 1	15%
Year 2	15%
Year 3	20%
Year 4	20%
Year 5	30%

The contractual life of each option granted is 10 years and will expire on 8 May 2026. There are no cash settlement alternatives.

There has been no cancellation or modification to the ESOS during 2019.

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2019		2018	
	No.	**WAEP**	**No.**	**WAEP**
Outstanding at 1 January	9,600,000	0.25	10,400,000	0.25
- Forfeited	(1,200,000)	0.25	(800,000)	0.25
Outstanding at 31 December	8,400,000	0.25	9,600,000	0.25
Exercisable at 31 December	8,400,000	0.25	9,600,000	0.25

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a Black Scholes pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of options granted in 2016 was $0.042. It takes into account historical dividends, share price covariance of the Company to predict the distribution of relative share performance.

First year of vesting commenced 1 year from the date of grant.

The expected life of the share options 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 over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The weighted average remaining life of the options is 6.36 years (2018: 7.36 years).

28. Income tax (credit)/expense

Major components of income tax (credit)/expense

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

	2019 $'000	2018 $'000
Current income tax		
- current year	215	407
- (Over)/under provision in respect of previous years	(6)	8
	209	415
Withholding tax	10	–
Deferred income tax		
- origination and reversal of temporary differences	(325)	(257)
- Under/(over) provision in respect of previous years	91	(72)
	(234)	(329)
Income tax (credit)/expense recognised in profit or loss	(15)	86

Relationship between tax (credit)/expense and (loss)/profit before tax

A reconciliation between tax (credit)/expense and the product of (loss)/profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019 $'000	2018 $'000
(Loss)/profit before tax	(4,472)	1,948
Tax at statutory rate of 17% (2018: 17%)	(760)	331
Adjustments:		
Income not subject to taxation	(58)	(143)
Non-deductible expenses	171	95
Under/(over) provision in respect of previous years:		
- current income tax	(6)	8
- deferred income tax	91	(72)
Effect of partial tax exemption and tax relief	(63)	(61)
Benefits from previously unrecognised tax losses	(204)	(276)
Deferred tax assets not recognised	6	2
Withholding tax	10	–
Tax effect of different tax rate in other countries	6	130
Share of results of joint ventures and associates	813	35
Others	(21)	37
Income tax (credit)/expense recognised in profit or loss	(15)	86

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

Deferred tax

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

	Group			
	Balance sheet		Income statement	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Acquisition of subsidiaries	(544)	(618)	(74)	(88)
Differences in depreciation	(385)	(296)	89	103
Grant receivables	(103)	(105)	(2)	(4)
Deferred tax assets				
Provisions and other temporary differences	403	156	(247)	(117)
Transfer of trade losses under group relief system	–	223	–	(223)
Net deferred tax liabilities	(629)	(640)		
			(234)	(329)

	Company	
	Balance sheet	
	2019	2018
	$'000	$'000
Deferred tax assets		
Provisions and other temporary differences	220	240
	220	240

Unrecognised capital allowances, donations, unutilised tax losses and other temporary differences

At the end of the financial year ended 31 December 2019, the Group has unutilised capital allowances, unutilised donations, unutilised tax losses and other temporary differences of approximately $1,114,000 (2018: $2,280,000) that are available for offset against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation.

Unrecognised temporary differences relating to investment in associates

At the end of the reporting period, no deferred tax liability (2018: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's associates as the Group has determined that undistributed earnings of its associates will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $373,000 (2018: $396,000). The deferred tax liability is estimated to be $75,000 (2018: $79,000).

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

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements as at 31 December 2018 (Note 30).

29. (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing (loss)/profit net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share are calculated by dividing (loss)/profit net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2019	2018
(Loss)/earnings per ordinary share ("EPS"):		
(Loss)/profit for the year attributable to owners of the Company ('000)	(4,453)	1,866
Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000)	400,002	400,000
(Loss)/earnings per ordinary share – Basic and diluted (cents)	(1.11)	0.47

8,400,000 (2018: 9,600,000) share options granted to directors under the Secura Employee Share Option Scheme have not been included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive.

30. Dividends

	2019	2018
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
First and final one-tier tax exempt dividend for 2018: $0.3 cents per share	1,200	–
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
First and final one-tier tax exempt dividend for 2019: Nil (2018: $0.3 cents per share)	–	1,200

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31. Related party disclosures

(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:

	2019	2018
	$'000	$'000
Income		
Management fee from a joint venture	12	12
Income from short-term lease to a joint venture	24	24
Sale to a joint venture	673	231
Sale to director-related companies	401	318
Expenses		
Purchases from a joint venture	647	194

(b) *Compensation of key management personnel*

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly, or indirectly.

	2019	2018
	$'000	$'000
Short-term employee benefits	1,042	1,073
Central Provident Fund contributions	41	73
Share-based payment expense	24	66
Total compensation paid to key management personnel	1,107	1,212
Comprise amounts paid to:		
Directors of the Company	898	1,043
Other key management personnel	209	169
	1,107	1,212

<u>Directors' interest in employee share option plan</u>

None of the directors exercised their options for ordinary shares of the Company during the financial year.

32. Commitments

(a) *Operating lease commitments – as lessee*

The Group has various operating lease commitments for freehold building, leasehold buildings and office premises. There are no restrictions placed upon the Group by entering into these leases.

As at 31 December 2018, the future minimum lease payments payable under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2018
	$'000
Not later than one year	177
Later than one year but not later than five years	385
Later than five years	875
	1,437

As disclosed in Note 2.2, the Company has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019.

(b) *Finance lease commitments*

As at 31 December 2018, the Company leases its motor vehicles and machineries under finance leases.

The future minimum lease payments under finance leases and their present values are as follows:

	Group	
	2018	**2018**
	$'000	$'000
	Minimum lease payments	Present value of payments
Not later than one year	110	100
Later than one year but not later than five years	166	148
Total minimum lease payments	276	248
Less: Amounts representing finance charges	(28)	–
Present value of minimum lease payments	248	248

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

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33. Segment information

Business segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organised into five reportable segments, namely:

(a) Corporate

(b) Security Printing

(c) Security Guarding

(d) Cyber Security

(e) Homeland Security and Digital Forensic

(f) System Integration, Security Consultancy and Security Training

33. Segment information (continued)

	Corporate $'000	Security Printing $'000	Security Guarding $'000	Cyber Security $'000	Homeland Security and Digital Forensic $'000	System Integration, Security Consultancy and Security Training $'000	Elimination $'000 (Note A)	Total $'000
Year ended 31 December 2019								
Revenue:								
External customers	–	7,843	26,171	659	1,355	2,676	–	38,704
Inter-segment	1,500	4	100	6	7	1,095	(2,712)	–
Results:								
Interest income	142	132	–	–	–	–	(56)	218
Depreciation of property, plant and equipment and investment property	490	1,054	130	4	10	154	–	1,842
Amortisation of right-of-use assets	–	141	–	–	17	74	–	232
Amortisation of intangible assets	–	218	–	–	–	–	–	218
Share of results of joint ventures and associates	(5,007)	111	–	–	–	–	–	(4,896)
Segment (loss)/profit	(5,608)	703	950	(22)	(189)	(291)	–	(4,457)
Assets:								
Segment assets, representing total assets	30,841	21,166	7,774	432	3,132	2,483	(8,043)	57,785
Liabilities:								
Segment liabilities, representing total liabilities	13,457	3,331	5,263	348	3,734	2,326	(11,044)	17,415

33. Segment information (continued)

	Corporate	Security Printing	Security Guarding	Cyber Security	Homeland Security and Digital Forensic	System Integration, Security Consultancy and Security Training	Elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Note A)	$'000
Year ended 31 December 2018								
Revenue:								
External customers	–	8,618	27,830	1,021	2,014	1,748	–	41,231
Inter-segment	1,430	1	57	4	–	1,064	(2,556)	–
Results:								
Interest income	111	20	4	–	–	–	(35)	100
Depreciation of property, plant and equipment and investment property	499	1,258	130	27	17	152	–	2,083
Amortisation of intangible assets	–	218	–	–	–	–	–	218
Share of results of joint ventures and associates	(426)	221	–	–	–	–	–	(205)
Segment (loss)/profit	(859)	372	1,970	202	352	(175)	–	1,862
Assets:								
Segment assets, representing total assets	34,897	19,637	7,972	430	2,885	1,860	(3,409)	64,272
Liabilities:								
Segment liabilities, representing total liabilities	12,454	2,352	4,470	324	3,298	1,912	(6,618)	18,192

Note A: Inter-segment sales, interest income, assets and liabilities are eliminated on consolidation.

33. Segment information (continued)

Geographical information

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

Revenue	**2019**	**2018**
	$'000	$'000
Singapore	38,585	39,515
Philippines	110	1,694
Others	9	22
	38,704	41,231

Non-current assets		
Singapore	30,377	36,186
Taiwan	631	635
Bangladesh	960	778
	31,968	37,599

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, investment property, intangible assets, investments in joint ventures and associates.

34. Contingent liabilities

The Company has undertaken to provide continuing financial support to its subsidiaries, Soverus Technology Pte. Ltd., Soverus Consultancy & Services Pte. Ltd., and Soverus Kingdom Systems Pte. Ltd., to enable these subsidiaries, which are in net current liabilities positions, to operate as a going concern for a period of at least twelve months from the date of the financial statements of the subsidiaries.

The Group has provided a corporate guarantee to a bank for a $56,808 (2018: $76,872) lease taken by a subsidiary.

35. Financial risk Management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, liquidity risk and interest rate risk. The board of directors reviews and agrees on policies and procedures for the Management of these risks, which are executed by the Chief Financial Officer. It is, and has been throughout the financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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35. Financial risk Management objectives and policies (continued)

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. 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 exposure to bad debts is 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 150 days when they fall due, which is derived based on the Group's historical information. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Company and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

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

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

35. Financial risk Management objectives and policies (continued)

(a) Credit risk (continued)

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

Trade Receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. In analysing the expected credit losses, the Group also incorporates forward looking information based on the forecasted gross domestic product and economic conditions.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	More than 150 days past due	Total
2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	2,642	3,149	707	550	287	88	5	7,428
Loss allowance provision	–	–	–	–	2	–	12	14
2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	2,821	2,998	1,115	460	327	37	3	7,761
Loss allowance provision	–	–	–	–	–	5	1	6

Information regarding loss allowance movement of trade receivables are disclosed in Note 12 (Trade and other receivables).

In 2018, the Group wrote-off $37,000 of trade receivables which were previously impaired as the amounts were more than 365 days past due and the Group does not expect to receive future cash flows.

Other receivables

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

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35. Financial risk Management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

There are no significant concentrations of credit risk within the Group.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currency in which these transactions are denominated is mainly United States Dollar (USD). The Group does not use any financial instrument to hedge the foreign currency rate risk as the risk exposure is not considered to be significant.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the following exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	2019	**2018**
	$'000	$'000
	Increase/(decrease) in (loss)/profit before tax	
USD/SGD		
- strengthened 3% (2018: 3%)	(47)	(32)
- weakened 3% (2018: 3%)	47	32

35. Financial risk Management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

As at 31 December 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	8,263	2	–	8,265
Amounts due from joint ventures	87	–	–	87
Cash and cash equivalents	14,479	–	–	14,479
Total undiscounted financial assets	22,829	2	–	22,831
Financial liabilities:				
Trade and other payables	2,452	–	–	2,452
Accrued operating expenses	1,224	–	–	1,224
Lease liabilities	186	455	785	1,426
Bank loan	871	4,320	6,080	11,271
Financial guarantee contract	57	–	–	57
Total undiscounted financial liabilities	4,790	4,775	6,865	16,430
Total net undiscounted financial assets/(liabilities)	18,039	(4,773)	(6,865)	6,401

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial risk Management objectives and policies (continued)

(c) Liquidity risk (continued)

As at 31 December 2018

Group	One year or less	One to five years	More than five years	Total
	$'000	$'000	$'000	$'000
Financial assets:				
Trade and other receivables	8,856	2	–	8,858
Amounts due from joint ventures	72	–	–	72
Cash and cash equivalents	13,853	–	–	13,853
Total undiscounted financial assets	22,781	2	–	22,783
Financial liabilities:				
Trade and other payables	3,806	–	–	3,806
Accrued operating expenses	1,400	–	–	1,400
Finance lease	110	166	–	276
Bank loan	1,233	5,102	7,845	14,180
Amount due to a joint venture	27	–	–	27
Financial guarantee contract	77	–	–	77
Total undiscounted financial liabilities	6,653	5,268	7,845	19,766
Total net undiscounted financial assets/(liabilities)	16,128	(5,266)	(7,845)	3,017

As at 31 December 2019

Company	One year or less	One to five years	More than five years	Total
	$'000	$'000	$'000	$'000
Financial assets:				
Trade and other receivables	58	–	–	58
Amounts due from subsidiaries	1,593	–	–	1,593
Cash and cash equivalents	7,820	–	–	7,820
Total undiscounted financial assets	9,471	–	–	9,471
Financial liabilities:				
Trade and other payables	236	–	–	236
Accrued operating expenses	173	–	–	173
Bank loan	871	4,320	6,080	11,271
Amounts due to subsidiaries	4,650	–	–	4,650
Total undiscounted financial liabilities	5,930	4,320	6,080	16,330
Total net undiscounted financial assets/(liabilities)	3,541	(4,320)	(6,080)	(6,859)

35. Financial risk Management objectives and policies (continued)

(c) Liquidity risk (continued)

As at 31 December 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	160	–	–	160
Amounts due from subsidiaries	1,702	–	–	1,702
Cash and cash equivalents	7,752	–	–	7,752
Total undiscounted financial assets	9,614	–	–	9,614
Financial liabilities:				
Trade and other payables	239	–	–	239
Accrued operating expenses	280	–	–	280
Bank loan	1,233	5,102	7,845	14,180
Amounts due to subsidiaries	552	–	–	552
Total undiscounted financial liabilities	2,304	5,102	7,845	15,251
Total net undiscounted financial assets/(liabilities)	7,310	(5,102)	(7,845)	(5,637)

(d) 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.

The Group's policy is to manage interest cost using a mix of fixed and floating rate loans and borrowings, depending on the liquidity needs of the Group, with the objective of ensuring that there is sufficient net cash for the Group's operations at reasonable interest rates. To manage this mix in a cost-efficient manner, the Group entered into an interest rate swap (Note 18) during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial risk Management objectives and policies (continued)

(d) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

The sensitivity analysis below was determined based on the exposure to interest rate risks for bank borrowings at the end of the financial year. The sensitivity analysis assumes an instantaneous 0.50% change in the interest rate from the end of the financial year, with all variables held constant.

	Group	
	2019	**2018**
	$'000	$'000
	(Decrease)/increase in (loss)/profit before tax	
Bank borrowings		
- increase in interest rate (2018: 0.5%)	23	(54)
- decrease in interest rate (2018: 0.5%)	(23)	54

36. Capital Management

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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, trade and other payables, accrued operating expenses, lease liabilities, bank loan, amount due to a joint venture less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

36. Capital Management (continued)

		Group	
		2019	**2018**
	Note	$'000	$'000
Trade and other payables	17	3,024	4,302
Accrued operating expenses		1,224	1,400
Finance lease	18,32	–	248
Lease liabilities	18	1,178	–
Bank loan	18	8,575	10,753
Amount due to a joint venture	14	–	27
Less: Cash and cash equivalents	16	(14,479)	(13,853)
Net (cash)/debt		(478)	2,877
Total equity		40,370	46,080
Total capital		39,892	48,957
Gearing ratio		–*	5.9%

* Not applicable as Group is in a net cash position at the end of reporting period

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 Date 7 April 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 3 APRIL 2020

Number of ordinary shares in issue	:	400,002,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company did not hold any treasury shares and subsidiary holdings.

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	2	0.13	100	0.00
100 - 1,000	548	34.46	540,000	0.14
1,001 - 10,000	375	23.58	2,255,600	0.56
10,001 - 1,000,000	632	39.75	72,717,800	18.18
1,000,001 AND ABOVE	33	2.08	324,488,500	81.12
TOTAL	**1,590**	**100.00**	**400,002,000**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of shares	%
1	KESTREL INVESTMENTS PTE LTD	163,933,600	40.98
2	CITY DEVELOPMENTS LIMITED	27,294,900	6.82
3	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	19,453,600	4.86
4	DBS NOMINEES (PRIVATE) LIMITED	18,207,200	4.55
5	CHIEW POH CHENG	9,750,000	2.44
6	UOB KAY HIAN PRIVATE LIMITED	9,421,300	2.36
7	ANG HAO YAO (HONG HAOYAO)	5,009,100	1.25
8	PHILLIP SECURITIES PTE LTD	4,842,900	1.21
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,752,200	1.19
10	TAN INSURANCE BROKERS PTE LTD	4,420,100	1.11
11	HARTONO TJAHJADI	4,299,700	1.07
12	TONY TAN CHOON KEAT	4,055,900	1.01
13	LOCK WAI HAN	4,032,000	1.01
14	CITIBANK NOMINEES SINGAPORE PTE LTD	4,016,100	1.00
15	TAN CHOR KHER TERRY	3,890,000	0.97
16	RAFFLES NOMINEES (PTE.) LIMITED	3,649,900	0.91
17	LIM TIEN LOCK CHRISTOPHER	3,445,900	0.86
18	RICHARD TEH LIP HEONG	3,275,400	0.82
19	TAN WEE HAN	3,168,000	0.79
20	LAI WENG KAY	2,626,700	0.66
	TOTAL	**303,544,500**	**75.87**

STATISTICS OF SHAREHOLDINGS
AS AT 3 APRIL 2020

Directors' Shareholdings
(Based on the Register of Directors' Shareholdings)

Name	Direct interest	%	Deemed interest	%
Kan Kheong Ng	50,000	0.01	–	–

Substantial Shareholders
(Based on the Register of Substantial Shareholders)

Name	Direct interest	%	Deemed interest	%
Kestrel Investments Pte. Ltd.	163,933,600	40.98	–	–
Lim Eng Hock [(1)]	–	–	163,933,600	40.98
City Developments Limited	27,294,900	6.82	–	–
Hong Leong Investment Holdings Pte. Ltd. [(2)]	–	–	27,294,900	6.82

Notes:

(1) Lim Eng Hock has a direct interest in the entire issued share capital of Kestrel Investments Pte. Ltd. and is deemed interested in the 163,933,600 shares held by Kestrel Investments Pte. Ltd. by virtue of Section 4 of the Securities and Futures Act ("**SFA**").

(2) Hong Leong Investment Holdings Pte. Ltd. is deemed interested in the 27,294,900 shares held by City Developments Limited by virtue of Section 4 of the SFA.

PUBLIC FLOAT

As at 3 April 2020, 51.38% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Ho Tat Kin
(Chairman and Independent Director)
Mr. Kan Kheong Ng
(Executive Director and Chief Executive Officer)
Ms. Lim Siok Leng
(Executive Director and Chief Financial Officer)
Mr. Gary Ho Kuat Foong
(Independent Director)
Mr. Ong Pang Liang
(Independent Director)
Ms. Christina Teo Tze Wei (Zhao Ziwei)
(Independent Director)

AUDIT COMMITTEE

Mr. Ong Pang Liang *(Chairman)*
Dr. Ho Tat Kin
Mr. Gary Ho Kuat Foong

NOMINATING COMMITTEE

Dr. Ho Tat Kin *(Chairman)*
Mr. Ong Pang Liang
Mr. Gary Ho Kuat Foong
Ms. Christina Teo Tze Wei (Zhao Ziwei)

REMUNERATION COMMITTEE

Mr. Gary Ho Kuat Foong *(Chairman)*
Dr. Ho Tat Kin
Mr. Ong Pang Liang

COMPANY SECRETARY

Ms. Ngiam May Ling *(LLB (Hons))*

COMPANY REGISTRATION NUMBER

201531866K

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AUDITOR

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One Raffles Quay
Level 18 North Tower
Singapore 048583
Partner-in-charge: Ms. Tan Peck Yen
(a practising member of the Institute of Singapore Chartered Accountants)
Since financial year ended 31 December 2015

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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2019 Secura Group Limited Annual Report Company Registration No. 201531866K Incorporated in the Republic of Singapore on 14 August 2015