

**NGSC LIMITED**



**ANNUAL REPORT 2018**

## **CORPORATE PROFILE**

NGSC Limited (previously known as Next-Generation Satellite Communications Limited) (B07.SI) is aiming to mature into an institutional investment platform for growth opportunities in Asia and also its emerging markets. Until now, the Company was engaged in providing satellite-based telecommunications services to a variety of industries including education and financial institutions in the People's Republic of China ("PRC"), telecommunications services in rural areas of PRC and Indonesia, and hosting services. The Company is actively looking at various opportunistic investments in the Asean emerging markets.

The company's investment during the financial year ended 31 March 2018 is holding of convertible notes to derive interest income.

The Company's past investment theme was on growth opportunities with a bias towards technology and the provision of telecommunications solutions. Our longer-term intention is to shift gradually into the management of investment platform that invests in a wider perspectives of growth opportunities in the Asia and its emerging markets within the region.

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## LETTER TO SHAREHOLDERS

The Group also recorded a profit of S\$0.2 million from the joint venture in China in FY2018, compared to a loss of S\$0.6 million in FY2017.

### Dear Shareholders,

In the financial year ended 31 March 2018 (“FY2018”), the Group was mainly engaged in:

- the sale of satellite communications equipment and provision of satellite-based communication services;
- building, operating and leasing of base station controllers for Universal Service Obligation (“USO”) sites to enable telecommunication services in remote areas; and
- holders of convertible notes to derive interest income

### FINANCIAL REVIEW

During the financial year in review, the Group recorded an Other income of S\$4.0 million consisting of a reversal of deferred expenditure. This relates to the outstanding purchase consideration to be paid to a vendor.

Other expenses in FY2018 mainly consists of (i) an impairment loss arising from the Group’s investment in its joint venture amounted to S\$28.6 million, and (ii) an impairment loss from other receivables amounted to S\$1.3 million.

Administrative expenses declined to S\$1.5 million, versus S\$4.0 million in FY2017, mainly due to cost control efforts by the Group in lowering its administrative expenses with respect to legal and professional fees.

The Group also recorded a profit of S\$0.2 million from the joint venture in China in FY2018, compared to a loss of S\$0.6 million in FY2017. The improved results is driven by the increased demand for the equipment and services supplied by HUH Broadband Communication Company Limited (Formerly known as Hughes UnifiedNet Holding Company Limited) as compared to FY2017.

Taking into account the above factors, we recorded a net loss of S\$26.8 million for FY2018 as compared to a net loss of S\$3.2 million for FY2017.

### YEAR IN REVIEW

The financial year has been characterised by continual business rationalisation efforts and relentless drive for improved efficiencies. In May 2017, we have entered into a non-binding letter of intent (“LOI”) with Grand Harvest Resource Holdings Limited (“Vendor”) and Tam Man Wai (“Mark Tam”) to explore opportunities with the Vendor

granting a call option to the Company to acquire up to 65% of the equity interest in Zhong Ping Trading Development Company Limited (“ZP”). In addition, we have also granted a loan of S\$3.0 million to ZP which took place in May 2017.

After the close of FY2018, we have decided not to proceed with the call option. Accordingly, we have entered into a settlement agreement with ZP, Mark Tam and the Vendor pursuant to which the parties have agreed to terminate the agreement subject to ZP agreeing to prepay the Loan and interest by August 2018. To-date, we have collectively received S\$1.0 million from ZP and the balance shall be repaid in full under the settlement agreement.

In order to streamline the management of our assets and investments in new business opportunities, we have incorporated two wholly-owned subsidiaries in the Cayman Islands through our subsidiary NGSC Capital Pte. Ltd. (“NGSC Capital”) in August 2017. The structure provides NGSC Capital the proper platform to manage and co-invest with other institutions and third party investors in growth opportunities in Asia and in particular the emerging markets of the ASEAN region. Further to the incorporation of the subsidiaries, we have also changed our name from Next-Generation Satellite Communications Limited to NGSC Limited from the support of the shareholders in Dec 2017.

In December 2017, the independent investigation by Ernst & Young Advisory Pte. Ltd. (“EY”), following the completion of the report on its findings relating to the funds placed with a finance company (“E&Y report”) which we have announced in October 2014 and with which we have also diligently reported and dealt with, has completed its further investigation into the acquisition of our subsidiary, Multi Skies Nusantara Limited and its subsidiaries, and has issued the report (“E&Y II Report”) on its findings to us.

In response to EY’s findings, our Board convened a Special Committee comprising two directors to seek legal advice on the basis of the E&Y II Report findings. The Special Committee has also appointed a legal advisor, Wong Partnership LLP as legal counsel to advise on the E&Y II Report and will update the Shareholders upon any further actions to be taken by the Board.

## CHANGES TO THE BOARD

In June 2017, we were pleased to announce the appointment of Madam Cheung Kam Wa as Independent Director and also member of the Nominating and Remuneration Committee. Madam Cheung has extensive experience in the finance sector. We have also re-designated Madam Sri Tjintawati Hartanto as Non-Executive Non-Independent Director from Executive Director.

## ACKNOWLEDGEMENTS

For the past few years, the Group has faced numerous challenges and we are doing our utmost to tackle them one by one. In the midst of this, I would like to express my sincere appreciation to our management team and employees for their hard work and dedication. I am also grateful for the forbearance and support of our shareholders, customers and business partners all these years. Last but not least, I would like to thank my fellow Board members for their advice and insights.

### Andrew Coulton

Non-Executive and Non-Independent Chairman

## BOARD OF DIRECTORS

### **ANDREW COULTON**

#### **Non-Executive Non-Independent Chairman**

Mr Andrew Coulton took up the role as Non-Executive Non-Independent Chairman in February 2016. He was first appointed to the Board of NGSC Limited (“NGSC”) as Executive Director in March 2014 and as Executive Chairman in August 2014.

Mr Coulton spent 10 years as Chairman and Principal of Saffar Capital Limited, an investment and advisory firm focused on the Middle East and North Africa (“MENA”) region. Prior to Saffar, Mr Coulton was the Managing Director and MENA Regional Chief Executive Officer of Deutsche Bank AG. Mr Coulton started his career and was a 15 years veteran at Goldman, Sachs and Co. with responsibility over listed derivatives business.

He is a graduate of Oxford where he studied Modern History.

### **Ku Vicente S.**

#### **Managing Director and Chief Executive Officer**

Mr Ku Vicente S. joined the Board as Non-Executive Director in January 2015, and was appointed as Executive Director in April 2015. In August 2015, he took over as Managing Director and Chief Executive Officer.

Mr Ku has over 40 years of business experience in the field of corporate finance, asset management, banking, trading, project development, financial services and regulatory compliance.

He was an Executive Director of Manila-based property development company, Yeeloofa Development Corporation for 6 years. Prior to that, he spent 4-1/2 years with ASG Brokerage Limited, the Hong Kong subsidiary of one of Taiwan’s big four stockbroking houses, where he took overall responsibility over its finance and compliance matters. Before that, he worked 20 years for the family office of a major Philippine business group, where he was based in Hong Kong and was responsible for the management of the group’s various offshore investments and logistics operations supporting the group’s international trading business. Between 1980 and 1982, Mr Ku was the Deputy Managing Director of First CBC Capital Limited, the Hong Kong subsidiary of China Banking Corporation of the Philippines.

Mr Ku began his career with Ayala Investment and Development Corporation (currently known as BPI Capital Corporation) and International Corporate Bank (currently known as Union Bank of the Philippines) after graduating Cum Laude in Economics from De La Salle University, Philippines.

### **Dr Michael Kuan-Chi Sun**

#### **Executive Director**

Dr Michael Kuan-Chi Sun was appointed to the Board in March 2014. Dr Sun worked with the Hughes Network Systems, LLC (and together with its subsidiaries, “Hughes Group”) for more than 20 years, before taking up his current position as CEO of HughesNet China, a joint venture between NGSC and Hughes Group. Dr Sun is credited with the establishment of Hughes’ operations in China and its development into a dominant supplier of very small aperture terminal (“VSAT”) systems, with customers in almost every major government organisation in China. Prior to working for Hughes, Dr Sun was employed by General Electric Information Systems (“GE”), where he was responsible for marketing and development of GE’s centralised time-sharing information network service.

Before GE, Dr Sun worked for Sprint Telenet as Senior Director, Network Design. Dr Sun started his career with Computer Sciences Corporation where he was a senior program analyst supporting NASA Goddard Space Flight Center.

Dr Sun received his PhD in Physical Chemistry from Georgetown University in 1976. He also holds a MSc in Computer Science from The Johns Hopkins University, an MBA from Marymount University of Virginia and a BSc from National Cheng Kung University in Taiwan in 1970.

### **Edward Fu Shu Sheen**

#### **Lead Independent Director**

Mr Edward Fu Shu Sheen was appointed to the Board in October 2014. He is the Executive Adviser of KF Property Network Pte Ltd (Knight Frank) and possesses more than 30 years of experience in credit, corporate banking, debt restructuring and recovery, loan syndications and private banking with domestic and foreign banks. Mr Fu previously served as Vice President at Societe Generale and has also held senior appointments with leading financial institutions such as Crosby Advisory (Singapore) Pte Ltd., Hill Samuel Merchant Bank Asia Ltd. and Australia & New Zealand Banking Group Ltd.

He currently also serves as Director on the Board of Continental Investment & Trading Company Pte Ltd. He was an Independent Director of GSH Corporation Limited from 2007 to 2012 and of John Edward Consultancy Pte Ltd from 1999 to 2013.

Mr Fu holds a BA in Economics and Political Science from University of Singapore.

**Ng Hsian Pin**  
**Independent Director**

Mr Ng Hsian Pin possesses over 15 years of experience in various accounting and finance roles, and is currently the Financial Controller of Hong Kong-based Gold East Paper Trading (HK) Co. Ltd. He was previously the Chief Financial Officer Designate of Singapore-listed Sinwa Ltd., and prior to that, the Financial Controller of Sinar Mas Paper (China) Co. Ltd.

Mr Ng was appointed to the Board in July 2016. Mr Ng holds a Bachelor of Business Administration from the National University of Singapore and is a Chartered Accountant of Singapore.

**Cheung Kam Wa**  
**Independent Director**

Madam Cheung Kam Wa was appointed to the Board in June 2017. She is currently the Chief Operating Officer of Sapphire Corporation Limited, another listed company on SGX. She has more than 20 years of corporate management experience, mainly in the areas of commodity trading, logistics, mergers and acquisitions. Madam Cheung is both knowledgeable and familiar with commercial regulations in China and of most Asian countries.

Before that, Madam Cheung held senior management positions at Sichuan Tranvic Group in China and was the General Manager of HSC Resources Ltd in Hong Kong. She was the executive director and Chief Operating Officer with Dransfield Holding Ltd (then listed on the HKSEC). Madam Cheung is a graduate of Peking University, China, and obtained her Master's degree in Law from the Chinese Academy of Social Sciences, Beijing.

**Li Man Wai**  
**Independent Director**

Mr Li Man Wai founded Raymond Li & Co., C.P.A. in 1993 and is its sole proprietor. Mr Li has been an Independent Non-Executive Director of Shanghai Zendai Property Ltd. from April 2012 to May 2017. Mr Li was appointed as Independent Non-Executive Director of Anacle Systems Limited (a company listed on the Growth Enterprise Market, of the Hong Kong Stock Exchange) since November 2016. He has been an Independent Director at NGSC since February 2016. He has been a Trustee of Lingnan (University) College, Dr. Sun Yat-Sen University, Guangzhou, PRC since 2009. In 2011, he was appointed as a Court Member of Lingnan University of Hong Kong. He chaired Lingnan University Alumni Association (Hong Kong) Limited from 2006 to 2008, and was elected as the Chairman of Chinese Christian Universities Alumni Association (Hong Kong) Limited from 2007 to 2008. He was nominated to act as the Director of Lingnan University Hong Kong Alumni D.S.S. Primary School Limited from 2005 to 2011. He was qualified as a Certified Practising Accountant in Hong Kong since 1992.

Mr Li graduated with Diploma in Business Administration, with a major in Accounting, from Lingnan College (now known as Lingnan University) in Hong Kong in 1981. He is a Member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants in United Kingdom from 1988 and obtained a Membership of Certified Management Accountants of Canada in 1990 after taking the accountancy courses in York University, Canada.

## BOARD OF DIRECTORS (Cont'd)

### **Sri Tjintawati Hartanto** **Non-Executive Non-Independent Director**

Madam Sri Tjintawati Hartanto was appointed to the Board in January 2009. She is a non-executive director who supports the Company in its affairs on a “when-needed” basis. Madam Hartanto also provides an oversight over the Group’s current business in Indonesia. She possesses more than 20 years of experience in accounting, finance and administration.

Madam Hartanto graduated with a Bachelor of Accountancy from Surabaya University in Indonesia. She was born and educated in Indonesia, and is currently a permanent resident in Hong Kong.

### **Lye Meng Yiau** **Non-Executive Non-Independent Director**

Mr Lye Meng Yiau was appointed to the Board in August 2014. Prior to his appointment, he was Vice President at OWW Capital Partners Pte. Ltd. and was responsible for venture investments. He accumulated more than 10 years of experience in logistics and investments within the Heidelbergcement Group, where his last-held position was Manager for Strategy and Business Development (M&A) in Asia. Mr Lye has worked on investment projects in technology, infrastructure and utilities. He started his career as an analyst in a subsidiary of Temasek Holdings, after graduating with a Bachelor of Business Administration from the National University of Singapore.

### **Lai Chik Fan** **Non-Executive Non-Independent Director**

Mr Lai Chik Fan was born in China in 1948, grew up and went to school in Hong Kong, before graduating from Indiana State University in the US in 1975. He is the principal at A R Evans Capital Partners Inc. Mr Lai possesses more than 30 years of experience in the financial services sector. He was previously CEO of Koffman Financial Holdings Limited and had held senior positions at various reputable financial institutions in Hong Kong including Managing Director at Smith Barney Shearson (Asia) Limited, Merrill Lynch (Asia Pacific) Limited and Paine Webber Hong Kong Limited. He was the Group Managing Director of Chin Tung Financial Holdings which eventually became the investment banking arm of Standard Chartered Bank in Asia.

Mr Lai has served on the Board of several listed companies, including Hsin Chong Group Holdings Limited, Shanghai Zendai Property Ltd, China Golden Development Holdings Ltd and China Medical and Bio Science Limited. Mr Lai also sits on the Board of NGSC Limited in Singapore.

## KEY MANAGEMENT

### **Koit Ven Jee** **Financial Controller**

Mr Koit joined the Group in August 2012 and was appointed as Regional Finance Manager in February 2014. In December 2016, he was appointed as Financial Controller and is responsible for the Group’s overall finance and accounting functions (the Company and its subsidiaries), including risk compliance and reporting functions in accordance with the Singapore laws and regulations.

Mr Koit has over 14 years of experience in the areas of financial and management accounting, taxation and including audit and assurance. Prior to joining the Group, he was with audit firms such as Crowe Horwath First Trust LLP, BDO LLP, Baker Tilly Malaysia and Crowe Horwath Malaysia, providing audit services to a broad range of clients including technology, manufacturing, trading, construction, shipping, as well as other private and public-listed companies.

Mr Koit has obtained his professional accountancy qualification from the Association of Chartered Certified Accountants (ACCA) and is a member of the Institute of Singapore Chartered Accountants.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr Andrew Coulton

*(Non-Executive Non-Independent Chairman)*

Mr Ku Vicente S.

*(Managing Director and Chief Executive Officer)*

Dr Michael Kuan-Chi Sun

*(Executive Director)*

Mr Edward Fu Shu Sheen

*(Lead Independent Director)*

Mr Ng Hsian Pin

*(Independent Director)*

Mr Li Man Wai

*(Independent Director)*

Madam Cheung Kam Wa

*(Independent Director)*

Madam Sri Tjintawati Hartanto

*(Non-Executive Non-Independent Director)*

Mr Lye Meng Yiau

*(Non-Executive Non-Independent Director)*

Mr Lai Chik Fan

*(Non-Executive Non-Independent Director)*

### REGISTERED OFFICE

30 Raffles Place

#19-04 Chevron House

Singapore 048622

Tel: (65) 6479 3866 Fax: (65) 6479 3867

### NOMINATING COMMITTEE

Mr Li Man Wai (Chairman)

Mr Edward Fu Shu Sheen

Mr Lai Chik Fan

Madam Cheung Kam Wa

### REMUNERATION COMMITTEE

Mr Edward Fu Shu Sheen (Chairman)

Mr Ng Hsian Pin

Mr Lai Chik Fan

Madam Cheung Kam Wa

### AUDIT COMMITTEE

Mr Ng Hsian Pin (Chairman)

Mr Edward Fu Shu Sheen

Mr Li Man Wai

### SHARE REGISTRARS AND WARRANT AGENT

B.A.C.S. Private Limited

8 Robinson Road

#03-00 ASO Building

Singapore 048544

### AUDITORS

RT LLP

Public Accountants and Certified Public Accountants

1 Raffles Place

#17-02 One Raffles Place

Singapore 048616

Partner-in-charge: Ong Kian Meng

*(Appointed with effect from financial year ended 31 March 2014)*

# CORPORATE GOVERNANCE



## CORPORATE GOVERNANCE

The Board of Directors (the “**Board**” or the “**Directors**”) of NGSC Limited (“NGSC” or the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance to ensure full transparency and to protect the interests of the Company’s shareholders (the “**Shareholders**”).

The Company has put in place various policies and practices that will safeguard the interests of Shareholders and enhance Shareholders’ value as part of its effort to maintain high standards of corporate governance. This report describes the corporate governance practices and procedures adopted by the Company with specific reference to the Code of Corporate Governance 2012 (the “**Code**”) issued by the Monetary Authority of Singapore and as required under the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). References to the principles of the Code are listed below. The Company has complied with the principles of the Code where appropriate and deviations from the Code have been explained.

### A. BOARD MATTERS

#### The Board’s Conduct of its Affairs

***Principle 1:** Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

The Company is headed by an effective Board to lead and control the Company. As at the date of this report, the Board comprises the following members:-

Mr Andrew Coulton (Non-Executive Non-Independent Chairman)  
Mr Ku Vicente S. (Managing Director and Chief Executive Officer)  
Dr Michael Kuan-Chi Sun (Executive Director)  
Mdm Sri Tjintawati Hartanto (Non-Executive Non-Independent Director)  
Mr Lai Chik Fan (Non-Executive Non-Independent Director)  
Mr Lye Meng Yiau (Non-Executive Non-Independent Director)  
Mr Edward Fu Shu Sheen (Lead Independent Director)  
Mr Ng Hsian Pin (Independent Director)  
Mr Li Man Wai (Independent Director)  
Madam Cheung Kam Wa (Independent Director)

The Board has overall responsibility for overseeing and providing effective leadership for the overall business and corporate affairs of the Group. Its role is to:-

- (i) provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (ii) establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of Shareholders’ interests and the Group’s assets;
- (iii) review performance of the management of the Company (“Management”);
- (iv) identify the key stakeholder groups and recognise that their perceptions affect the Group’s reputation;
- (v) set the company’s values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met; and
- (vi) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

## CORPORATE GOVERNANCE (Cont'd)

The Company has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters which specifically require the Board's decision or approval are those involving:-

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key executives;
- announcement of financial results and annual report;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

All other matters are delegated to Board committees ("**Board Committees**") whose actions are monitored and endorsed by the Board. These Board Committees include the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), all of which operate within clearly defined terms of reference and functional procedures assigned by the board.

To get a better understanding of the Group's business, the Company adopts a policy whereby the Directors are encouraged to reach consensus through conferring and consulting regularly and freely.

Anyone can request for further explanations, briefings or informal discussion on the Group's operations or business with the Management.

The Board conducts scheduled meetings on a quarterly basis. Consultations and Ad-hoc meetings are convened when circumstances require. The Company's Constitution (the "**Constitution**") provide for Board meetings by means of teleconference. The attendance of the Directors at meetings of the Board and Board Committees during the financial year ended 31 March ("**FY**") 2018 are disclosed as follows:-

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Andrew Coulton	4	4	-	-	-	-	-	-
Mr Ku Vicente S.	4	4	-	-	-	-	-	-
Dr Michael Kuan-Chi Sun	4	1	-	-	-	-	-	-
Mr Lye Meng Yiau	4	4	-	-	-	-	-	-
Mdm Sri Tjintawati Hartanto	4	4	-	-	-	-	-	-
Mr Lai Chik Fan	4	4	-	-	1	1	1	1
Mr Edward Fu Shu Sheen	4	3	4	3	1	1	1	1
Mr Li Man Wai	4	4	4	4	1	1	-	-
Mr Ng Hsian Pin	4	3	4	3	-	-	1	1
Mdm Cheung Kam Wa <sup>(1)</sup>	3	3	-	-	-	-	-	-

(1) Appointed on 19 June 2017

## CORPORATE GOVERNANCE (Cont'd)

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised with the business and organisation structure of the Group. To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with the Management. Upon appointment of each director, the Company provides information to the director, setting out the director's roles and obligations together with key data regarding the Company and the Group.

The Board as a whole is updated regularly on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members. The Company encourages Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties.

During FY2018, the external auditor briefed the AC members on developments in accounting and governance standards. The Executive Directors also updated the Board at each Board meeting on business and strategic developments relating to the industry the Group operates in.

### Board Composition and Guidance

**Principle 2:** *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board currently has ten (10) Directors, comprising four (4) Independent Directors, four (4) Non-Executive Directors and two (2) Executive Directors. Information regarding each Board member is provided under the section entitled "Board of Directors" of this annual report.

The independence of each Director is assessed and reviewed at least annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure there is a strong independent element on the Board such that the Board is able to exercise objective judgement on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Group.

The NC is of the view that Mr Edward Fu Shu Sheen, Mr Ng Hsian Pin, Mr Li Man Wai and Mdm Cheung Kam Wa are independent.

Guideline 2.2 of the Code provides that Independent Directors should make up at least half of the Board in the situation where the Chairman is not an independent Director. The Company's current Board composition does not meet this requirement. The Board is of the view that with four Independent Directors, representing more than one-third of the Board, and with each of the three Board Committees being chaired by an Independent Director, there is sufficiently strong independent element on the Board that upholds good corporate governance and facilitate the exercise of independent and objective judgement on the Board. In addition, the Board has appointed Mr Edward Fu Shu Sheen as the Lead Independent Director. Nevertheless, the NC and the Board will keep this matter under regular review, and will make such changes as are necessary to further enhance the standard of corporate governance.

The Non-Executive Directors are involved in sharing industrial experience and expertise and ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined and takes into account the long term interests, not only of the Shareholders but also other stakeholders of the Group. The Non-Executive Directors also review the Management's performance in achieving agreed goals and objectives, and monitor the reporting of its performance.

## CORPORATE GOVERNANCE (Cont'd)

The Board and Board Committees comprises Directors who as a group provide core competencies such as accounting and finance, legal, business and management experience, industry knowledge and strategic planning experience. Hence, the NC is of the view that the current Board and Board Committees comprise persons who as a group provide capabilities required for the Board to be effective.

The Board, through the NC, has reviewed and is satisfied that the current structure, size and composition of the Board and Board Committees are appropriate for effective decision-making, taking into account the scope and nature of the operations of the Company, the balance and diversity of, amongst other factors, skills, experience and gender. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process without the support of other board members.

### Role of Chairman and Chief Executive Officer

**Principle 3:** *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The Company keeps the roles of the Non-Executive Non-Independent Chairman and Chief Executive Officer separate to ensure a clear division of their responsibilities, balance of power and authority, increased accountability and greater capacity for independent decision-making at the Board and Management level. As at the date of this report, Mr Andrew Coulton, holds the position of Non-Executive Non-Independent Chairman, whilst Mr Ku Vicente S. holds the position of Chief Executive Officer and Managing Director. Mr Coulton and Mr Ku are not related to each other.

The Non-Executive Non-Independent Chairman, Mr Andrew Coulton is primarily responsible for charting and reviewing the overall strategic direction of the Group and for leading the Board to ensure its effectiveness on all aspects of its role. He ensures that Board meetings are held when necessary and sets the Board agenda. Mr Andrew Coulton ensures that all Board members are provided with complete, adequate and timely information.

All major proposals and decisions are discussed and reviewed by the Directors. With the active participation of Directors at Board meetings, the Board is satisfied that the current arrangement provides sufficient check and balance to ensure that no one individual member of the Board holds a considerable concentration of power, and that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Board has delegated the daily operations of the Group to Mr Ku, the Chief Executive Officer and Managing Director. Mr Ku leads the management team and executes the strategic plans in line with the strategic decisions and goals set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses.

Mr Edward Fu Shu Sheen is the Lead Independent Director of the Company, who is available to address Shareholders' concerns on issues that have not been satisfactorily resolved or cannot be appropriately dealt with by the Non-Executive Non-Independent Chairman, Chief Executive Officer, Executive Directors. The Independent Directors meet on a need-to basis amongst themselves and with the Company's external auditors without the presence of Management to discuss matters such as, the Group's financial performance, corporate governance and risk management initiatives, Board processes, and any internal audit observations. Thereafter, the Lead Independent Director would provide feedback to the Non-Executive Non-Independent Chairman after such meetings, if needed.

## CORPORATE GOVERNANCE (Cont'd)

### Board Membership

**Principle 4:** *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The NC currently comprises four (4) Directors, namely Mr Li Man Wai, Mr Edward Fu Shu Sheen, Mr Lai Chik Fan and Mdm Cheung Kam Wa, majority of whom are Independent Directors. The Chairman of the NC is Mr Li Man Wai. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:-

- to review and recommend the nomination of new Directors or re-nomination of the Directors having regard to the Director's contribution and performance;
- to set criteria for identifying candidates and reviewing nominations for the appointments referred to above;
- to determine on an annual basis whether or not a Director is independent;
- to make plans for succession, in particular for the Non-Executive Non-Independent Chairman and Chief Executive Officer;
- to review training and professional development programs for the Board;
- to determine and recommend to the Board, the maximum number of listed company board representations that any Director may hold; and
- to assess the overall performance of the Board and contribution of each Director to the effectiveness of the Board.

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:-

- (i) at least half of the Directors shall be Independent Directors; and
- (ii) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account the candidate's track record, age, experience, capabilities and other relevant factors.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the shortlisted candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his/her responsibilities, good decision making track record, relevant experience and financial literacy. The NC will then nominate the most suitable candidate to the Board for approval. Upon appointment by the Board, the candidate must stand for election at the next annual general meeting ("AGM") of the Company.

The NC meets at least once a year. Pursuant to the Company's Constitution, one-third of the Board is to retire by rotation and subject themselves to re-election by Shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for reappointment by virtue of their skills, experience and contributions. The NC recommended to the Board that Mr Andrew Coulton, Mr Lye Meng Yiau, Mr Lai Chik Fan and Mr Li Man Wai be nominated for re-election at the forthcoming AGM. In making the recommendations, the NC had considered the Director's overall contributions and performance.

## CORPORATE GOVERNANCE (Cont'd)

Mr Andrew Coulton will, upon re-election as a Director of the Company, remain as Non-Executive Non-Independent Chairman of the Company.

Mr Lye Meng Yiau will, upon re-election as a Director of the Company, remain as Non-Executive Non-Independent Director of the Company.

Mr Lai Chik Fan will, upon re-election as a Director of the Company, remain as Non-Executive Non-Independent Director of the Company and a member of the Nominating and Remuneration Committees of the Company.

Mr Li Man Wai will, upon re-election as a Director of the Company, remain as an Independent Director and Chairman of the Nominating Committee and a member of the Audit Committee of the Company.

Each member of the NC has abstained from making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance as a Director of the Company. In making the recommendations, the NC had considered the Directors' overall contributions and performance.

The dates of appointment and directorships of the current Directors in other listed companies are set out below:

Name of Director	Date of Appointment	Last Re-Election Date	Directorships and Chairmanships in Other Listed Companies	
			Present	Last Three Years
Mr Andrew Coulton	7 March 2014	21 December 2016	-	-
Mdm Sri Tjintawati Hartanto	15 January 2009	12 May 2017	-	-
Dr Michael Kuan-Chi Sun	7 March 2014	12 May 2017	-	(1) China Innovation Investment Limited (2) China Trends Holdings Limited
Mr Ku Vicente S.	16 January 2015	12 May 2017	-	-
Mr Lai Chik Fan	7 March 2014	21 December 2016	Classified Group (Holdings) Limited	Shanghai Zendai Property Limited Hsin Chong Group Holdings Limited
Mr Lye Meng Yiau	14 August 2014	21 December 2016	-	-
Mr Edward Fu Shu Sheen	2 October 2014	4 December 2017	-	-
Mr Li Man Wai	26 February 2016	4 December 2017	Anacle Systems Limited	Shanghai Zendai Property Limited
Mr Ng Hsian Pin	12 August 2016	4 December 2017	-	-
Mdm Cheung Kam Wa	19 June 2017	4 December 2017	-	Sapphire Corporation Limited

Further details of the Directors (including their profile and principal commitments) can be found under the section entitled "Board of Directors" of this annual report.



## CORPORATE GOVERNANCE (Cont'd)

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his/her duties as a Director of the Company. Only two (2) Directors have one other directorship in other listed companies. As such, the Board does not propose to set the maximum number of listed company board representations that directors may hold until such need arises. The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

### Board Performance

**Principle 5:** *There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.*

The NC decides on how the Board, Board Committees and individual Directors' performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term Shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and Board Committees and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director.

In evaluating the Board's and its Board Committees' performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board and Board Committee's evaluation are in respect of:

- a. Board composition;
- b. Board information;
- c. Board process and accountability;
- d. Standards of conduct; and
- e. Board Committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The individual Director's performance criterion is in relation to the Director's:

- a. Interactive skills;
- b. Knowledge, including industry or professional expertise, specialist or functional contribution and regional expertise;
- c. Directors' duties including attendance at meetings, meeting preparation, participation and performance of specific assignments; and
- d. Directors' conduct including maintenance of independence, disclosure of related party transactions and compliance with company policies.

All Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board and individual Director's performance as described above. The Non-Executive Non-Independent Chairman, in consultation with the NC, will then act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole is satisfactory, the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

## CORPORATE GOVERNANCE (Cont'd)

### Access to Information

**Principle 6:** *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

In order to ensure that the Board is able to fulfil its responsibilities, the Management provides the Board with complete, adequate and timely information about the Group as well as the relevant background information relating to the business prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. To allow the Directors sufficient time to prepare for the meetings, all Board papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

The Board papers include, among others, the following documents and details:

- Minutes of the previous meetings;
- Follow up on significant matters outstanding following the last meetings;
- Financial review: actual, budget and any other major financial issues;
- Internal audit reports prepared by the Group's internal auditors;
- Audit plans and audit findings reports prepared by the Group's external auditors;
- Annual budgets (actual vs budget); and
- Major operational and investment proposals and update.

As good practice, Board papers are sent to the Directors in advance for Directors to be adequately prepared for the meetings. To ensure that Directors are in receipt of sufficient background explanatory information, briefings or formal presentation may also be given or made by Management in attendance at Board meetings, or by external consultants engaged on specific projects. Directors are also entitled to request additional information as needed to make informed decisions and the Management shall provide the same in a timely manner.

The Directors also receive management reports on the Group's financial performance on a periodic basis, which contain adequate and timely major operational and financial information that facilitates an assessment of the Group's performance, position and prospects. The management reports consist of financial statements with disclosures and explanations of material variances between past performance, budgets and actual results.

The Directors have separate and independent access to the Management, the Group's external auditors at all times should they have any queries on the Group's affairs.

In furtherance of their duties, each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his/her duties and responsibilities as a Director of the Company.

At least one of the Company Secretaries and/or his/her representatives attends all Board meetings. Together with the Management, the Company Secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act (Chapter 50) of Singapore, and the provisions in the SGX-ST Listing Manual are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Changes to regulations and accounting standards are closely monitored by the Management. The Directors are briefed either during Board and Board Committee meetings, by the Company Secretaries or auditors of these changes especially where these changes have an important bearing on the Directors' disclosure obligations.

## CORPORATE GOVERNANCE (Cont'd)

### B. REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

**Principle 7:** *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.*

The RC currently comprises four (4) Directors, namely Mr Edward Fu Shu Sheen, Mr Ng Hsian Pin, Mr Lai Chik Fan and Mdm Cheung Kam Wa, majority of whom are Independent Directors. The Chairman of the RC is Mr Edward Fu Shu Sheen. The RC has written terms of reference that describe the responsibilities of its members.

The RC's principal responsibilities are to review and recommend to the Board a framework of remuneration, as well as the specific remuneration packages for the Directors and key management personnel of the Group. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are submitted to the Board for endorsement. No director is involved in deciding his or her own remuneration.

The remuneration of employees who are related to Directors or substantial Shareholders will also be reviewed annually by our RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increments, and/or promotions for these related employees.

If any Director or executive officer occupies a position for part of the financial year, the fee payable will be prorated accordingly.

#### Level and Mix of Remuneration

**Principle 8:** *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The remuneration of Executive Directors and key management personnel of the Group takes into consideration the performance and the contributions of the individual to the Group and gives due regard to the Group's performance, as well as the long term financial, operations and business needs of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

The Company adopts a remuneration policy that comprises a fixed as well as variable component. The fixed component is in the form of base salary and benefits while the variable component is in the form of performance bonus. There are no termination, retirement or any post-employment benefits to Directors and key management personnel.

The Company has service agreement with Mr Ku Vicente S. in relation to his appointment as Managing Director of the Company. Either party may terminate the service agreement at any time by giving to the other party not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on Mr Ku's last drawn monthly allowance. Based on the terms of his service agreement, Mr Ku may be entitled to a basic monthly allowance, as well as the right to participate in an employee share option scheme, when it is available.

## CORPORATE GOVERNANCE (Cont'd)

The Next-Generation Satellite Communications Performance Share Scheme (“**Performance Share Scheme**”) was approved and adopted by the shareholders of the Company at an extraordinary general meeting of the Company held on 28 July 2010. The Performance Share Scheme is administered by the RC comprising Mr Edward Fu Shu Sheen, Mr Ng Hsian Pin, Mr Lai Chik Fan and Mdm Cheung Kam Wa.

Other than the Performance Share Scheme, the Company does not have any employee share option scheme or other long-term employee incentive scheme at this juncture.

The Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors’ fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The fees are subject to approval by Shareholders at each AGM. Except as disclosed, the Non-Executive Directors do not receive any other remuneration from the Company. The Board recommended S\$211,267 as Directors’ fees for FY2018.

All revisions to the remuneration packages of the Directors 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. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

### Disclosure of Remuneration

**Principle 9:** *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel and performance.*

The level and mix of the Directors’ remuneration for FY2018 in percentage terms are set out below. The remuneration of each individual Director to the nearest thousand dollars is not disclosed as the Board believes that remuneration matters are highly sensitive in nature and the disclosure may be prejudicial to its business interests given the competitive business environment the Company operates in. The RC has also reviewed the practice of the industry and considered the pros and cons of such disclosure.

Name of Director	Directors’ Fees (%)	Salary (%)	Total (%)
<b>Below S\$250,000</b>			
Mr Andrew Coulton	100	-	100
Mr Ku Vicente S.	-	100	100
Mr Lye Meng Yiau	100	-	100
Mdm Sri Tjintawati Hartanto	100	-	100
Dr Michael Kuan-Chi Sun	100	-	100
Mr Lai Chik Fan	100	-	100
Mr Li Man Wai	100	-	100
Mr Edward Fu Shu Sheen	100	-	100
Mdm Cheung Kam Wa	100	-	100
Mr Ng Hsian Pin	100	-	100

## CORPORATE GOVERNANCE (Cont'd)

A summary compensation table of the executive officers' remuneration for FY2018 in percentage terms are set out below:

Name of Executive Officer	Salary <sup>(1)</sup> (%)	Bonus (%)	Total (%)
<b>Below S\$250,000</b>			
Mr Koit Ven Jee	87	13	100

### Notes:

1 Employers' contributions to the Central Provident Fund are included within the salary.

No employee of the Company and its subsidiary companies is an immediate family member of Director or the Chief Executive Officer, and whose remuneration exceeded S\$50,000 during FY2018.

The Board is of the opinion that the information as disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar. The remuneration of employees related to the Directors and substantial Shareholders of the Company will also be reviewed annually by the RC. In considering the disclosure of remuneration of the Directors and key management personnel, the Company has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Company believes that full detailed disclosure of the remuneration of each Director and each key management personnel as recommended by the Code would be prejudicial to the interests of the Group and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands.

## C. ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10:** *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

In presenting the annual report, interim and annual financial results announcements and other price sensitive public announcements to Shareholders, the AC reviews all financial statements and recommends them to the Board for approval. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the SGX-ST Listing Manual.

Management provides the Board with management accounts of the Group, with explanatory details on its operations, financial results and comparison against budgeted amounts, which has been assessed to be sufficient by the Board. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making. An annual budget is also tabled for the Board's endorsement for effective monitoring and control. The management also highlights key business indicators and major issues that are relevant to the Group's performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group's financial performance, position and prospects.

### Risk Management and Internal Controls

**Principle 11:** *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

## CORPORATE GOVERNANCE (Cont'd)

The Board recognises the importance of a sound system of internal controls and risk management practices.

The Group's external auditors also conduct annual reviews of the effectiveness of the Group's material internal controls for financial reporting in accordance with their external audit plans.

The AC will ensure that a review of the effectiveness of the Group's risk management policies and procedures and internal controls in addressing material risks is conducted annually. In this respect, the AC will review the audit plans and the findings of the external auditors, and will ensure that Management follows up on the external auditors' recommendations raised, if any, during the audit process.

To further enhance the risk management procedures in place, the Group has appointed EY in March 2015 to conduct an Enterprise Risk Management ("ERM") exercise to identify, assess and prioritise the Group's key risk exposures for the development of a Group-wide Risk Register in which risks were reported to the AC and the Board.

Based on the existing internal controls established and maintained by the Group, work performed by the external auditors, additional policies and procedures put in place and the ERM review, reviews performed by the Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that, the Group's risk management and internal controls systems now in place are adequate and effective in addressing its financial, operational, compliance and information technology risks.

The Board and the AC note that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal controls system. The Board will also look into the establishment of a separate Risk committee at the relevant time.

Based on the above, the Chief Executive Officer and the Financial Controller have given their assurance to the Board that (a) the financial records are being properly maintained, (b) the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and (c) the Group's risk management and internal control systems now in place are effective.

### Audit Committee

**Principle 12:** *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The AC consists of three (3) Independent Directors, namely Mr Ng Hsian Pin, Mr Li Man Wai and Mr Edward Fu Shu Sheen. The Chairman of the AC is Mr Ng Hsian Pin. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties. At least two members of the AC, namely Mr Ng Hsian Pin and Mr Li Man Wai possess the requisite accounting and related financial management expertise and experience.

The AC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the AC include:-

- reviewing, with the internal and external auditors, their audit plans, scope of work, evaluation of the Group's system of internal accounting controls, audit reports, management letters on internal controls, the Management's response and any other relevant findings or matters;

## CORPORATE GOVERNANCE (Cont'd)

- reviewing the periodic consolidated financial statements and results announcements, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;
- reviewing and reporting to the Board, at least annually, the effectiveness and adequacy of the Group's risk management and internal controls systems addressing financial, operational, compliance and information technology risks and discussing issues and concerns, if any, arising from the internal audits;
- reviewing our financial risk areas with a view to providing an independent oversight on 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 assistance given by the Management to the internal and external auditors;
- reviewing the independence of the internal and external auditors, as well as considering the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- 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 interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- reviewing potential conflicts of interests (if any) and setting out a framework to resolve or mitigate any potential conflicts of interests;
- reviewing the procedures by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for independent investigation and follow-up actions thereto;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

In addition to the duties listed above, the AC has the express authority to investigate any matter within its terms of reference. It is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof. The AC has full access to and co-operation by Management and full discretion to invite any Director or key management personnel to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets with the external auditors, without the presence of Management, at least annually, to discuss the results of their audit, their evaluation of the Group's system of internal controls and any other relevant matters or findings that have come to the attention of the external auditors, as well as to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence and objectivity of the auditors.

RT LLP ("RT") has been re-appointed as external auditors of the Company at the annual general meeting of the Company held on 4 December 2017.

## CORPORATE GOVERNANCE (Cont'd)

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2018 are as follows:-

Audit fees	:	S\$100,000
Non-audit fees	:	nil
Total	:	S\$100,000

The AC will review the independence of the external auditors annually. Following the AC's review of the volume and nature of all non-audit services of the Group provided by the external auditors of the Company, RT, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor, the AC is of the opinion that RT is suitable for re-appointment and has accordingly recommended to the Board that RT be nominated for re-appointment as auditors of the Company at the forthcoming AGM. The Company confirms that it is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual in relation to the appointment of its external auditors. The Board and AC are satisfied that the appointment of different audit firms for Subsidiaries of the Company would not compromise the standard and effectiveness of the audit of the Group.

To keep abreast of changes in accounting standards and issues which have a direct impact on the financial statements, the AC is encouraged to participate in training courses, seminars and workshops, as relevant, and to seek advice from the external auditors at the AC meetings that are held.

None of the members nor the Chairman of the AC are former partners or directors of the firms acting as the Group's external auditors.

### Whistle-blowing Policy

The AC has put in place a whistle-blowing policy, whereby employees of the Group or any other persons may in confidence, raise concerns about possible improprieties or other matters to the AC Chairman. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can also be lodged with the other Independent Directors of the Company. They are tasked to forward any such reports to the AC Chairman and other Independent Directors of the Company. No concerns involving possible corporate improprieties were brought directly to the attention of the AC in FY2018.

### Internal Audit

**Principle 13:** *The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits*

The AC is aware of the need to establish a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.



## CORPORATE GOVERNANCE (Cont'd)

The Board has deliberated and agreed that given the size of the current business and operations of the Group, it does not warrant the Group to have an in-house internal audit function or to appoint internal auditors. The Company will consider the establishment of an internal audit function or appointment of internal auditors when there is an increased level of operating activities. The AC will conduct periodic reviews on the Company's level of operating activities to assess whether such establishment of an internal audit function or appointment of internal auditors is required.

As part of the annual statutory audit of the financial statements of the Company, the external auditors of the Company also report to the AC on any material weaknesses in the Group's internal controls and provide recommendation on other significant matters such as risk management which have come to their attention during the course of the audit.

### D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

#### Shareholder Rights

**Principle 14:** *Companies should treat all Shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of Shareholders' rights, and continually review and update such governance arrangements*

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the SGX-ST Listing Manual, the Company has issued additional announcements to update Shareholders on the activities of the Company and the Group in FY2018.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

Shareholders are informed of general meetings through notices published in the newspapers and the Company's announcements and press releases via SGXNET, as well as through reports or circulars sent to all Shareholders. They 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.

The Constitution of the Company allow each Shareholder to appoint up to two (2) proxies to vote and attend general meetings on his behalf. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings.

#### Communication with Shareholders

**Principle 15:** *Companies should actively engage their Shareholders and put in place an investor relations policy to promote regular, effective and fair communication with Shareholders*

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations under the SGX-ST Listing Manual, the Company informs Shareholders on a timely basis of all major developments that may have a material impact on the Group. Such information is disclosed in an accurate and comprehensive manner through SGXNET, press releases and the Company's website.

## CORPORATE GOVERNANCE (Cont'd)

Shareholders, investors or analysts may also send their queries or concerns to the Company's Management, whose contact details can be found on the corporate information page of this annual report. The Company will consider use of other forums as and when applicable.

The Company does not have a formal dividend policy at present. The form, frequency and amount of dividends on the Company's Shares will depend on the Group's earnings, financial position, results of operations, cash flow, capital needs, the terms of any borrowing arrangements (if applicable), plans for expansion and other factors which the Directors may deem appropriate. The Board has not recommended any dividend for FY2018.

### Conduct of Shareholder Meetings

**Principle 16:** *Companies should encourage greater Shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the Company*

The AGM of the Company is a principal forum for dialogue and interaction with all Shareholders. Shareholders are encouraged to attend, participate and vote at the Company's AGM to ensure a high level of accountability on the part of the Board and Management, and to stay informed of the Group's performance, strategies and growth plans. All Shareholders will receive the Company's annual report and notice of AGM, together with explanatory notes, or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Company supports active Shareholder participation at the AGM and welcomes questions from Shareholders who wish to raise issues pertaining to the Group, within the setting of the general meetings.

Each item of special business included in the notice of AGM will be accompanied by explanatory notes as may be required. Separate resolutions are proposed for approval on each substantially separate issue at general meetings. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Chairman of the Board and the respective Chairmen of the AC, RC and NC, as well as the Financial Controller and the external auditors will be present and on hand to address all issues raised at the AGM.

### Dealing in Securities

The Company has complied with the requirements of Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the Company's securities by Directors and officers of the Group.

The Company prohibits its officers from dealing in the Company's shares on short term considerations or when they are in possession of unpublished price-sensitive information. The Company, its Directors and officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the quarters and one month before the announcement of the Company's full-year financial results, as the case may be, and ending on the date of the announcement of the relevant financial results. They are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading periods.

## **CORPORATE GOVERNANCE** (Cont'd)

### **Interested Person Transactions**

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such interested person transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis or on normal commercial terms and are not prejudicial to the Group.

There were no transactions with interested persons during the financial year ended 31 March 2018 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the SGX-ST.

### **Material Contracts and Loans**

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that save for the agreements as disclosed in the financial statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of any Director or controlling Shareholder of the Company, either still subsisting at the end of FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.

# FINANCIAL STATEMENT



## DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The Directors present their statement to the members together with the audited consolidated financial statements of NGSC Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018.

### 1 Opinion of the Directors

In the opinion of the Directors,

- (i) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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.

### 2 Directors

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

#### Executive directors

Ku Vicente S. (Managing Director and Chief Executive Officer)  
Michael Kuan-Chi Sun

#### Non-independent non-executive directors

Andrew Coulton (Chairman)  
Lai Chik Fan  
Lye Meng Yiau  
Sri Tjintawati Hartanto

#### Independent non-executive directors

Edward Fu Shu Sheen (Lead Independent director)  
Li Man Wai  
Ng Hsian Pin  
Cheung Kam Wa (Appointed on 19 June 2017)

### 3 Arrangements to enable Directors to acquire shares and debentures

Except as disclosed under "Performance shares and share options" on pages 28 and 29 of this statement, 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 in or debentures of the Company or any other body corporate.

## DIRECTORS' STATEMENT (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 4 Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

	Shareholdings registered in name of director or nominee			Shareholdings in which director is deemed to have an interest		
	At 1 April 2017 or date of appointment	At 31 March 2018	At 21 April 2018	At 1 April 2017 or date of appointment	At 31 March 2018	At 21 April 2018
<b>Company</b>						
<i>Ordinary shares</i>						
Sri Tjintawati Hartanto	2,203,000	2,203,000	2,203,000	–	–	–
Lye Meng Yiau	–	5,000,000	5,000,000	–	–	–
Ku Vicente S.	–	2,000,000	2,000,000	–	–	–
Michael Kuan-Chi Sun	–	9,000,000	9,000,000	–	–	–
Andrew Coulton	–	9,000,000	9,000,000	–	–	–
Fu Shu Sheen Edward	–	4,400,000	4,400,000	–	–	–

### 5 Performance shares and share options

#### (i) Performance shares

The Performance Share Scheme (the "PSS") was approved and adopted by the shareholders at an extraordinary general meeting of the Company held on 28 July 2010.

The Company implemented the PSS so as to (a) increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees of the Group to achieve superior performance; (b) further strengthen the Company's competitiveness in attracting and retaining local and foreign talent; and (c) incentivise all participants of the PSS (the "Participants") to excel in their performance and encourage greater dedication and loyalty to the Company.

Through the PSS, the Company is able to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group's long-term growth. In addition, the PSS aims to foster an ownership culture within the Group which aligns the interests of the Participants with the interests of shareholders.

The PSS is administered by the Remuneration Committee currently comprising Edward Fu Shu Sheen (Chairman of Remuneration Committee), Ng Hsian Pin, Lai Chik Fan, and Cheung Kam Wa.

**DIRECTORS' STATEMENT** (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

**5 Performance shares and share options (cont'd)**

**(i) Performance shares (cont'd)**

The details of the performance shares awarded under the PSS to the Directors of the Company in office at the end of the financial year are as follows:

Director	Aggregate number of performance shares granted during the financial year ended 31 March 2018	Aggregate number of performance shares granted since the commencement of the PSS to the end of the financial year ended 31 March 2018	Aggregate number of performance shares issued or transferred pursuant to the vesting of awards granted under the PSS since the commencement of the PSS to the end of the financial year ended 31 March 2018	Aggregate number of performance shares outstanding as at the end of the financial year ended 31 March 2018
Sri Tjintawati Hartanto	–	2,203,000	2,203,000	–
Lye Meng Yiau	5,000,000	5,000,000	5,000,000	–
Ku Vicente S.	2,000,000	2,000,000	2,000,000	–
Michael Kuan-Chi Sun	9,000,000	9,000,000	9,000,000	–
Andrew Coulton	9,000,000	9,000,000	9,000,000	–
Lai Chik Fan	9,000,000	9,000,000	9,000,000	–
Fu Shu Sheen Edward	4,400,000	4,400,000	4,400,000	–

All allocated performance shares have been fully granted and converted to ordinary shares on 28 July 2010 and hence there are no more vesting period with respect to those allocated shares.

The Company still has unallocated performance shares (the treasury shares in Note 23 to the financial statements), which the Company may allocate before the PSS expires in year 2020.

**(ii) Share options**

There were no share options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.



**DIRECTORS' STATEMENT** (Cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

## **6 Audit committee**

The Audit Committee comprises three Independent Directors, namely:

Mr Ng Hsian Pin (Chairman)  
Mr Edward Fu Shu Sheen  
Mr Li Man Wai

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2018 prior to their submission to the Board, as well as the independent auditor's report on the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, RT LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

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

## **7 Independent auditor**

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

**Ku Vicente S.**  
Director

**Andrew Coulton**  
Director

Singapore, 7 August 2018



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements

#### *Qualified Opinion*

We have audited the financial statements of NGSC Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### *Basis for Qualified Opinion*

##### (1) Opening balances

Our independent auditor's report dated 1 November 2017 contains a *Disclaimer of Opinion* on the financial statements for the financial year ended 31 March 2017. The *Basis for Disclaimer of Opinion* on the financial statements for the financial year ended 31 March 2017 is disclosed in Note 31 to the financial statements.

In view of the matters described in the *Basis for Disclaimer of Opinion* paragraphs on the financial statements for the financial year ended 31 March 2017, we were unable to determine whether the opening balances as at 1 April 2017 are fairly stated.

Since the opening balances as at 1 April 2017 are entered into the determination of the financial position of the Group and of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2018, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 March 2018.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

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 Company 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 qualified opinion.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### *Emphasis of Matter*

##### 1. Inclusion on the watch-list due to the minimum trading price entry criteria

We draw your attention to Note 30(d) to the financial statements.

On 4 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") has notified the Company that it would be placed on the watch-list due to the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2017.

The Company will have to meet the requirements of Rule 1314 (2) of the Listing Manual within 36 months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company. In this regard, Listing Rule 1314 (2) states that the Company will be assessed by the SGX-ST for removal from the watch-list if it records volume-weighted average price of at least \$0.20 and an average daily market capitalisation of \$40 million or more over the last 6 months.

Following the Company's inclusion in the watch-list, the Company is required to provide a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list. In addition, the Company was also previously placed under the watch-list under the financial criteria.

On 31 May 2012, the Company announced that it had applied for an extension of time to meet the requirements to exit from the watch-list which are set out under Listing Rule 1314.

On 20 April 2018, the Company has submitted an application to the SGX-ST for an extension of time to apply for removal from the Watch-List under the Financial Exit Criteria. As at the date of this report, the Company is still pending response from SGX-ST. Our opinion is not modified in respect of this matter.

##### 2. Trading in derivative contracts

We draw your attention to Note 18 to the financial statements.

In September 2017, the Company's subsidiary, Ban Joo Global Pte. Ltd. ("BJG") opened a trading account with InterActive Broker and started to trade in derivatives. As at 31 March 2018, the Group has a derivative contract for a notional amount of US\$1.97 million and incurred a loss of \$207k during the financial year (Note 6).

According to management, this is entirely a trading activity for the treasury funds of NGSC Limited. BJG was used as a vehicle to confine the risk capital to the amount of deposits placed with InterActive Broker, and is not an open-ended exposure. The total amount of deposits placed with InterActive Broker was \$679k (equivalent to USD 500k). This deposit has since dropped to \$474k (equivalent to USD 350k) with the \$207k loss incurred.

Management informed that this trading account is part of a normal treasury function to manage the liquidity position of the Group which is mostly denominated in US Dollar and Hong Kong Dollar, the latter being closely pegged to US Dollar.

The trade positions are monitored weekly by the Financial Controller and reported to Chief Executive Officer. The results are reported to Audit Committee and the Board of Directors (the "Board") at every quarter of the financial year. A director of the Company's subsidiary, NGSC Capital Pte. Ltd., who is a seasoned professional with over decades of experience has been approved by the Board to exercise authority over this trading account. Our opinion is not modified in respect of this matter.

## **INDEPENDENT AUDITOR'S REPORT** (Cont'd)

### **TO THE MEMBERS OF NGSC LIMITED**

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### **Report on the Audit of the Financial Statements (cont'd)**

#### ***Information Other than the Financial Statements and Auditor's Report Thereon***

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

- (a) Letter to Shareholders;
- (b) Board of Directors;
- (c) Key Management;
- (d) Corporate Information;
- (e) Corporate Governance;
- (f) Directors' Statement;
- (g) Information on Shareholdings;
- (h) Notice of Annual General Meeting; and
- (i) Proxy Form

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to determine whether the opening balances as at 1 April 2017 are fairly stated. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter, where applicable.

#### ***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. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

# INDEPENDENT AUDITOR'S REPORT (Cont'd)

## TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Key audit matters

##### How the matter was addressed in the audit

#### 1. Impairment assessment of investment in joint ventures and subsidiary

During the financial year, the Group made an impairment loss of approximately \$28.62 million (2017: \$Nil) on its investment in joint ventures and the Company made an impairment loss of \$31.33 million (2017: Nil) on its investment in subsidiaries.

Following this impairment loss, the Group and Company's investment in joint ventures and subsidiary amounted to \$2.54 million and \$26.58 million respectively, which represent approximately 11% and 57% of the Group's and Company's total assets respectively.

Impairment assessment of joint ventures and subsidiary are performed when an indication of impairment exists. Impairment is recognised when the carrying amount of the joint ventures exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's or cash generating unit's fair value ("FV") less costs of disposal and its value in use ("VIU").

Management has used the independent valuer's FV less costs of disposal, (which is higher than its VIU) as its recoverable amount.

The significant assumptions and estimates, including the basis, used for the assessment of the recoverable amount of investment in joint venture and subsidiary are disclosed in Note 3.2(a), 12 and 13.

Our audit focused on evaluating the key assumptions used by both management and management's expert in conducting the impairment review based on VIU and FV less costs of disposal. Our audit procedures included and were not limited to the following:

- 1) Tested management's assumptions used in VIU to calculate the recoverable amount and assessed the accuracy of the historical data used by management as the basis of arriving at the estimated discounted future cash flows ("DCF");
- 2) Reviewed the engagement terms entered into with the independent valuer to ascertain if there were any matters that may have affected the valuer's objectivity or placed limitations in the scope of their work;
- 3) Evaluated the qualifications and competence of the independent valuer;
- 4) Considered the valuation methodologies adopted;
- 5) Tested the integrity of inputs of the projected cash flows used in the valuation;
- 6) Challenged the cash flow forecasts used with comparison to recent information, historical trend analysis; and
- 7) For key inputs used for the DCF such as discount rate and weighted costs of capital, ensured the valuer has taken into consideration the general market outlook for the relevant industry, including comparing against comparable listed companies.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Key audit matters

##### How the matter was addressed in the audit

#### 2. Independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY")

As stated in Note 31(b) and as announced by the Company on 7 December 2017, following the completion of EY report on their findings relating to the funds place with a finance company ("EY1 Report"), EY has completed its further investigation into the acquisition of MSN group, and has issued a report (the "EY2 Report") on its findings to the Company.

The Company's Board of Directors (the "Board") have reviewed the EY2 Report and have noted that EY has in their EY2 Report highlighted, among other things: (a) possible connections between Bright Reach International Limited and a former director of the Company, Hady Hartanto; and (b) possible connections between Hady Hartanto, Bright Reach International Limited and a finance company, Niaga Finance Company.

The Board adopted the EY2 Report and noted the findings highlighted in the same. To address these findings, the Board convened a Special Committee to seek legal advice, on the basis of the EY2 Report findings, in relation to (i) the continuing obligations (if any) of the Company under the Listing Rules and Companies Act, (ii) the extent of any damage caused to the Company arising from these matters that took place in the past under previous management; and (iii) the appropriate action (including any legal action if deemed appropriate) that the Company can reasonably take.

As announced on 1 February 2018, the Special Committee has appointed WongPartnership LLP ("WP LLP") as legal counsel to advise the Special Committee on the EY2 Report findings.

As at the date of this report, management informed that WP LLP's advisory work is still on-going and has yet to furnish the Board with any advice or report.

However, the Board based on their judgement is of the view that WP LLP advice would not have any significant financial impact on the Group's financial statements.

The details of the Board's critical judgement are as detailed in Note 3.1(c).

Our audit procedures included and were not limited to the following:

- 1) Inquired with the Board on the status of the legal advice from WP LLP;
- 2) Discussed with the Audit Committee and the Board on their views with respect to any material financial impacts on the financial statements;
- 3) Send circularization letter to WP LLP to inquire on the status of their legal advice, and
- 4) Obtained email confirmation from WP LLP on 3 August 2018 and was informed the following:
  - WP LLP has been appointed by the Company's Special Committee to provide legal advice in relation to the findings in the EY2 Report;
  - WP LLP is still in the process of obtaining the necessary documents to enable them to fully advise the Company on the findings in the EY2 Report. No formal opinion has been rendered to the Company's Special Committee yet; and
  - At present, WP LLP do not consider their appointment to advise on the findings in the EY2 Report to involve impending litigation or claim by or against, or a contingent liability of the Company.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Key audit matters

##### How the matter was addressed in the audit

### 3. Reversal of deferred expenditure

During the financial year, the Group reversed its entire deferred expenditure of approximately \$4.036 million (equivalent to USD\$3.0 million) and recognised the amount as "other income" (Note 5) in profit or loss account.

As stated in Note 21<sup>(3)</sup>, deferred expenditure as at 31 March 2017 relates to the outstanding purchase consideration amounting to approximately \$4.2 million (equivalent to US\$3.0 million) to be paid to Bright Reach International Limited upon the satisfaction of certain conditions stipulated in the sale and purchase agreement of the acquisition of the MSN group in 2011.

This finding is also being documented in EY2 Report as detailed in Point 2 above.

The Company subsequently sought legal advice from its legal counsel, WP LLP to substantiate management's basis of "time-barred" under the Limitation Act as reason for the reversal of this deferred expenditure.

The details of the Board's critical judgement are as detailed in Note 3.1(d).

Our audit procedures included and were not limited to the following:

- 1) Send circularization letter to WP LLP to inquire on their conclusion with respect to the legality for this reversal of deferred expenditure;
- 2) Obtained a copy of the letter from WP LLP containing their conclusion with respect to the legality for reversal of this deferred expenditure; and
- 3) Discussed with the Audit Committee and the Board on their final views with respect to the conclusion reached for the reversal of deferred expenditure after obtaining the legal counsel's conclusion.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Key audit matters

##### How the matter was addressed in the audit

#### 4. Recoverability of convertible loan to an external entity with interest of 7% per annum

As stated in Note 15<sup>(2)</sup>, the Company entered into an agreement (the "Subscription Agreement") with a Hong Kong incorporated company, JeeOne International Holding Limited ("JeeOne") on 18 September 2017 to subscribe for \$938k (equivalent of RMB 4.5 million) convertible notes with 7% interest per annum (payable every 6 months in advance).

On 19 September 2017, the Company remitted approximately \$891k [equivalent to USD 662,451.18 (being RMB 4.5 million net of 3.5% interest payable in advance)]. The objective of this convertible note is to enable JeeOne's 47.94% owned investee company in the People's Republic of China ("PRC") to go for Initial Public listing in Hong Kong.

On 18 March 2018, JeeOne defaulted its interest payment of \$33k (equivalent to RMB 158,794.52). After some internal deliberation, the Board on 12 July 2018 through a legal counsel in Hong Kong served a statutory demand letter to JeeOne for both the principal and interest of \$924k (equivalent to RMB 4,658,794.52). As stated in Note 30(g), the Company announced that after 3 weeks from 12 July 2018, the date of serving the statutory demand letter, the Company will present a winding up petition against JeeOne.

In view of this latest development, management made an allowance for impairment loss of \$938k (equivalent of RMB 4.5 million) as at 31 March 2018.

Our audit procedures included and were not limited to the following:

- 1) Inquired with the Audit Committee and the Board on the following:
  - Reason for not having an announcement for the convertible loan on 18 September 2017 to JeeOne;
  - Any financial due diligence being performed by the Board prior to entering into the Subscription Agreement;
  - Any Board's approval obtained prior to signing the Subscription Agreement and the disbursement of fund to JeeOne's investee company in PRC;
- 2) Obtained written explanation from the Board on the above queries;
- 3) Obtained management representation letter on the above assertion from management; and
- 4) Follow up with management on any payment from JeeOne up to the date the Board authorized the financial statements for issuance.

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF NGSC LIMITED

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

##### Key audit matters

##### How the matter was addressed in the audit

#### 5. Utilization of bank balances

As at 31 March 2018, the Group's bank balances stood at \$15.3 million down from \$23.1 million as at 31 March 2017.

Our audit procedures included and were not limited to the following:

As at 31 March 2018, total net assets stood at \$19.2 million with total cash and bank balances constituted to approximately 79.7% of total net assets.

1) In view of the statutory demand letter served on JeeOne as detailed in Point 4 above, we have highlighted to the Board and Audit Committee on the possible risks involved with respect to loans to external parties;

During the financial year, apart from the recurring operating expenses incurred for the Group's day to day operation, the Company has entered into the following agreements with external parties to better utilize its bank balances:

2) We have requested the Board and the Audit Committee to revisit their risk assessment with respect to loans to external parties;

1) Subscription Agreements entered with JeeOne as detailed in Point 4 above and Note 15<sup>(2)</sup>, which amounted to \$938k (equivalent to RMB 4.5 million);

3) We have enquired and the Board have reassured that all loans to external parties are entered into after careful due consideration with respect to credit risks and all required approval and financial due diligence have been appropriately performed before entering into contracts with all counter parties;

2) Loan agreement with Zhong Ping Trading Development Company Limited (incorporated in Hong Kong) and Mark Tam, with principal amount of \$3 million as announced on 27 April 2017 (Note 15<sup>(2)</sup>).

4) We have enquired and the Board has also assured that management is confident that Zhong Ping Trading Development Company Limited will be able to honor their debts when due on 16 August 2018; and

Subsequent to the financial year, a principal amount of \$1 million has been repaid to the Group, leaving a remaining balance of \$2 million plus interest which will be due on 16 August 2018, as detailed in Note 30(c).

5) We have advised the Board and the Audit Committee on the possibilities of the Group becoming a cash company and the Board has assured that management has taken this into consideration.



## **INDEPENDENT AUDITOR'S REPORT** (Cont'd)

### **TO THE MEMBERS OF NGSC LIMITED**

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### **Report on the Audit of the Financial Statements (cont'd)**

#### ***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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore, 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** (Cont'd)

### **TO THE MEMBERS OF NGSC LIMITED**

(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### **Report on the Audit of the Financial Statements (cont'd)**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 Mr Ong Kian Meng.

#### **RT LLP**

Public Accountants and  
Chartered Accountants

Singapore, 7 August 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000 (Restated) [Note 33.1]
<b>Revenue</b>	4	-	-
Other income	5	4,238	1,546
Administrative expenses		(1,538)	(3,961)
Other expenses		(30,454)	(37)
Share of profit / (loss) of joint ventures	12	231	(625)
<b>Loss before income tax</b>	6	(27,523)	(3,077)
Income tax credit / (expense)	8	723	(126)
<b>Loss for the financial year</b>		(26,800)	(3,203)
<b>Other comprehensive (loss) / income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Currency translation differences arising on consolidation		(328)	151
<b>Other comprehensive (loss) / income for the financial year, net of tax</b>		(328)	151
<b>Total comprehensive loss</b>		(27,128)	(3,052)
<b>Loss attributable to:</b>			
Equity holders of the Company		(26,781)	(3,203)
Non-controlling interests		(19)	-
		(26,800)	(3,203)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(27,109)	(3,052)
Non-controlling interests		(19)	-
		(27,128)	(3,052)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
- Basic	9	(0.4168)	(0.0510)
- Diluted	9	(0.4168)	(0.0510)

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

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	Group			Company	
		2018 \$'000	2017 \$'000 (Restated) [Note 33.1]	2016* \$'000 (Restated) [Note 33.1]	2018 \$'000	2017 \$'000
<b>Non-current assets</b>						
Property, plant and equipment	10	13	9	23	11	5
Goodwill	11	-	-	-	-	-
Investment in joint ventures	12	2,539	30,693	31,599	-	-
Investment in subsidiaries	13	-	-	-	26,584	57,918
		<b>2,552</b>	<b>30,702</b>	<b>31,622</b>	<b>26,595</b>	<b>57,923</b>
<b>Current assets</b>						
Trade receivables	14	-	-	-	-	-
Other receivables, deposits and prepayments	15	4,393	1,277	1,472	4,123	1,184
Amounts due from subsidiaries	16	-	-	-	712	-
Cash and bank balances	17	15,261	23,124	677	15,215	23,092
Derivative	18	499	-	-	-	-
Financial assets at fair value through profit or loss	19	-	-	24,645	-	-
		<b>20,153</b>	<b>24,401</b>	<b>26,794</b>	<b>20,050</b>	<b>24,276</b>
<b>Total assets</b>		<b>22,705</b>	<b>55,103</b>	<b>58,416</b>	<b>46,645</b>	<b>82,199</b>
<b>Current liabilities</b>						
Amounts due to subsidiaries	16	-	-	-	34,660	36,882
Trade payables	20	215	235	228	-	-
Other payables and accruals	21	2,487	7,056	7,538	1,460	1,819
Derivative	18	25	-	-	-	-
Income tax payable		818	1,639	1,470	-	-
		<b>3,545</b>	<b>8,930</b>	<b>9,236</b>	<b>36,120</b>	<b>38,701</b>
<b>Total liabilities</b>		<b>3,545</b>	<b>8,930</b>	<b>9,236</b>	<b>36,120</b>	<b>38,701</b>
<b>Net assets</b>		<b>19,160</b>	<b>46,173</b>	<b>49,180</b>	<b>10,525</b>	<b>43,498</b>
<b>Capital and reserves attributable to equity holders of the Company</b>						
Share capital	22	145,623	145,508	145,508	145,623	145,508
Treasury shares	23	(1,219)	(1,219)	(1,219)	(1,219)	(1,219)
Capital reserve	24	(169)	(169)	(169)	(169)	(169)
Currency translation reserve		1,552	1,880	1,729	-	-
Accumulated losses		(126,653)	(99,872)	(96,669)	(133,710)	(100,622)
Non-controlling interests		26	45	-	-	-
<b>Total equity</b>		<b>19,160</b>	<b>46,173</b>	<b>49,180</b>	<b>10,525</b>	<b>43,498</b>

\* As at 31 March 2016 and 1 April 2016

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Currency translation reserve <sup>(1)</sup> \$'000	Accumulated losses \$'000 (Restated) [Note 33.1]	Non-controlling interests \$'000	Total \$'000
Balance at 01.04.2016	145,508	(1,219)	(169)	1,729	(96,669)	-	49,180
Loss for the financial year	-	-	-	-	(3,203)	-	(3,203)
<b>Other comprehensive income for the financial year, net of tax:</b>							
- Currency translation difference arising on consolidation	-	-	-	151	-	-	151
Total comprehensive (loss) / income for the financial year	-	-	-	151	(3,203)	-	(3,052)
Incorporation of a subsidiary	-	-	-	-	-	45	45
Balance at 31.03.2017	145,508	(1,219)	(169)	1,880	(99,872)	45	46,173
Loss for the financial year	-	-	-	-	(26,781)	(19)	(26,800)
<b>Other comprehensive loss for the financial year, net of tax:</b>							
- Currency translation difference arising on consolidation	-	-	-	(328)	-	-	(328)
Total comprehensive loss for the financial year	-	-	-	(328)	(26,781)	(19)	(27,128)
Grant of shares awards (Note 22)	115	-	-	-	-	-	115
<b>Balance at 31.03.2018</b>	<b>145,623</b>	<b>(1,219)</b>	<b>(169)</b>	<b>1,552</b>	<b>(126,653)</b>	<b>26</b>	<b>19,160</b>

Note:

<sup>(1)</sup> Currency translation reserve

The 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.

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 01.04.2016	145,508	(1,219)	(169)	(98,751)	45,369
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(1,871)	(1,871)
Balance at 31.03.2017	145,508	(1,219)	(169)	(100,622)	43,498
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(33,088)	(33,088)
Grant of shares awards (Note 22)	115	-	-	-	115
<b>Balance at 31.03.2018</b>	<b>145,623</b>	<b>(1,219)</b>	<b>(169)</b>	<b>(133,710)</b>	<b>10,525</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000 (Restated) [Note 33.2]
<b>Cash flows from operating activities</b>			
Loss before income tax		(27,523)	(3,077)
Adjustments for:			
Impairment loss on investment in joint ventures	12	28,617	-
Impairment loss on other receivables	15	1,318	-
Depreciation of property, plant and equipment	10	9	15
Share of (profit) / loss of joint ventures	12	(231)	625
Fair value loss on derivative financial instrument	6	207	-
Reversal of deferred expenditure	5	(4,036)	-
Fair value gain in financial assets designated as at fair value through profit or loss	19	-	(449)
Unrealised currency translation (gain) / loss		(731)	141
Total adjustments		25,153	332
<b>Operating cash flows before changes in working capital</b>		(2,370)	(2,745)
<u>Changes in working capital</u>			
Other receivables, deposits and prepayments		(237)	56
Trade payables		-	2
Other payables and accruals		(133)	340
Financial assets at fair value through profit or loss		-	(754)
Total changes in working capital		(370)	(356)
<b>Net cash used in operating activities</b>		(2,740)	(3,101)
<b>Cash flows from investing activities</b>			
Proceeds from issuance of ordinary shares in a newly incorporated subsidiary to non-controlling interest		-	45
Deposits placed with broker for margin calls	18	(679)	-
Redemption of convertible notes		-	25,848
Purchase of property, plant and equipment	15	(14)	-
Other receivables		(3,980)	-
<b>Net cash (used in) / generated from investing activities</b>		(4,673)	25,893
<b>Cash flows from financing activities</b>			
Other payables and accruals		(448)	(346)
<b>Net cash used in financing activities</b>		(448)	(346)

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000 (Restated) [Note 33.2]
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(7,861)</b>	22,446
Cash and cash equivalents at beginning of financial year		23,124	677
Effect of exchange rate changes on cash and cash equivalents		(2)	1
<b>Cash and cash equivalents at end of financial year</b>	17	<b>15,261</b>	23,124

### Reconciliation of liabilities arising from financing activities

	1 April 2017 \$'000	Cashflows \$'000	Non-cash changes Foreign exchange impact \$'000	31 March 2018 \$'000
Director related company (Note 21)	473	-	(30)	443
Third parties (Note 21)	750	(448)	13	315

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

## 1 General information

NGSC Limited (the “Company” or “NGSC”) formerly known as Next Generation Satellite Communications Limited is a limited liability company domiciled and incorporated in Singapore and is listed on the Main Board of the Singapore Exchange Securities Trading Limited. The address of the Company’s registered office is at 30 Raffles Place, #19-04 Chevron House, Singapore 048622 and its principal place of business is at 96 Robinson Road, #12-04 SIF Building, Singapore 068899.

With effect from 5 December 2017, the name of the Company was changed from Next-Generation Satellite Communications Limited to NGSC Limited.

The controlling shareholder of the Company is Telemedia Pacific Group Limited, incorporated in the British Virgin Islands.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar (\$), which is the Company’s functional currency and all values are rounded to the nearest thousand (\$’000). The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a high degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.1 Basis of preparation (cont'd)

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

#### Interpretations and amendments to published standards effective in 2018

On 1 April 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

#### FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows.

#### 2.2 New or revised accounting standards and interpretation

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective, and have not been early adopted in these financial statements:

Description	Effective for annual periods beginning on or after
Improvements to FRSs (December 2016)	
- Amendments to FRS 28: <i>Investments in Associates and Joint Venture</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
FRS 115: <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109: <i>Financial Instruments</i>	1 January 2018
FRS 116: <i>Leases</i>	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.2 New or revised accounting standards and interpretation (cont'd)

Management anticipates that the adoption of the above standards in the future periods will not have a material impact to the Group's accounting policies in the period of their initial adoption except for possibly FRS 109, FRS 115 and FRS 116. Management is currently still evaluating the potential impact of the application of FRS 109, FRS 115 and FRS 116, if any, on the financial statements of the Group and of the Company in the period of their initial application.

The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115, and FRS 116 are described below.

#### FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- (i) Rights of return – FRS 115 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation; and
- (ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.2 New or revised accounting standards and interpretation (cont'd)

##### *FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)*

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale ("AFS") financial assets would appear to satisfy the conditions for classification as at fair value through OCI and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity investments currently measured at fair value through profit or loss which would likely to continue to be measured on the same basis under FRS 109; and
- debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS 109.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of FRS 109. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.2 New or revised accounting standards and interpretation (cont'd)

##### *FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018) (cont'd)*

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

##### *FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)*

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$81,000 (Note 25). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

Business combinations are accounted for using the acquisition method.

Under the acquisition method, the consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any 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 fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.6 to the financial statements.

Non-controlling interests are part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

## **NOTES TO THE FINANCIAL STATEMENTS** (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### **2 Summary of significant accounting policies (cont'd)**

#### **2.3 Basis of consolidation (cont'd)**

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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 (i.e. transactions with owner in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

#### **2.4 Investment in subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

#### **2.5 Joint venture (Equity - accounted investees)**

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.5 Joint venture (Equity - accounted investees) (cont'd)

Subsequent to initial recognition, the Group's share of its joint ventures' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from joint ventures are adjusted against the carrying amount of the investment. When the Group's share of losses in joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

The most recently available financial statements of the equity-accounted investees are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting year.

As stated in Note 33.1, adjustments are made to align the accounting policies with those of the Group.

Upon loss of joint control over the joint venture, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### 2.6 Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.6 Goodwill (cont'd)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of joint venture is described in Note 2.5 to the financial statements.

#### 2.7 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

	No. of years
Leasehold improvement	2 to 5
Universal Service Obligation ("USO") Equipment	2 to 10
Plant & equipment	2 to 5

The estimated useful lives and depreciation method of property, plant & equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

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

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.8 Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 2.9 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables and deposits" (excluding prepayments), "amounts due from subsidiaries" and "cash and bank balances" on the statements of financial position.

(ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.9 Financial assets (cont'd)

(ii) Financial assets at fair value through profit or loss (cont'd)

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the statement of financial position date.

*Initial recognition and measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction cost for financial assets at fair value through profit or loss are recognised immediately as an expense in profit or loss.

*Subsequent measurement*

Subsequent to initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

*Impairment*

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

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.9 Financial assets (cont'd)

##### *Impairment (cont'd)*

##### (i) Loans and receivables (cont'd)

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

#### 2.10 Derivative financial instruments and hedging activities

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational and financing activities. Derivative financial instruments are not used for trading purpose. Derivatives that do not meet the criteria for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in statement of comprehensive income.

#### 2.11 Financial liabilities

The Group's financial liabilities include "trade payables", "other payables and accruals" (excluding deferred expenditure) and "amounts due to subsidiaries". Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the contractual obligation under the liability is discharged or cancelled or expires. Gains and losses are recognised in profit or loss when the liabilities are derecognised through the amortisation process.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS** (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### **2 Summary of significant accounting policies (cont'd)**

#### **2.12 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits with financial institutions which are readily convertible to a known amount of cash and subject to an insignificant risk of change in value and excludes pledged deposits.

#### **2.13 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

#### **2.14 Share capital and treasury shares**

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.

When ordinary shares are reacquired ("treasury shares"), the amount of consideration paid including any directly attributable incremental costs is recognised directly in equity, until they are cancelled, sold or reissued. When treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company, if the shares are purchased out of earnings of the Company. When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

#### **2.15 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

Interest income is recognised using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.16 Leases

When a Group entity is the lessee:

##### *Operating leases*

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 2.17 Employee benefits

##### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund ("CPF"), and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

##### *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

##### *Performance Share Scheme*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered.

The Group has in place, the Next-Generation Satellite Communications Performance Share Scheme for awarding of fully paid ordinary shares to group employees, when and after pre-determined performance targets are accomplished and/or when due recognition should be given to any good work performance and/or any significant contribution to the Group.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company. This cost is recognised in profit or loss as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.17 Employee benefits (cont'd)

##### Performance Share Scheme (cont'd)

When the awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued. When treasury shares are issued upon exercise of awards, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to capital reserve.

#### 2.18 Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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 currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.19 Functional and foreign currencies

##### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the Company’s functional currency.

##### *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

##### *Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group’s presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the currency translation reserve.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.19 Functional and foreign currencies (cont'd)

##### *Translation of Group entities' financial statements (cont'd)*

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

#### 2.20 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 statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

#### 2.21 Segment reporting

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

#### 2.22 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at the end of the reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

#### 2.23 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or Company or to the parent of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 3 Critical accounting judgments and key sources of estimation uncertainty

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Critical judgment in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2 to the financial statements, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

a) Investment in joint venture

The Group holds 55% of the issued shares in its joint arrangement, HUH Broadband Communication Company Limited [Formerly known as Hughes UnifiedNet Holding (China) Company Limited] ("HUH") (Note 12). The Group has joint control over this arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreements for all relevant activities. Management has considered that the joint arrangement is structured as a limited company and provides the Group and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Accordingly, this arrangement is classified as an investment in joint venture.

The Group through its investment in NGSC Capital Pte. Ltd. holds 50% of the issued shares in its joint arrangement, Indo EM Growth Fund GP Holdings Limited. The Group has joint control over this arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreements for all relevant activities. Management has considered that the joint arrangement is structured as a limited company and provides the Group and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Accordingly, this arrangement is classified as an investment in joint venture.

b) Investment in subsidiary

The Company holds 50% of the issued shares in its subsidiary, NGSC Capital Pte. Ltd. ("NGSC Capital"), which in turns holds 100% of the issued shares in NGSC Investment Limited and NGSC Capital Limited (Note 12). The Company has control over these subsidiaries as under the contractual agreement, the Company holds majority voting power over the non-controlling interest for all relevant activities. Management has assessed the equity interest held in NGSC Investment Limited and NGSC Capital Limited equate to "control being achieved" with respect to:

- Power over the investee;
- Is exposed, or has right, to variable returns from its involvement with the investee and;
- Has the ability to use its power to affect its returns.

Accordingly, this arrangement is classified as an investment in subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 3 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

#### 3.1 Critical judgment in applying the Group's accounting policies (cont'd)

c) Independent investigation by Ernst & Young Advisory Pte. Ltd.

As stated in Note 31(b) and as announced by the Company on 7 December 2017, following the completion of EY report on their findings relating to the funds place with a finance company ("EY1 Report"), EY has completed its further investigation into the acquisition of MSN group, and has issued a report (the "EY2 Report") on its findings to the Company.

The Board adopted the EY2 Report and noted the findings highlighted in the same. To address these findings, the Board convened a Special Committee to seek legal advice, on the basis of the EY2 Report findings, in relation to (i) the continuing obligations (if any) of the Company under the Listing Rules and Companies Act, (ii) the extent of any damage caused to the Company arising from these matters that took place in the past under previous management; and (iii) the appropriate action (including any legal action if deemed appropriate) that the Company can reasonably take.

The Special Committee has appointed WongPartnership LLP ("WP LLP") as legal counsel to advise the Special Committee on the EY2 Report findings.

As at the date of this report, management informed that WP LLP's advisory work is still on-going and has yet to furnish the Board with any advice or report.

However, the Board based on their judgement is of the view that WP LLP advice would not have any significant financial impact on the Group's financial statements due to the following reasons:

1. WP LLP is not carrying out any investigation nor is their legal advice will lead to EY carrying further investigation;
2. As at 31 March 2018, all the relevant assets under MSN group has been fully impaired and the Board, based on their judgement, is of the view that in the event of any financial impact, the impact would be insignificant to the Group.

d) Reversal of Deferred Expenditure

As stated in Note 21<sup>(3)</sup>, deferred expenditure as at 31 March 2017 relates to the outstanding purchase consideration amounting to approximately \$4.2 million (equivalent to US\$3.0 million) to be paid to Bright Reach International Limited upon the satisfaction of certain conditions stipulated in the sale and purchase agreement of the acquisition of the MSN group in 2011.

The Company subsequently sought legal advice from its legal counsel, WP LLP to substantiate management's basis of "time-barred" under the Limitation Act as reason for the reversal of this deferred expenditure.

As at the date of this report, the Board had based on their judgement, accepted WP LLP legal advice that the claim from Bright Reach International Limited is now time-barred given that it is more than 6 years from 21 May 2010.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 3 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

#### 3.1 Critical judgment in applying the Group's accounting policies (cont'd)

d) Reversal of Deferred Expenditure (cont'd)

Accordingly, the Group reversed its entire deferred expenditure and recognised an amount of \$4.036 million (equivalent to US\$3.0 million) [2017: \$4.159 million (equivalent to US\$3.0 million)] as other income in profit or loss [Note 5].

#### 3.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Thus resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable, except for goodwill in which the Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Further details of the key assumptions applied in the impairment assessment of goodwill, investment in joint ventures and investment in subsidiaries and its carrying amounts are disclosed in Note 11, 12 and 13 respectively to the financial statements.

The carrying amount of property, plant and equipment is disclosed in Note 10.

(b) Impairment of trade receivables and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically reviews its loans and receivables and analyse historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 3 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

#### 3.2 Critical accounting estimates and assumptions (cont'd)

(b) Impairment of trade receivables and other receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables and other receivables at the end of the reporting period is disclosed in Notes 14 and 15 to the financial statements respectively. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and other receivables, as well as trade receivables and other receivables balance at the end of the reporting period will be affected accordingly.

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement and estimation is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has not recognised any additional tax liability on these uncertain tax positions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's and the Company's income tax payable as at 31 March 2018 is \$0.8 million and Nil (2017: \$1.64 million and Nil) respectively.

The Group has unutilised tax losses amounting to approximately \$4.85 million (2017: \$4.85 million) [Note 8]. These losses relate to the Company and certain subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax asset.

### 4 Revenue

No revenue has been generated during the current and previous financial year as the Group's interest income from its convertible notes has ceased following its redemption on 2 November 2016 (Note 19).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 5 Other income

	Group	
	2018	2017
	\$'000	\$'000
Interest income	178	-
Currency exchange gain - net	-	332
Interest income on late settlement of convertible notes redemption	-	763
Reversal of deferred expenditure (Note 21)	4,036	-
Fair value gain in financial assets designated as at fair value through profit or loss	-	449
Others	24	2
	<b>4,238</b>	<b>1,546</b>

### 6 Loss before income tax

Loss before income tax is arrived at after charging / (crediting):

	Group	
	2018	2017
	\$'000	\$'000
Impairment loss on other receivables (Note 15)	1,318	-
Impairment loss on investment in joint ventures (Note 12)	28,617	-
Audit fees		
- auditors of the Company - current year	100	110
- other auditors of the Company - over provision in prior year <sup>(1)</sup>	-	(114)
- other auditors of subsidiaries - current year	29	61
Depreciation of property, plant and equipment (Note 10)	9	15
Operating lease expenses	86	103
Employee benefits expense (Note 7)	642	870
Legal and professional expenses	129	2,295
Fair value loss on derivative financial instrument	207	-

<sup>(1)</sup> This relates to underprovision of audit fee of \$245K in 2015 for 2014, payable to predecessor auditors of the Company in 2013.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 7 Employee benefits expense

	Group	
	2018	2017
	\$'000	\$'000
Directors' remuneration (including Performance Share Scheme):		
- directors of holding company		
- salaries and allowance	354	577
- directors of subsidiaries	-	16
	<b>354</b>	<b>593</b>
Key management personnel (non-director)		
- salaries and allowance	132	124
- employer's contributions to defined contribution plans	12	29
	<b>144</b>	<b>153</b>
Total compensation of key management personnel [Note 26(c)]	<b>498</b>	746
Other personnel		
- salaries and allowance	115	124
- employer's contributions to defined contribution plans	29	-
	<b>144</b>	<b>124</b>
Total employee benefits expense (Note 6)	<b>642</b>	870

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

### 8 Income tax (credit) / expense

Income tax (credit) / expense attributable to loss for the financial year is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Income tax		
- current	-	126
- over provision in prior year	(723)	-
	<b>(723)</b>	<b>126</b>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 8 Income tax (credit) / expense (cont'd)

A reconciliation of the income tax expense and the accounting losses multiplied by the statutory rate is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Loss before tax	<u>(27,523)</u>	(3,077)
Income tax credit at the statutory rate of 17% (2017: 17%)	(4,679)	(523)
Effects of:		
- Non-deductible expenses	4,902	420
- Income not subject to tax	(1,399)	(104)
- Different tax rates in different countries	(38)	(4)
- Deferred tax asset not recognised	-	4
- Losses disallowed	1,214	333
- Over provision in prior year	(723)	-
Income tax (credit) / expense	<u>(723)</u>	126

The Group has unused tax losses of approximately \$4.85 million (2017: \$4.85 million) for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of this balance is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation. The tax losses have no expiry date.

### 9 Loss per share

	Group	
	2018	2017
	\$'000	\$'000
The calculation of loss per share is based on the following:		(Restated) [Note 33.1]
Loss attributable to the equity holders of the Company	<u>(26,781)</u>	(3,203)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	<u>6,424,736</u>	6,386,336
Loss per share attributable to equity holders of the Company (cents per share):		
- Basic	(0.4168)	(0.0510)
- Diluted	<u>(0.4168)</u>	(0.0510)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 10 Property, plant and equipment

Group	Leasehold Improvement \$'000	USO equipment \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>				
Balance at 1.4.2016	321	5,411	630	6,362
Translation differences on consolidation	10	169	-	179
Balance at 31.3.2017	331	5,580	630	6,541
Additions	5	-	9	14
Translation differences on consolidation	(19)	(509)	(1)	(529)
Balance at 31.3.2018	<b>317</b>	<b>5,071</b>	<b>638</b>	<b>6,026</b>
<b>Accumulated depreciation</b>				
Balance at 1.4.2016	308	5,408	623	6,339
Charge for the financial year (Note 6 & 27)	11	1	3	15
Translation differences on consolidation	10	168	-	178
Balance at 31.3.2017	329	5,577	626	6,532
Charge for the financial year (Note 6 & 27)	2	1	6	9
Translation differences on consolidation	(19)	(508)	(1)	(528)
Balance at 31.3.2018	<b>312</b>	<b>5,070</b>	<b>631</b>	<b>6,013</b>
<b>Carrying amount</b>				
At 31.3.2017	2	3	4	9
At 31.3.2018	<b>5</b>	<b>1</b>	<b>7</b>	<b>13</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 10 Property, plant and equipment (cont'd)

	Leasehold Improvement \$'000	Plant and equipment \$'000	Total \$'000
<b>Company</b>			
<b>Cost</b>			
Balance at 1.4.2016 and 31.3.2017	41	43	84
Additions	5	9	14
Balance at 31.3.2018	<b>46</b>	<b>52</b>	<b>98</b>
<b>Accumulated depreciation</b>			
Balance at 1.4.2016	28	36	64
Charge for the financial year	12	3	15
Balance at 31.3.2017	40	39	79
Charge for the financial year	2	6	8
Balance at 31.3.2018	<b>42</b>	<b>45</b>	<b>87</b>
<b>Carrying amount</b>			
At 31.3.2017	1	4	5
At 31.3.2018	<b>4</b>	<b>7</b>	<b>11</b>

### 11 Goodwill

	2018 \$'000	Group	2017 \$'000
<b>Cost:</b>			
Balance at beginning	-		-
Impairment loss on goodwill	-		-
Balance at beginning and end of the financial year	<b>-</b>		<b>-</b>

#### *Impairment testing for goodwill*

Total goodwill which amounted to \$0.735 million is made up of \$0.485 million and \$0.25 million of goodwill arising from acquisition of the entire issued and paid-up capital of Arch Capital Limited and Hillgo Asia Limited respectively during the financial year ended 31 March 2014 ("FY2014").

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 11 Goodwill (cont'd)

#### *Impairment testing for goodwill (cont'd)*

In the financial year ended 31 March 2016 ("FY2016"), in view of the impending redemption of the convertible notes (see Note 19) which the goodwill was attached, management did an impairment assessment of the recoverable amount of convertible note and goodwill by using a discounted cash flow method. An impairment loss of \$0.735 million was recognised for the goodwill as management do not foresee any increase in face value of the convertible note which would generate sufficient cash flows to cover the carrying amount of goodwill. The impairment assessment was based on fair value less cost of disposal and was measured at Level 3 of the fair value hierarchy.

The key assumptions to the Level 3 fair value measurement were as follows:

- (i) Historical share price of the issuer which amounted to HK\$ 0.39, HK\$ 0.425 and HK\$ 0.206 as at 31 March 2016, 2015 and 2014 respectively for the past 3 years;
- (ii) Cash flows from the redemption of the convertible notes over a period of 7 months.

The convertible notes and the goodwill belongs to the corporate segment.

No growth rate and discount rate were used as the convertible notes were due for redemption within one year.

#### Background information

##### a) Arch Capital Limited ("Arch")

In FY2014, the Company completed the acquisition of 100% of the entire issued and paid-up share capital of Arch from Tako Secretaries Limited, through the agreement with Niaga [Note 15<sup>(3)</sup>] for a purchase consideration of approximately \$15.8 million (equivalent to HK\$95 million). Upon completion of the acquisition, Arch became a wholly owned subsidiary of the Group.

The acquisition was deemed to have been completed on 2 July 2013.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 11 Goodwill (cont'd)

#### Background information (cont'd)

a) Arch Capital Limited ("Arch") (cont'd)

The attributable fair values of the identifiable assets and liabilities of Arch as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition \$'000</b>
Trade receivables (Note 19)	267
Financial assets at fair value through profit or loss (Note 19) – Fair value as at 2 July 2013	15,140
Provision for income tax (Note 19)	(44)
	<hr/>
Total net identifiable assets at fair value	15,363
	<hr/>
<u>Consideration transferred for the acquisition of Arch</u>	
Cash paid – through convertible note (Note 19)	15,848
	<hr/>
<u>Goodwill</u>	
Consideration transferred	15,848
Less: total net identifiable assets at fair value	(15,363)
	<hr/>
Goodwill arising from acquisition of Arch	485
	<hr/>

#### Goodwill arising from acquisition

The goodwill of approximately \$0.485 million was attributed mainly to the fair valuation of the convertible note acquired upon completion of the acquisition on 2 July 2013.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 11 Goodwill (cont'd)

#### Background information (cont'd)

#### b) Hillgo Asia Limited ("Hillgo")

In FY2014, the Company completed the acquisition of 100% of the entire issued and paid-up share capital of Hillgo from Tako Secretaries Limited, through the agreement with Niaga [Note 15<sup>(3)</sup>] for a purchase consideration of approximately \$8.2 million (equivalent to HK\$49 million). Upon completion of the acquisition, Hillgo became a wholly owned subsidiary of the Group.

The acquisition was deemed to have been completed on 2 July 2013.

The attributable fair value of the identifiable assets and liabilities of Hillgo as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition \$'000</b>
Trade receivables (Note 19)	137
Financial assets at fair value through profit or loss (Note 19) – Fair value as at 2 July 2013	7,809
Provision for income tax (Note 19)	(22)
	<hr/>
Total net identifiable assets at fair value	7,924
	<hr/>
<u>Consideration transferred for the acquisition of Hillgo</u>	
Cash paid – through convertible note (Note 19)	8,174
	<hr/>
<u>Goodwill</u>	
Consideration transferred	8,174
Less: total net identifiable assets at fair value	(7,924)
	<hr/>
Goodwill arising from acquisition of Hillgo	250
	<hr/>

#### Goodwill arising from acquisition

The goodwill of approximately \$0.25 million was attributed mainly to the fair valuation of the convertible note acquired upon completion of the acquisition on 2 July 2013.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 12 Investment in joint ventures

	Group	
	2018	2017
	\$'000	\$'000
		(Restated)
		[Note 33.1]
Unquoted equity shares, at cost	52,130	52,130
Increase during the year	32	-
Group's share of post-acquisition losses	(3,398)	(3,629)
Accumulated impairment loss	(46,139)	(17,522)
Currency alignment	(86)	(286)
	<b>2,539</b>	<b>30,693</b>

The movement in accumulated impairment loss is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Balance at beginning of the financial year	17,522	17,522
Charge for the financial year (Note 6 & 27)	28,617	-
Balance at end of the financial year	<b>46,139</b>	<b>17,522</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 12 Investment in joint ventures (cont'd)

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

Name of companies	Principal activities	Country of incorporation / place of business	Proportion of ownership interests	
			2018 %	2017 %
<b><i>Held through China UnifiedNet Holdings Limited</i></b>				
HUH Broadband Communication Company Limited ("HUH") <sup>(1)</sup> [Formerly known as Hughes UnifiedNet Holding (China) Company Limited] [Note 30(e)]	Investment holding and trading of satellite communication system devices	Hong Kong SAR	55	55
<b><i>Held through HUH</i></b>				
HughesNet China Company Limited ("HNC") <sup>(1) (2)</sup>	Development of internet and satellite communication system technology and trading in satellite communication system devices	People's Republic of China	55	55
<b><i>Held through HNC</i></b>				
Beijing China Satcom Unified Network Systems Technology Co., Ltd. <sup>(1)</sup>	Development of internet and computer technology	People's Republic of China	55	55
<b><i>Held through NGSC Capital Limited</i></b>				
Indo EM Growth Fund GP Holdings Limited ("Indo EM Holdings") <sup>(1)</sup>	Investment holding	Cayman Islands	50	-

<sup>(1)</sup> Audited by RT LLP, Singapore, for the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 March 2018

<sup>(2)</sup> Audited by Beijing Huiyun Accounting Firm Co Limited for local statutory reporting

The Company's 100% owned subsidiary, China UnifiedNet Holdings Limited ("CUH"), which holds 55% of the issued shares in HUH Broadband Communication Company Limited ("HUH"). HUH in turns holds two wholly owned subsidiaries, namely HughesNet China Company Limited ("HNC") and Beijing China Satcom Unified Network Systems Technology Co., Ltd. ("BUN") (collectively "HUH Group").



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 12 Investment in joint ventures (cont'd)

During the current financial year, the Company's 55% owned subsidiary, NGSC Capital Pte. Ltd. through its wholly-owned subsidiary NGSC Capital Limited has entered into a shareholders' agreement with One Belt One Road Opportunity Ltd. to jointly incorporate a company in the Cayman Islands under the name of Indo EM Growth Fund GP Holdings Limited ("Indo EM Holdings"). Indo EM Holdings which in turns holds 100% of the issued shares in Indo EM Growth Fund GP Limited ("Indo EM Fund").

On 5 February 2018, NGSC Capital Pte. Ltd. has divested its shareholding of 1 ordinary share in Indo EM Fund representing 100% of the issued and paid up capital of Indo EM Fund to Indo EM Holdings at a consideration of US\$0.01, on the basis of the book value of the 1 ordinary share in Indo EM Fund of US\$0.01. Following the divestment, Indo EM Fund ceased to be a subsidiary of the Company.

#### Impairment review of investment in joint ventures

During the financial year ended 31 March 2016 ("FY2016") and 2017 ("FY2017"), the Group did not carry out a review of the recoverable amount of its investment in HUH Group as management was of the view that there was no indication of impairment.

During the current financial year, management performed an impairment test for the investment in HUH Group as this joint venture was in a loss-making position. The recoverable amount of the investment in HUH Group has been computed based on a combination of fair value ("FV") less costs of disposal and value in use of the investment in joint venture using the estimated discounted future cash flows ("DCF") projection method.

The DCF is based on management financial budget approved by the Board covering a 5 years period. The use of the DCF involves significant judgement in the forecast projection of sales and operating cash flows for the next five years. The DCF model also include assumption on terminal growth rate and weighted cost of capital ("WACC").

An impairment loss of \$28.6 million was recognised in current financial year to write down the carrying amount of this joint venture to its recoverable amount of \$2.507 million.

#### Sensitivity analysis

The key assumptions used in the value-in-use calculations is WACC at 13.72%

Had the actual results varied from the management's estimation, the estimated recoverable amount of the investment and the impairment charge would be as follows:

	<b>Estimated recoverable amount \$'000</b>	<b>(Decrease) / increase in impairment charge \$'000</b>
1% higher than the management's projection	2,474	82
1% lower than the management's projection	2,593	(86)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 12 Investment in joint ventures (cont'd)

HUH Group is considered a jointly controlled entity as there is contractually agreed sharing of joint control over the economic activity of the entity with HughesNet China Company Limited as well as the strategic financial and operational decisions relating to the activity would require the unanimous consent of both parties that are sharing the control (Note 3.1).

The joint ventures's financial year end is 31 December, which is not co-terminus with the Group's financial year end of 31 March. Audited financial statements of HNC and management accounts of BUN and HUH of the joint ventures for its financial year ended 31 December 2017 had been used in equity accounting for the Group's share of results.

During the current financial year, the Group has adjusted the financial statement of the joint venture relating to financial year ended 31 December 2017 in line with the financial year of the Group for the share of results of the joint ventures (Note 33.1).

The following table summarises the financial information of the Group's material joint venture, HUH Group based on its financial statements prepared in accordance FRS as well as to analysis, in aggregate, the carrying amounts of the Group's immaterial joint venture, Indo EM Holdings, which are not equity for using the equity method. In addition, the table below also show a reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in the joint ventures.

	HUH Group	Indo EM Holdings	2018 \$'000	HUH Group 2017 \$'000 (Restated) [Note 33.1]
<b>Summarised statement of comprehensive income</b>				
Revenue	140,610	-	140,610	38,037
Profit / (Loss) after tax	420	(4)	416	(1,136)
Total comprehensive income / (loss)	420	(4)	416	(1,136)
Amortisation of intangible assets	(1,080)	-	(1,080)	(1,086)
Depreciation of property, plant and equipment	(114)	-	(114)	(116)
<b>Summarised statement of financial position</b>				
Non-current assets	2,483	-	2,483	3,599
Current assets	16,714	68	16,782	4,308
Current liabilities	(23,019)	(4)	(23,023)	(12,213)
Total equity attributed to the equity holders of the Company	(3,822)	64	(3,758)	(4,306)

Included in the summarised statement of financial position are cash and cash equivalents amounting to \$0.24 million (2017: \$0.57 million) for the financial year ended 31 March 2018.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 12 Investment in joint ventures (cont'd)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

			HUH Group	
			2018	2017
			\$'000	\$'000
	HUH Group	Indo EM Holdings	Total	
Group's share of net (liabilities) / assets based on proportion of ownership interest	(2,102)	32	(2,070)	(2,368)
Goodwill on acquisition	51,077	-	51,077	51,077
Accumulated impairment loss	(46,139)	-	(46,139)	(17,522)
Translation differences on consolidation	(329)	-	(329)	(494)
Balance at end of the financial year	<b>2,507</b>	<b>32</b>	<b>2,539</b>	30,693

### 13 Investment in subsidiaries

	Company	
	2018	2017
	\$'000	\$'000
Unquoted equity shares, at cost	65,725	65,670
Addition during the financial year	-	55
Accumulated impairment loss	(39,141)	(7,807)
Balance at end of the financial year	<b>26,584</b>	57,918

The movement in accumulated impairment loss is as follows:

	Company	
	2018	2017
	\$'000	\$'000
Balance at beginning of the financial year	7,807	7,807
Charge for the financial year	31,334	-
Balance at end of the financial year	<b>39,141</b>	7,807

#### Impairment review of investment in subsidiaries

During the financial year ended 31 March 2016 ("FY2016") and 2017 ("FY2017"), the Group did not carry out a review of the recoverable amount of its investment in its subsidiary, China UnifiedNet Holdings Limited ("CUH") with carrying value amounted to \$33.8 million (after deducting impairment loss of \$7.78 million) as management is of the view that there is no indication of impairment.

During the current financial year, management performed an impairment test for the investment in CUH as this subsidiary was in a loss-making position. The recoverable amount of the investment in CUH has been computed based on a combination of fair value ("FV") less costs of disposal and value in use of the investment in joint venture using the estimated discounted future cash flows ("DCF") projection method.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 13 Investment in subsidiaries (cont'd)

#### Impairment review of investment in subsidiaries (cont'd)

The DCF is based on management financial budget approved by the Board covering a 5 years period. The use of this DCF involves significant judgement in the forecast projection of sales and operating cash flows for the next five years. The DCF model also include assumption on terminal growth rate and weighted cost of capital ("WACC").

An impairment loss of \$31.3 million was recognised in current financial year to write down the carrying amount of this subsidiary to its recoverable amount of \$2.507 million.

#### Sensitivity analysis

The key assumptions used in the value-in-use calculations is WACC at 13.72%

Had the actual results varied from the management's estimation, the estimated recoverable amount of the investment and the impairment charge would be as follows:

	Estimated recoverable amount \$'000	(Decrease) / increase in impairment charge \$'000
1% higher than the management's projection	2,474	82
1% lower than the management's projection	2,593	(86)

Name of companies	Principal activities	Country of incorporation / place of business	Proportion of ownership interest	
			2018 %	2017 %
Ban Joo Global Pte Ltd <sup>(1)</sup>	Investment holding	Singapore	100	100
Fortknox Global Pte Ltd <sup>(1)</sup>	Dormant	Singapore	100	100
Telemedia Pacific Communications Pte Ltd <sup>(1)</sup>	Investment holding and provision of connectivity services	Singapore	100	100
VIP (HK) Ltd ("VIP HK") <sup>(2)(5)</sup>	Investment holding and satellite telecommunications related sales and services rendering	Hong Kong SAR	100	100
China UnifiedNet Holdings Limited <sup>(3)(5)</sup>	Investment holding	British Virgin Islands	100	100
Arch Capital Limited <sup>(3)(5)</sup>	Holder of convertible note	British Virgin Islands	100	100
Hillgo Asia Limited <sup>(3)(5)</sup>	Holder of convertible note	British Virgin Islands	100	100

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 13 Investment in subsidiaries (cont'd)

Name of companies	Principal activities	Country of incorporation / place of business	Proportion of ownership interest	
			2018 %	2017 %
NGSC Investment Management Pte Ltd <sup>(5)(6)</sup>	Investment holding	Singapore	100	100
NGSC Capital Pte. Ltd. <sup>(1)(5)</sup>	Investment holding	Singapore	55	55
<b><i>Held through VIP (HK) Ltd</i></b>				
Multi Bright (HK) Ltd <sup>(2)(5)</sup>	Investment holding	Hong Kong SAR	100	100
Star Light Telemedia DC Limited ("SLTL") <sup>(2)(5)</sup>	Provision of data centre services	Hong Kong SAR / Indonesia	100	100
<b><i>Held through Telemedia Pacific Communications Pte Ltd</i></b>				
Multi Skies Nusantara Limited <sup>(2)(5)</sup>	Investment holding	Hong Kong SAR	100	100
PT Karunia Anugerah Mitra Utama <sup>(4)(5)</sup>	Investment holding	Indonesia	100	100
PT Multi Skies Nusantara <sup>(4)(5)</sup>	Building, operating and leasing of Universal Service Obligation equipment	Indonesia	100	100
<b><i>Held through NGSC Capital Pte Ltd</i></b>				
NGSC Investment Limited <sup>(3)(5)</sup>	Investment holding	Hong Kong SAR	55	-
NGSC Capital Limited <sup>(3)(5)</sup>	Investment holding	Cayman Islands	55	-

<sup>(1)</sup> Audited by AG Assurance, Singapore.

<sup>(2)</sup> Audited by Baker Tilly Hong Kong Limited for local statutory reporting.

<sup>(3)</sup> Not required to be audited in the country of incorporation.

<sup>(4)</sup> Audited by Rama Wendra Indonesia, member firm of RT ASEAN Network for local statutory reporting.

<sup>(5)</sup> Audited by RT LLP, Singapore, for the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 March 2018.

<sup>(6)</sup> Not required to be audited as it was dormant during the financial years ended 31 March 2018 and 31 March 2017.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 13 Investment in subsidiaries (cont'd)

The following table summarises financial information of the Group's subsidiary, NGSC Capital Pte Ltd has non-controlling interests ("NCI") of 45% that are material to the Group. These are presented before inter-company eliminations.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b><u>Summarised statement of comprehensive income</u></b>		
Revenue	-	-
Loss after tax	<b>(43)</b>	-
Total comprehensive loss	<b>(43)</b>	-
Loss after tax attributable to NCI	<b>(19)</b>	-
Total comprehensive loss attributable to NCI	<b>(19)</b>	-
<b><u>Summarised statement of financial position</u></b>		
Non-current assets	<b>32</b>	-
Current assets	<b>59</b>	100
Current liabilities	<b>(33)</b>	-
Net assets	<b>58</b>	100
Net assets attributable to NCI	<b>26</b>	45
<b><u>Summarised statement of cash flows</u></b>		
Cash flows from operating activities	<b>(32)</b>	-
Cash flows from investing activities	<b>32</b>	(100)
Cash flows from financing activities	-	100
Net increase / decrease in cash and cash equivalent	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 14 Trade receivables

	Group	
	2018 \$'000	2017 \$'000
Trade receivables	9,539	9,539
Less: Allowance for impairment of trade receivables [Note 28(b)(iii)]	(9,539)	(9,539)
Total trade receivables, net	<u>-</u>	<u>-</u>

Movements in allowance for impairment of trade receivables are as follows:

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning and at the end of financial year	<u>(9,539)</u>	<u>9,539</u>

### 15 Other receivables, deposits and prepayments

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Other receivables:				
- Former director related company <sup>(1)</sup>	2,096	2,096	2,094	2,094
- Third parties <sup>(2)</sup>	5,083	709	4,001	5
- Niaga <sup>(3)</sup>	614	655	-	-
- Loan to joint ventures <sup>(4)</sup>	260	-	260	-
	<u>8,053</u>	<u>3,460</u>	<u>6,355</u>	<u>2,099</u>
Less: Allowance for impairment of other receivables	(3,735)	(2,500)	(2,272)	(954)
Other receivables, net	4,318	960	4,083	1,145
Refundable deposits	55	27	20	27
Prepayments <sup>(5)</sup>	20	290	20	12
	<u>4,393</u>	<u>1,277</u>	<u>4,123</u>	<u>1,184</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments

<sup>(1)</sup> Other receivables - Former director related company

Former director related company refers to a company in which a former director of the Company has significant influence. The balance due from former director related company is loan in nature, unsecured, interest free and repayable on demand.

Background information

On 16 September 2014, the Company issued a Writ of Summons ("Writ") against a former Director, Mr Lam Ah Seng @ Lam Pang Chuang ("Mr PC Lam") who resigned on 2 October 2015, in his capacity as guarantor for an outstanding loan due from Ban Joo Investment (Pte) Ltd ("BJI") amounting to \$2.5 million ("Outstanding Loan"), together with interest and costs. The Outstanding Loan was part of a \$5 million loan granted by the Company to its subsidiary, Ban Joo Global Pte Ltd ("BJG") in 2009. The loan was subsequently novated to BJI in 2010 pursuant to a novation agreement. These transactions were part of the sale and transfer of the textile business, assets and liabilities of BJG to BJI in 2010, as announced on 11 November 2010. Mr PC Lam holds approximately 21.43% shares in BJI and is also one of its directors.

On 30 December 2015 and 27 January 2016, the Company received \$370k and \$35k respectively from BJI, thereby reducing the amount owing from \$2.503 million to \$2.096 million.

On 20 February 2017, the Company announced that it has entered into a settlement agreement with BJI and another personal guarantor in respect of the outstanding sum owing by BJI of \$2.094 million in the following arrangement:

- (i) the payment of a sum of \$35k to the Company, which has been received by the Company on 27 January 2016; and
- (ii) the Company will receive economic and monetary rights and benefits (including dividends and future proceeds arising from the sale) in respect of a total of 384,800,220 ordinary shares in the Company ("Settlement Shares"). Such Settlement Shares will be held by a custodian nominated by the Company which will act under the sole direction and for the benefit of the Company.

With respect to the above settlement agreement, the Company signed a Deed of Settlement dated 17 February 2017 to distribute the Settlement Shares in the following manner:

- (i) 380,000,000 NGSC ordinary shares to NGSC to be held by custodian under the directive of NGSC
- (ii) 4,799,887 NGSC ordinary shares to be held by BJI
- (iii) 333 NGSC ordinary shares to third party (Chin Pang Joo)

Following this settlement agreement, management valued the 380 million NGSC shares at \$1.14 million based on its share price of \$0.003 cents as at 17 February 2017. Accordingly, for the remaining exposure of \$0.954 million (\$2.094 million - \$1.14 million), management has made an allowance for doubtful debts.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments

<sup>(1)</sup> Other receivables - Former director related company (cont'd)

For the 4,799,887 NGSC ordinary shares to be held by BJI and the 333 NGSC ordinary shares to third party (Chin Pang Joo) as mentioned in the Deed of Settlement in the aforementioned paragraph, both BJI and Chin Pang Joo had signed a transfer form for these aggregated 4,800,220 ordinary shares in NGSC to be placed out in due course and for the proceeds to be returned to NGSC as settlement of the amount outstanding by BJI.

Based on NGSC share price of \$0.003 per share, the expected proceeds of \$14,000 is deemed immaterial by management for inclusion in the computation of the amount of impairment of \$0.954 million as disclosed above.

#### Updates

As at 31 March 2018, management valued the 380 million (2017: 380 million) NGSC shares at \$0.760 million (2017: \$1.14 million) based on its share price of \$0.002 (2017: \$0.003 cents as at 17 February 2017). Accordingly, an impairment loss of \$0.380 million (2017: \$0.954 million) was recorded in profit or loss to take into account the decrease in the share price from \$0.003 to \$0.002 during the current financial year.

Notwithstanding the above settlement agreement, these NGSC shares that are held by BJI are meant to serve as a collateral for the amount owing by BJI. Accordingly, management is of the view that no further impairment is required for the remaining balance of \$0.760 million (2017: \$1.14 million) owed by BJI.

For the 4,799,887 NGSC ordinary shares to be held by BJI and the 333 NGSC ordinary shares to third party (Chin Pang Joo) as mentioned in the Deed of Settlement in the aforementioned paragraph, both BJI and Chin Pang Joo had signed a transfer form for these aggregated 4,800,220 ordinary shares in NGSC to be placed out in due course and for the proceeds to be returned to NGSC as settlement of the amount outstanding by BJI.

Based on NGSC share price of \$0.002 (2017: \$0.003 per share), the expected proceeds of \$9,600 (2017: \$14,000) is deemed immaterial by management for inclusion in the computation of the amount of impairment of \$0.380 million (2017: \$0.954 million) as disclosed above.

Based on the NGSC's closing share price of \$0.002 as at 31 March 2018, the estimated fair value of the collateral (i.e. 384,800,220 NGSC shares) is estimated to be \$769,600. This collateral is meant to be a consideration for the amount owed by BJI to the Company. In the event that these NGSC shares can be sold above \$0.002 cents, the excess of the proceeds over and over the amount owed by BJI would be retained by the Company.

There is no risk concentration on collateral as this is the only collateral held by the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

#### <sup>(2)</sup> Other receivables - Third parties

##### Loan agreement with Zhong Ping Trading Development Company Limited (incorporated in Hong Kong) and Mark Tam

On 27 April 2017, the Company announced that it has entered into a loan agreement (the "Loan Agreement") with Zhong Ping Trading Development Company Limited ("ZP") and Tam Man Wai ("Mark Tam") in connection with the grant of a loan to ZP of the principal amount of up to S\$3 million (the "Loan").

On 17 May 2017, the completion of the Loan has taken place and the Company has disbursed the Loan to ZP.

The Board has granted the loan as this funding to ZP is an opportunity and a preliminary step towards considering future investment in ZP, subject to due diligence and other matters to be considered in the event the Company decides to invest further in ZP. Meanwhile, the Company can derive interest income from the Loan.

##### Details of the loan

Pursuant to the Loan Agreement, the Company has granted a loan to ZP of the principal amount of up to S\$3 million. The Loan bears simple interest at the rate of 6% per annum which shall be payable in advance for the period from the date of disbursement of the Loan ("Disbursement Date") until the date falling two (2) years from the Disbursement Date ("Maturity Date"). Where the Loan is repaid by ZP in accordance with the Loan Agreement, the amount of interest payable for the period from the date of repayment to the Maturity Date shall be refunded by the Company to ZP, on the basis of actual days elapsed and on a 365-day year.

##### Security

As stipulated in the Loan Agreement, Mark Tam has agreed with and has undertaken to the Company that he shall provide (i) a personal guarantee to make payment in respect of all monies and liabilities due, owing or incurred by ZP under the Loan Agreement; (ii) a charge in favour of the Company over 349,970 shares held by him in ZP; and (iii) shall procure that Grand Harvest Resource Holdings Ltd. execute a charge in favour of the Company over 650,000 shares held by it in ZP.

In addition, ZP and Mark Tam have agreed and undertaken to deliver to the Company the original certificates of real estate ownership or title deeds of the properties owned by subsidiaries of ZP in China as security for the payment and performance in full of all monies and liabilities due, owing or incurred by ZP under the Loan Agreement, and shall grant to the Company a security interest in such properties and the power to have and to hold the aforesaid documents in such properties together with all right, title, interest, powers, privileges pertaining or incidental thereto until all monies and liabilities due, owing or incurred by the ZP under the Loan Agreement have been fully paid to the Company.

On 9 May 2018, the Company announced that it has decided not to proceed with the Call Option. Accordingly, the Company entered into a settlement agreement with ZP, Mark Tam and the Vendor ("Settlement Agreement") pursuant to which the parties have agreed to terminate the Call Option Agreement subject to ZP agreeing to prepay the Loan and interest under the Loan Agreement by 16 August 2018 (Final Prepayment Date) or such later date as may be agreed by the Company and ZP in writing in accordance with the terms of the Settlement Agreement.

On 15 May 2018, a principal amount of \$1 million has been repaid to the Company, leaving a remaining balance of \$2 million plus interest which will be due on 16 August 2018.

The Board has also assured that management is confident that ZP will be able to honor their debts when due on 16 August 2018.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

#### <sup>(2)</sup> Other receivables - Third parties

##### Subscription of convertible notes from JeeOne International Holding Limited

On 18 September 2017, the Company entered into an agreement (the "Subscription Agreement") with a Hong Kong incorporated company, JeeOne International Holding Limited ("JeeOne") to subscribe for \$937,800 (equivalent of RMB 4.5 million) convertible notes with 7% interest per annum (payable every 6 months in advance).

On 19 September 2017, the Company remitted approximately \$891k [equivalent to USD 662,451.18 (being RMB 4.5 million net 3.5% interest payable in advance)]. The objective of the convertible notes is to enable JeeOne's 47.94% owned investee company in the People's Republic of China ("PRC") to go for Initial Public listing in Hong Kong.

On 18 March 2018, JeeOne defaulted its interest payment of \$33k (equivalent to RMB 158,794.52). After some internal deliberation, the Board on 12 July 2018 through a legal counsel in Hong Kong served a statutory demand letter to JeeOne for both the principal and interest of \$924k (equivalent to RMB 4,658,794.52).

Subsequent to the financial year, on 18 July 2018, the Company announced that it has issued a Statutory Demand ("Demand") to JeeOne for the repayment of an outstanding debt of approximately RMB 4.6 million ("Outstanding Debt") within 3 weeks after service of the Demand. This Demand was issued by the Company as the Outstanding Debt remained unpaid despite repeated reminders to repay the same.

The Outstanding Debt was the amount due to the Company under the convertible notes issued by JeeOne with the principal amount of RMB4.5 million and the interest accrued on the convertible notes of RMB0.1 million.

Accordingly, management has made an allowance for impairment amounting to \$937,800 (equivalent of RMB 4.5 million) during the financial year.

Given that the convertible notes contain an embedded derivative since the outstanding amount can be converted into ordinary shares of JeeOne at the option of the Company, management has reclassified it as financial assets at fair value through profit or loss for the purpose of FRS 39 categorisation (Note 19).

The Company is unable to reliably measure the embedded derivatives separately from the host contracts and accordingly, the entire convertible notes have been designated as financial assets at fair value through profit or loss.

#### **Financial assets at fair value through profit or loss**

	2018	2017
	\$	\$
<u>Designated at fair value on initial recognition:</u>		
<u>Unquoted debt securities</u>		
Balance as at beginning of financial year	-	-
Balance as at end of financial year	-	-

As JeeOne has defaulted on the Outstanding Debt, management has determined the fair value of the convertible notes to be Nil as at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

#### <sup>(2)</sup> Other receivables - Third parties (cont'd)

##### Subscription of convertible notes from JeeOne International Holding Limited (cont'd)

The convertible notes details are as follows:-

Issuer:	JeeOne International Holding Limited
Conversion Price:	Based on proportion of RMB 4.5 million loan over the value of JeeOne's PRC investee Company (ie. JeeOne China) computed at 5.5 times its net profit after tax at the time of conversion
Issue Date:	19 September 2017
Maturity Date:	18 September 2018
Principal Value:	RMB 4.5 million (equivalent to \$937,800)
Interest Rate:	7% per annum

#### <sup>(3)</sup> Other receivables – Niaga

This refers to amount held by Niaga in Hong Kong. The receivable was fully impaired in the previous financial year.

##### Background information

On 5 July 2012, the Company announced that its auditors in the preceding year (Crowe Horwath First Trust LLP) had received audit confirmations from Niaga on 29 June 2012 for the financial year ended 31 March 2012 ("FY2012") for approximately \$26.8 million and \$9.4 million placed by the Group and the Company respectively. The audit confirmations stated that approximately \$24.0 million and \$9.4 million deposited by the Group and the Company respectively were restricted (i.e. cannot be freely withdrawn). This did not reconcile with the records of the Group and the Company. The Group was only aware of a sum of approximately \$4.2 million (from the total sum of \$26.8 million) being regarded by Niaga as restricted cash to cover conditional letter of credit previously issued by Niaga to satisfy certain commitments of its subsidiary.

In addition, the aforesaid audit confirmations also did not account for a sum of approximately \$2.8 million (which formed part of the total sum of \$26.8 million as at 31 March 2012). A reconciliation of the discrepancy between the Group and the Company's records and Niaga's audit confirmations for the financial year ended 31 March 2012 are illustrated as follows:

<b>31 March 2012</b>	<b>Group's records</b>	<b>Audit Confirmation</b>	<b>Discrepancy</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>			
Free cash balance	22,586	21	22,565
Restricted cash balance	4,235	24,005	19,770
Total	26,821	24,026	2,795
<b>Company</b>			
Free cash balance	9,411	3	9,408
Restricted cash balance	-	9,408	9,408
Total	9,411	9,411	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

<sup>(3)</sup> Other receivables – Niaga (cont'd)

Background information (cont'd)

The Group was not aware of any authorised transactions between itself and Niaga that led to the funds being restricted (other than those sums involved in the aforesaid LC). Although the Group immediately requested explanations and relevant documents from Niaga to support their basis for restricting the funds of the Group, it did not receive any.

On 25 July 2012, the Company then announced that it had appointed Ernst & Young Advisory Pte. Ltd. (“EY”) as the independent accounting firm to conduct an independent investigation into the circumstances that led to the funds placed with Niaga being restricted, including a review of the processes and procedures around the Group’s deposit and placement of funds with Niaga, as well as verifying the movement of cash placed and the restriction [See Note 30(a)].

On 25 June 2013, the Company announced that the Group and the Company entered into an agreement (“Agreement”) with Niaga to set out a frame work towards the settlement of funds amounting to approximately \$24.0 million and \$9.4 million (equivalent to approximately HK\$146.2 million and HK\$57.2 million) that were placed by the Group and the Company respectively with Niaga and were regarded as restricted by the latter.

Pursuant to the Agreement, Niaga deposited the following documents (“Security Documents”) to the solicitors of the Group (“Stakeholder”) by way of security (“Security”):

- (i) the certificates representing the two non-transferable convertible notes (“Convertible Notes”) for the total principal amount of HK\$144.0 million (equivalent to approximately \$24 million) issued by Neo Telemedia Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, to Arch Capital Limited and Hillgo Asia Limited respectively (collectively, the “Noteholders”);
- (ii) undated and blank transfer instruments, share certificates in respect of the issued shares in the capital of the Noteholders, corporate approvals duly signed by Tako Secretaries Limited (“Tako”), in its capacity as the sole shareholder and sole director of the Noteholders and documents necessary to effect the transfer of the entire issued share capital of the Noteholders to the Company; and
- (iii) undated board resolutions and resignation letters duly signed by Tako to effect its position as the director of the Noteholders.

Note: The Noteholders, Arch Capital Limited and Hillgo Asia Limited were incorporated in the British Virgin Island as a BVI Business Company on 12 and 28 March 2013 respectively.

The Company completed the acquisition of 100% of the entire issued and paid-up share capital of Arch Capital Limited (“Arch”) from Tako Secretaries Limited, through the agreement with Niaga for a purchase consideration of approximately \$15.8 million (equivalent to HK\$95 million). The acquisition of Arch and Hillgo was completed on 2 July 2013 [See Note 11(a) and (b)].

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

<sup>(3)</sup> Other receivables – Niaga (cont'd)

Accordingly, the movements in other receivables from Niaga arising from the above is as follow:

	The Subsidiaries				The Company		Group Total	
	VIP HK		SLTL		NGSC		2016/2015	2014
	2016/2015	2014	2016/2015	2014	2016/2015	2014		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at beginning of the financial year	<b>633</b>	13,302	-	2,808	-	9,409	<b>633</b>	25,519
- Repayment during the financial year	-	-	-	-	-	(911)	-	(911)
- Settlement through Convertible Notes (Note 18)	-	(12,716)	-	(2,808)	-	(8,498)	-	(24,022)
- Currency translation difference	-	47	-	-	-	-	-	47
	<b>633</b>	633	-	-	-	-	<b>633</b>	633

The remaining amount of \$0.63 million due to the subsidiary, VIP as at 31 March 2015 was withheld for settlement of invoices in respect of 65 sets of USO equipment (Note 2.7) under a Letter of Credit arrangement provided by Niaga on behalf of VIP.

Management is of the view that the entire amount of \$0.63 million due to the subsidiary, VIP is unlikely to be receivable. Accordingly, management has made an allowance for impairment amounting to \$0.63 million in the prior financial year.

<sup>(4)</sup> Loan to joint ventures

Amount due from joint ventures are non-trade in nature, unsecured, interest-free and payable on demand.

<sup>(5)</sup> Prepayment

Included in prepayment is an amount of NIL (2017: \$274k) relating to prepaid tax by a subsidiary PT MSN in the financial year ended 31 March 2010, which can be used to offset against future tax expenses incurred by PT MSN. The recovery of the prepaid tax is dependent on PT MSN having taxable income in future (which management is confident) so that the prepaid tax can be recovered via offset against future tax payable of PT MSN.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 15 Other receivables, deposits and prepayments (cont'd)

Movements in allowance for impairment of other receivables are as follows:

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	2,500	2,548
Charge for the financial year (Note 6 & 27):	1,318	-
BJI [Note 15 <sup>(1)</sup> ]	938	-
JeeOne [Note 15 <sup>(2)</sup> ]	380	-
Exchange differences	(83)	(48)
Balance at end of the financial year	<u>3,735</u>	<u>2,500</u>

The currency profiles of other receivables, deposit and prepayments as at end of the reporting period are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollars	4,255	1,187	4,123	1,184
Indonesian rupiah	136	90	-	-
US dollars	2	-	-	-
	<u>4,393</u>	<u>1,277</u>	<u>4,123</u>	<u>1,184</u>

### 16 Amounts due from subsidiaries / (due to subsidiaries) (non-trade)

	Company	
	2018 \$'000	2017 \$'000
Amounts due from subsidiaries [Note (a)]	<u>712</u>	-
Amounts due to subsidiaries	<u>(34,660)</u>	<u>(36,882)</u>
<u>Note (a):</u>		
Amounts due from subsidiaries	15,800	15,980
Less: Allowance for impairment	(15,088)	(15,980)
	<u>712</u>	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 16 Amounts due from subsidiaries / (due to subsidiaries) (non-trade) (cont'd)

Movements in allowance for impairment of amounts due from subsidiaries are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	15,980	15,371
Charged to profit or loss	-	602
Reversal of allowance for impairment	(890)	-
Exchange differences	(2)	7
Balance at end of the financial year	<b>15,088</b>	15,980

The currency profiles of amounts due to subsidiaries as at end of the reporting period are as follows:

	Company	
	2018 \$'000	2017 \$'000
<u>Amounts due from subsidiaries:</u>		
Singapore dollars	28	-
United States dollars	658	-
Hong Kong dollars	26	-
	<b>712</b>	-
<u>Amounts due to subsidiaries:</u>		
Singapore dollars	55	6,972
United States dollars	7,699	1,878
Indonesian rupiah	-	(49)
Hong Kong dollars	26,906	28,081
	<b>34,660</b>	36,882

These amounts due from subsidiaries and due to subsidiaries are unsecured, interest free, and repayable on demand, subject to the availability of funds from the Company.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 17 Cash and bank balances

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and bank balances	<b>15,261</b>	23,124	<b>15,215</b>	23,092

The currency profiles of cash and bank balances as at end of the reporting period are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollars	<b>90</b>	437	<b>77</b>	413
United States dollars	<b>4,031</b>	7,351	<b>4,007</b>	7,347
Indonesian rupiah	<b>1</b>	1	-	-
Hong Kong dollars	<b>11,139</b>	15,335	<b>11,131</b>	15,332
	<b>15,261</b>	23,124	<b>15,215</b>	23,092

### 18 Derivative

	Notional Amount	Group 2018 \$'000	
		Assets	Liabilities
Futures contracts			
Securities – Negative fair value	<b>US\$1.97 mil</b>	-	<b>(25)</b>
Total financial liabilities at fair value through profit or loss		-	<b>(25)</b>
Margin call account			<b>499</b>

Margin call account represent cash deposits with broker transferred as collateral against open derivative contracts and denominated in US\$.

During the financial year, the Group through one of its subsidiary, Ban Joo Global Pte Ltd opened an account with InterActive Broker to enter into derivative contracts as part of its trading activity for the treasury funds of the Company.

This is entirely a trading activity for the treasury funds of NGSC Limited. BJG was used as a vehicle to confine the risk capital to the amount of deposits placed with InterActive Broker, and is not an open-ended exposure. The total amount of deposits placed with InterActive Broker was \$679k (equivalent to USD 500k). This deposit has since dropped to \$474k (equivalent to USD 350k) with the \$207k loss incurred.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 18 Derivative (cont'd)

Management informed that this trading account is part of a normal treasury function to manage the liquidity position of the Group which is mostly denominated in US Dollar and Hong Kong Dollar, the latter being closely pegged to US Dollar.

The trade positions are monitored weekly by the Financial Controller and reported to Chief Executive Officer. The results are reported to Audit Committee and the Board of Directors (the "Board") at every quarter of the financial year. A director of the Company's subsidiary, NGSC Capital Pte. Ltd., who is a seasoned professional with over decades of experience has been approved by the Board to exercise authority over this trading account.

### 19 Financial assets at fair value through profit or loss

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the financial year	-	24,645
Acquisition during the year [Note 15 <sup>(2)</sup> ]	-	-
Fully redeemed during the financial year	-	(25,848)
Fair value gain recognised through profit or loss [Note 5]	-	449
Currency translation difference	-	754
Balance at end of the financial year	-	-

On 2 November 2016, the Group received HK\$148,292,383.56 (approximately \$26 million) for the redemption of the convertible notes [see Note 15<sup>(3)</sup>].

	<b>Group</b>
	<b>2014</b>
	<b>\$'000</b>
<b>Acquisition of subsidiaries:</b>	
Trade receivables [Note 11(a) & (b)]	404
Fair value of CN upon acquisition of subsidiaries on 2 July 2013	
- Arch [Note 11(a)]	15,140
- Hillgo [Note 11(b)]	7,809
	22,949
Provision for income tax [Note 11(a) & (b)]	(66)
Total net identifiable assets at fair value [Note 11(a) & (b)]	23,287
Cash paid – through convertible note [Note 11(a) & (b), Note 15 <sup>(3)</sup> ]	24,022 <sup>(#)</sup>
Goodwill arising from acquisition [Note 11]	735

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 19 Financial assets at fair value through profit or loss (cont'd)

(#) The convertible notes details are as follows:

Issuer:	Neo Telemedia Limited (listed on the HKEX GEM) (Stock Code: 8167)
Conversion Price:	HK\$2.50
Issue Date:	5-Apr-13
Maturity Date:	4-Apr-16
Principal Value:	HK\$144,000,000 (equivalent to S\$24 million)
Interest Rate:	7% p.a. (payable every 6,12,18,24,30,36 months from issuance date)

#### **Background Information**

On 5 April 2013, the Group acquired convertible notes ("CN") with a nominal value of HK\$144,000,000 (equivalent to \$24 million) due on 5 April 2016 ("CN 2016"). Each CN carries interest at 7% per annum payable semi-annually in arrears with the first interest payment due on 5 October 2013 and the last interest payment is due on 5 April 2016. The CN 2016 entitles holders to convert the notes into new ordinary shares of the issuer at a conversion price, subject to adjustment, of HK\$2.5 per share during the period from 5 April 2013 to 31 March 2016. If the CN 2016 have not been converted, they will be redeemed at par on 5 April 2016.

The Group served a statutory demand on Neo on 29 June 2016 requiring Neo to pay the sum of HK\$144,000,000 together with interest in full at judgement rate pursuant to the court order of the High Court of Hong Kong filed on 13 June 2016.

On 2 November 2016, the Company announced that the legal claim against Neo has come to a successful and comprehensive conclusion as the lawyers of Arch and Hillgo have received the aggregate redemption principal amount of the two Convertible Notes of HK\$144,000,000 (equivalent to \$24 million based on exchange rate of S\$1 = HK\$6) and the outstanding interest on HK\$144,000,000 at judgement rate from 13 June 2016 until 26 October 2016, aggregating to HK\$148,292,383.56 (equivalent to \$26 million based on exchange rate S\$1 = HK\$5.74) from Neo. [see Note 15<sup>(3)</sup>].

### 20 Trade payables

Trade payables are non-interest bearing and are generally settled within 0 to 30 days (2017: 0 to 30 days).

The currency profiles of trade payables as at end of the reporting period are as follows:

	Group	
	2018	2017
	\$'000	\$'000
United States dollars	51	54
Indonesian rupiah	164	181
	<b>215</b>	<b>235</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 21 Other payables and accruals

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Other payables				
- Director related company <sup>(1)</sup>	443	473	-	-
- Third parties	315	750	145	427
	<b>758</b>	1,223	<b>145</b>	427
Accruals <sup>(2)</sup>	1,511	1,674	1,097	1,392
Deferred expenditure <sup>(3)</sup>	-	4,159	-	-
Deferred income <sup>(4)</sup>	218	-	218	-
	<b>2,487</b>	7,056	<b>1,460</b>	1,819

<sup>(1)</sup> Director related company refers to a company in which directors of the Company's subsidiary has controlling financial interest in. The balance due to director related company is unsecured, interest-free and repayable on demand.

<sup>(2)</sup> Included in accruals are \$1.0 million (2017: \$1.3 million) that relates to the provision of directors' fees. The reduction is due to payment of directors' fees through the issue of share awards granted amount to \$115k (Note 22) and cash payout of \$285K.

<sup>(3)</sup> In prior year, there is an amount of \$4.2 million (equivalent to US\$3.0 million) of deferred expenditure relates to the outstanding purchase consideration to be paid to Bright Reach International Limited upon the satisfaction of certain conditions stipulated in the sale and purchase agreement of the acquisition of the MSN group in 2011.

During the financial year, the Group engaged a professional legal advisor and was advised that the claim from Bright Reach International Limited for the deferred expenditure is now time-barred given that it is more than 6 years from 21 May 2010. Accordingly, the Group reversed its entire deferred expenditure and recognised an amount of \$4.036 million (equivalent to US\$3.0 million) [2017: \$4.159 million (equivalent to US\$3.0 million)] as other income [Note 5].

<sup>(4)</sup> This relates to interest income received in advance for loan to ZP and JeeOne [Note 15<sup>(2)</sup>].

The currency profiles of other payables and accruals as at end of the reporting period are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollars	1,431	1,832	1,344	1,748
United States dollars	118	4,302	-	-
Indonesian rupiah	168	5	-	-
Hong Kong dollars	770	917	116	71
	<b>2,487</b>	7,056	<b>1,460</b>	1,819

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 22 Share capital

	Group and Company			
	2018		2017	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
<b>Issued and paid-up</b>				
Balance at beginning of the financial year	6,410,536	145,508	6,410,536	145,508
Share awards granted during the financial year	38,400	115	-	-
Balance at the end of the financial year	<b>6,448,936</b>	<b>145,623</b>	6,410,536	145,508

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

On 6 July 2017, the Company announced that 38,400,000 new ordinary shares amounting to \$115,200 (i.e. issuance price of \$0.003 per share) based on market price of the Company's shares of \$0.002 per share (as at close of last trading day before the date of grant – 30 June 2017) were awarded to certain directors of the Company in lieu of part of the Directors' fees payable for the financial year ended 31 March 2015 (Note 21), pursuant to the general mandate obtained at the annual general meeting of the Company held on 12 May 2017.

The fair value of the shares awarded were measured on the basis of an observable market price. There were no expected dividends or other features of the shares that were incorporated into the measurement of fair value.

The new shares rank pari passu in all respects with the existing shares of the Company in issue. Following the issue of the new shares, the number of issued and paid up ordinary shares of the Company increased to 6,424,735,828 ordinary shares (excluding 24,200,000 treasury shares).

### 23 Treasury shares

	Group and Company			
	2018		2017	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
Balance at beginning and end of the financial year	(24,200)	(1,219)	(24,200)	(1,219)

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 24 Capital reserve

	Group and Company	
	2018	2017
	\$'000	\$'000
Balance at beginning and end of the financial year	<u>(169)</u>	(169)

This represented the loss on re-issue of treasury shares in the financial year 2011. The capital reserve is non-distributable.

### 25 Operating lease

#### *Where the Group is the lessee*

The future aggregate minimum leases payable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments				
- Not later than one year	76	86	75	85
- Later than one year and not later than five years	5	83	5	83
	<u>81</u>	<u>169</u>	<u>80</u>	<u>168</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and office equipment. These lease expires between 16 August 2017 to 1 October 2020 with an option to renew for another 2 years with no contingent rent provision included in the contracts. The Group is restricted from sub-leasing its offices and office equipment to third parties. The current rent payable on the leases range from \$150 to \$6,970 (2017: \$150 to \$6,970) per month.

### 26 Related party information

(a) In addition to related party information disclosed elsewhere in the financial statements, there are no other significant transactions with related parties conducted during the financial year on terms agreed between the parties concerned.

Outstanding balances as at the end of the reporting period arising from advances from/(to) related parties are disclosed in Notes 15, 16 and 21 to the financial statements respectively.

(b) As referred to in Note 15 to the financial statements, Niaga is a limited liability company incorporated in Hong Kong. Based on the information available to the Company, a controlling shareholder and former director of the Company is a director of and registered shareholder (holding approximately 19% interest) of the holding company that owned the entire issued share capital of Niaga up to October 2014.

(c) Key management personnel compensation are disclosed in Note 7 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 27 Segment information

Disclosure of information about operating segments is made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

The Group currently has only one business segment, which is the building, operating and leasing of base station controllers for USO, provision of data centre and connectivity services, and other satellite communication related sales and services. This business segment is currently carried out by the Group's joint venture.

The geographical segment represent the Group's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risk and returns that are different from those components which operate in other economic environments (locations).

During the reporting year, the Group had 2 (2017: 2) reportable operating segments by geographical area: People's Republic of China and Singapore (2017: People's Republic of China and Singapore).

The following is an analysis of the Group's revenue and results by reportable segment:

	<b>Building, operating and leasing USO equipment, provision data center and connectivity service</b>	<b>Unallocated</b>	<b>Group</b>
<b>2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
External sales	-	-	-
<b>Segment results</b>			
Loss from operations	(44)	(1,494)	(1,538)
Other expenses	(253)	(30,201)	(30,454)
Other income	-	4,238	4,238
Share of profit of joint ventures	231	-	231
Loss before tax			(27,523)
Income tax credit			723
Loss after tax			(26,800)
Segment assets representing consolidated total assets	2,677	20,028	22,705
Segment liabilities	921	1,806	2,727
Unallocated liabilities			
- Income tax payable	698	120	818
Consolidated total liabilities			3,545
<b>Non-current assets</b>	2,539	13	2,552
<b>Other segment items</b>			
Depreciation of property, plant and equipment (Note 10)	-	9	9
Impairment loss on other receivables (Note 15)	-	1,318	1,318
Impairment loss on investment in joint ventures (Note 12)	-	28,617	28,617

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 27 Segment information (cont'd)

	<b>Building, operating and leasing USO equipment, provision data center and connectivity service</b>	<b>Corporate (Interest income from convertible notes)</b>	<b>Unallocated</b>	<b>Group</b>
<b>2017 (Restated)</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>				
External sales	-	-	-	-
<b>Segment results</b>				
Loss from operations	(40)	(2,055)	(1,866)	(3,961)
Other expenses	(37)	-	-	(37)
Other income	1	763	782	1,546
Share of loss of joint ventures	(625)	-	-	(625)
Loss before tax				(3,077)
Income tax expense				(126)
Loss after tax				(3,203)
Segment assets representing consolidated total assets	30,891	27	24,185	55,103
Segment liabilities	990	56	6,245	7,291
Unallocated liabilities				
- Income tax payable	769	870	-	1,639
Consolidated total liabilities				8,930
<b>Non-current assets</b>	30,186	-	9	30,195
<b>Other segment items</b>				
Depreciation of property, plant and equipment (Note 10)	-	-	15	15



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 27 Segment information (cont'd)

#### *Geographical information*

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

	<i>Non-current assets</i>	
	2018	2017
	\$'000	\$'000
People's Republic of China	2,539	30,186
Singapore	13	9
Group	<u>2,552</u>	<u>30,195</u>

Non-current assets information presented above consist of property, plant and equipment, goodwill, investment in joint venture as presented in the statements of financial position.

### 28 Financial instruments

#### (a) Categories of financial instruments

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position except for the following:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Loans and receivables	20,133	24,111	20,030	24,264
<i>Financial liabilities</i>				
At amortised cost	<u>2,727</u>	3,132	<u>36,120</u>	38,701

#### (b) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It was the Group's policy not to trade in derivative contracts in previous financial year. However, with effect from the current financial year, the Group entered into derivative contracts as part of its trading activity for the treasury funds of the Company (Note 18).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (i) Market risk

###### *Foreign currency risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rate. The Group and Company are exposed to movements in foreign currency exchange rates arising from normal transactions that are denominated in currencies other than the respective functional currencies of the Group's entities, primarily with respect to United States dollar ("USD"), Indonesian Rupiah ("IDR") and Hong Kong dollars ("HKD"). The Group does not have a policy to hedge its exposure to foreign exchange risk.

Denominated in:	SGD \$'000	USD \$'000	IDR \$'000	HKD \$'000
<b>Group 2018</b>				
<b><u>Financial assets</u></b>				
Other receivables and deposits (exclude prepayments)	4,235	-	138	-
Cash and bank balances	111	4,015	-	11,135
	<b>4,346</b>	<b>4,015</b>	<b>138</b>	<b>11,135</b>
<b><u>Financial liabilities</u></b>				
Trade payables	-	51	164	-
Other payables and accruals	1,433	141	770	168
	<b>1,433</b>	<b>192</b>	<b>934</b>	<b>168</b>
Net financial assets / (liabilities)	<b>2,913</b>	<b>3,823</b>	<b>(796)</b>	<b>10,967</b>
Less: Net financial assets / (liabilities) denominated in the respective entities functional currencies	(2,904)	185	781	48
Foreign currency exposure	<b>9</b>	<b>4,008</b>	<b>(15)</b>	<b>11,015</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (i) Market risk (cont'd)

###### Foreign currency risk (cont'd)

Denominated in:	SGD \$'000	USD \$'000	IDR \$'000	HKD \$'000
<b>Group</b>				
2017				
<b>Financial assets</b>				
Other receivables and deposits (exclude prepayments)	1,177	-	92	-
Cash and bank balances	437	7,351	1	15,335
	<b>1,614</b>	<b>7,351</b>	<b>93</b>	<b>15,335</b>
<b>Financial liabilities</b>				
Trade payables	-	54	181	-
Other payables and accruals (exclude deferred expenditure)	1,621	199	781	127
	<b>1,621</b>	<b>253</b>	<b>962</b>	<b>127</b>
Net financial assets / (liabilities)	<b>(7)</b>	<b>7,098</b>	<b>(869)</b>	<b>15,208</b>
Less: Net financial assets denominated in the respective entities functional currencies	30	140	-	52
Foreign currency exposure	<b>23</b>	<b>7,238</b>	<b>(869)</b>	<b>15,260</b>
<b>Company</b>				
2018				
<b>Financial assets</b>				
Other receivables and deposits (exclude prepayments)	4,103	-	-	-
Amounts due from subsidiaries	28	658	-	26
Cash and bank balances	77	4,007	-	11,131
	<b>4,208</b>	<b>4,665</b>	<b>-</b>	<b>11,157</b>
<b>Financial liabilities</b>				
Amounts due to subsidiaries	55	7,699	-	26,906
Other payables and accruals	1,344	-	-	116
	<b>1,399</b>	<b>7,699</b>	<b>-</b>	<b>27,161</b>
Net financial assets / (liabilities)	2,809	(3,034)	-	(16,004)
Less: Net financial liabilities denominated in the Company's functional currency	(2,809)	-	-	-
Foreign currency exposure	<b>-</b>	<b>(3,034)</b>	<b>-</b>	<b>(16,004)</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (i) Market risk (cont'd)

###### *Foreign currency risk (cont'd)*

Denominated in:	SGD \$'000	USD \$'000	IDR \$'000	HKD \$'000
<b>Company</b>				
2017				
<b>Financial assets</b>				
Other receivables and deposits (exclude prepayments)	1,173	-	-	-
Cash and bank balances	413	7,347	-	15,332
	<b>1,586</b>	<b>7,347</b>	<b>-</b>	<b>15,332</b>
<b>Financial liabilities</b>				
Amounts due to subsidiaries	6,972	1,878	(49)	28,081
Other payables and accruals	1,748	-	-	71
	<b>8,720</b>	<b>1,878</b>	<b>(49)</b>	<b>28,152</b>
Net financial assets / (liabilities)	(7,134)	5,469	49	(12,820)
Less: Net financial assets denominated in the Company's functional currency	7,134	-	-	-
Foreign currency exposure	<b>-</b>	<b>5,469</b>	<b>49</b>	<b>(12,820)</b>

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, mainly Indonesia and Hong Kong. The Group's net investment in Indonesia and Hong Kong are not hedged as currency positions in Indonesia and Hong Kong are considered to be long-term in nature.

###### Foreign currency risk sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (i) Market risk (cont'd)

*Foreign currency risk (cont'd)*

Foreign currency risk sensitivity (cont'd)

If the relevant foreign currency weakens by 5% against the functional currency of each group entity, profit or loss will increase/(decrease) by:

	USD impact		IDR impact		HKD impact	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Group</b>						
Profit or loss	<u>200</u>	362 (i)	<u>(1)</u>	(43) (i)	<u>551</u>	763 (i)
<b>Company</b>						
Profit or loss	<u>(152)</u>	273 (ii)	<u>-</u>	2 (ii)	<u>(800)</u>	(641) (ii)

If the relevant foreign currency strengthens by 5% against the functional currency of each group entity, profit or loss will increase/(decrease) by:

	USD impact		IDR impact		HKD impact	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Group</b>						
Profit or loss	<u>(200)</u>	(362) (i)	<u>1</u>	43 (i)	<u>(551)</u>	(763) (i)
<b>Company</b>						
Profit or loss	<u>152</u>	(273) (ii)	<u>-</u>	(2) (ii)	<u>800</u>	(641) (ii)

(i) This is mainly attributable to the exposure outstanding on receivable and payables at the end of the financial year in the Group.

(ii) This is mainly attributable to the exposure to outstanding US dollar inter-company payables at the end of the financial year.

*Interest rate risk*

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 March 2018, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

At the end of the financial year, the Group does not have any financial instruments which are subject to significant interest rate risks. The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2018		2017	
	1 year or less \$'000	1 to 5 years \$'000	1 year or less \$'000	1 to 5 years \$'000
Group				
Trade and other payables	<b>2,727</b>	-	3,132	-
Company				
Amounts due to subsidiaries	<b>34,660</b>	-	36,882	-
Trade and other payables	<b>1,460</b>	-	1,819	-

##### (iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Directors based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by respective management.

At the end of the reporting period, there is no amount receivable from customer as the customer has made full settlement towards the year end.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instruments presented on the statement of financial position.

In previous year, there is no amount receivable from customer as the customer has made full settlement towards the year end.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (iii) Credit risk (cont'd)

The carrying amounts of cash and cash equivalents, trade and other receivables, including due from subsidiaries (non-trade), and financial assets at fair value through profit or loss represent the Group's and Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

##### *Credit risk on trade receivables*

Credit risk arises from the inability of its customers to make payments when due. The amounts presented in the consolidated statement of financial position are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

The breakdown of trade receivables is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Not past due but impaired	-	-
Past due and impaired	9,539	9,539
Past due but not impaired	-	-
Total	<u>9,539</u>	<u>9,539</u>

##### Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are 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 or companies with high credit ratings and no history of default.

##### Financial assets that are past due and/or impaired

There were no trade receivables that were past due but not impaired.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 28 Financial instruments (cont'd)

#### (b) Financial risk management objectives and policies (cont'd)

##### (iii) Credit risk (cont'd)

###### Financial assets that are past due and/or impaired (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follow:

	Group	
	2018 \$'000	2017 \$'000
Gross amount:		
Past due and impaired	9,539	9,539
Less: Allowance for impairment (Note 14)	(9,539)	(9,539)
Total	-	-

Movement in allowance for impairment:

	Group	
	2018 \$'000	2017 \$'000
At beginning and at end of financial year	9,539	9,539

Trade receivables that are individually determined to be impaired at the end of the reporting period comprise of debtors that have defaulted on payments.

### 29 Fair values of financial instruments

#### (a) Fair value of financial instruments that are carried at fair value

##### Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 29 Fair values of financial instruments

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Movements in Level 3 financial instruments measured at fair value

The reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3) is as disclosed in Note 19.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount is a reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, including amounts due from/to subsidiaries are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

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

As at end of the reporting period, there are no financial instruments in this category.

### 30 Subsequent events

(a) On-going Independent investigation by EY – Second Appointment

On 10 November 2014, the Company appointed EY as the independent accounting firm to investigate the following:

- (i) The Company had on 1 April 2010 entered into a sale and purchase agreement to acquire MSN and its subsidiaries, PT KAMU, PT MSN (collectively, the “MSN group”) from Bright Reach International Limited (“BRI”). Following the acquisition, allegations were raised by the previous owners of MSN’s subsidiary, PT MSN that BRI had not fulfilled certain obligations to them prior to the acquisition. Allegations were also raised regarding the appropriateness of certain transactions and actions involving PT MSN.
- (ii) In light of the above allegations, EY is to ascertain the relevant facts, review of the acquisition transaction and the process and procedures surrounding the consideration paid with reference to the financial records of the MSN group and corporate records of PT MSN.

EY completed its independent investigation on 7 December 2017 and issued a report (the “EY 2 Report”) on its findings to the Audit Committee of the Company (“Audit Committee”). The Audit Committee and the Board of Directors (“Board”) have reviewed the EY Report and have noted that it highlighted, among other things:

- (i) Possible connections between BRI and a former director of the Company, Hady Hartanto; and
- (ii) Possible connections between Hady Hartanto, BRI and a finance company, Niaga Finance Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 30 Subsequent events (cont'd)

#### (a) On-going Independent investigation by EY – Second Appointment (cont'd)

The Board of Directors has adopted the EY 2 Report and has noted the findings highlighted in the same. To address these findings, the Board of Directors has carefully considered the content of the report and will convene a Special Committee to seek legal advice, on the basis of the EY 2 Report findings, in relation to (i) the continuing obligations (if any) of the Company under the Listing Rules and Companies Act, (ii) the extent of any damage caused to the Company arising from these matters that took place in the past under previous management; and (iii) the appropriate action (including any legal action if deemed appropriate) that the Company can reasonably take. The Company has already previously engaged E&Y to conduct in-depth study as to measures and recommended practices to be implemented to address the weaknesses and lapses in the Company's internal controls highlighted in the earlier EY Report which the Company is currently adhering to in straight conformity to ensure good and sound internal control practices.

On 1 February 2018, the Company further announced that the Board of Directors have convened a Special Committee comprising two Directors of the Company, Mr Andrew Coulton and Ms Cheung Kam Wa, to seek legal advice, on the basis of the EY 2 Report findings. The Special Committee has appointed WongPartnership LLP as legal counsel to advise the Special Committee on the EY 2 Report findings.

As at the date of this report, we have informed by the Board that WongPartnership are still in the process of obtaining the necessary documents to enable them to fully advise the Company on the finding in the EY 2 Report. No formal opinion has been rendered to the Company's special committee yet.

#### (b) On-going legal action against the Company

On 28 November 2014, legal action was commenced in Hong Kong by a third party ("Plaintiff") against the Company, its controlling shareholder and a former director of the Company regarding a private sale of the Company's shares. The Plaintiff obtained an injunction order restraining the Company from disposing or dealing with its assets or any money in its bank accounts maintained in Hong Kong or elsewhere up to the value of HK\$10 million, and not to remove from Hong Kong any asset up to the value of HK\$10 million. The injunction order did not however prohibit the Company from dealing with any asset or money so long as the total unencumbered value of all assets remains above HK\$10 million.

The Company was not a contracting party to the underlying sale transaction which triggered the legal action, and had no previous knowledge of that sale transaction. However, the Plaintiff has alleged that the purchase price in relation to that sale transaction was paid to the Company's Hong Kong bank account in January 2011. The Company's records showed that these funds received in January 2011 were in fact funds paid for the exercise of warrants issued by the Company. As such, these funds were in fact proceeds arising from the exercise of the warrants, [i.e. share capital paid to the Company for the issue of new shares in the Company following the exercise of the relevant warrants by the respective warrant holder(s)].

On 28 January 2015, the Plaintiff also commenced similar legal proceedings in the High Court of Singapore with a view to obtain a similar injunction order restraining the Company from disposing or dealing with its assets in Singapore. However, such order, if obtained, will not prohibit the Company from dealing with or disposing of any of its assets in the ordinary and proper course of business.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 30 Subsequent events (cont'd)

#### (b) On-going legal action against the Company (cont'd)

On 12 May 2015, the High Court of Hong Kong discharged the injunction which placed a restraining order on the Company.

On 16 December 2016, the legal proceeding in the High Court of Singapore has been discontinued and concluded by the Plaintiff.

On 24 January 2017, the Company has received an amended statement of claim in the High Court of Hong Kong by the Plaintiff.

On 9 July 2018, the Company announced that the suit by the Plaintiff against the Company in Hong Kong has been discontinued and concluded.

#### (c) Non-Binding Letter of Intent with Grand Harvest Resource Holdings Limited and Mark Tam

On 17 May 2017, the Company further announced that the Company has entered into a non-binding letter of intent ("LOI") with Grand Harvest Resource Holdings Limited ("Vendor") and Mark Tam. Pursuant to the LOI, the parties intend to explore for the Vendor to grant to the Company a call option to acquire up to 65% of the equity interest in ZP (the "Call Option") and in the event the Company decides to exercise the Call Option, the Company will consider the option of satisfying the exercise price by issuing such number of ordinary shares in the share capital of the Company at an issue price to be agreed and determined by the parties. This is in line with the Company's intention to consider future investment in ZP as announced by the Company in the Announcement (see Section 3.7). The parties intend to engage in further negotiations on the terms of the transactions with a view to entering into a definitive agreement. Meanwhile, the Company has performed preliminary due diligence and evaluation on the potential of ZP and its business in the growing green energy industry in the People's Republic of China and will continue to explore the feasibility of the potential acquisition and to monitor ZP's financial results.

On 27 June 2017, the Company announced that it has entered into a call option agreement with the Vendor and Mark Tam, pursuant to which the Vendor has agreed to grant a call option to the Company to acquire up to 650,000 shares, representing 65% of the equity interest ("Option Shares") in Zhong Ping Trading Development Limited ("ZP") (the "Call Option") at an option price of S\$7.02 million ("Option Price"), subject to the terms of the call option agreement.

The Option Price of S\$7.02 million was arrived on a willing-buyer willing-seller basis, taking into account, amongst others, business prospects and the estimated earnings of ZP.

On 9 May 2018, the Company announced that it has decided not to proceed with the Call Option. Accordingly, the Company has entered into a settlement agreement with ZP, Mark Tam and the Vendor ("Settlement Agreement") pursuant to which the parties have agreed to Terminate the Call Option Agreement subject to ZP agreeing to prepay the Loan and interest under the Loan Agreement by 16 August 2018 or such later date as may be agreed by the Company and ZP in writing in accordance with the terms and conditions of the Settlement Agreement.

On 15 May 2018, a principal amount of \$1 million has been repaid to the Company, leaving a remaining balance of \$2 million plus interest which will be due on 16 August 2018.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 30 Subsequent events (cont'd)

#### (d) Inclusion on the watch-list due to the minimum trading price entry criteria

On 4 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") has notified the Company that it would be placed on the watch-list due to the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2017.

The Company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company. In this regard, Listing Rule 1314(2) states that the Company will be assessed by the SGX-ST for removal from the watch-list if it records volume-weighted average price of at least \$0.20 and an average daily market capitalisation of \$40 million or more over the last 6 months.

Following the Company's inclusion in the watch-list, the Company is required to provide a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list.

In addition, the Company was also previously placed under the watch-list under the financial criteria. On 31 May 2012, the Company announced that it had applied for an extension of time to meet the requirements to exit from the watch-list which are set out under Listing Rule 1314.

On 20 April 2018, the Company has submitted an application to the SGX-ST for an extension of time to apply for removal from the Watch-List under the Financial Exit Criteria. As at the date of this report, the Company is still pending response from SGX-ST.

#### (e) Change of name of joint venture company

On 17 May 2018, the 55% owned joint venture company of the Company has changed its name from Hughes UnifiedNet Holding (China) Company Limited to Hughes UnifiedNet Holding Company Limited.

Subsequently on 25 July 2018, Hughes UnifiedNet Holding Company Limited has changed its name to HUH Broadband Communication Company Limited.

#### (f) Extension of the Group's structure in support of its platform on the management of investments – Limited Partnership Agreement and Subscription Agreement

On 21 March 2018, the Board announced that Indo EM Growth Fund GP Limited, being the general partner of the Indo EM Growth Fund LP has entered into a limited partnership agreement with participating limited partners of the Fund in relation to the Fund. Everbright Beijian Construction Development (Shenzhen) Co. Ltd., a subsidiary of a major state-owned enterprise in the People's Republic of China, has agreed to participate in the Fund as a cornerstone investor with capital commitment of US\$40 million.

On 17 May 2018, the Company announced that Indo EM Growth Fund LP has made the first capital call on 16 May 2018. Arch Capital, a wholly owned subsidiary of the Company, being one of the limited partners, will make a payment of US\$950,000 for the first capital call and the payment shall be financed by internal funds of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 30 Subsequent events (cont'd)

#### (g) Issuance of statutory demand

On 18 July 2018, the Company announced that the Company has issued a Statutory Demand ("Demand") to Jeeone International Holdings Limited ("Jeeone") for the repayment of an outstanding debt of approximately RMB 4.6 million ("Outstanding Debt") within 3 weeks after service of the Demand. This Demand was issued by the Company as the Outstanding Debt remained unpaid despite repeated reminders to repay the same.

The Outstanding Debt was the amount due to the Company under a convertible note issued by Jeeone with the principal amount of RMB4.5 million and the interest accrued on the convertible note of RMB0.1 million.

### 31 Comparative figures

The independent auditor's report dated 1 November 2017 contains a disclaimer of opinion on the financial statements for the financial year ended 31 March 2017. Below is the extract of the basis for disclaimer of opinion.

#### **Extracted from auditor's report for the financial year ended 31 March 2017**

##### *"Basis for Disclaimer of Opinion"*

#### (a) Opening balances

Our independent auditor's report dated 21 April 2017 contains a disclaimer of opinion on the financial statements for the financial year ended 31 March 2016. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 March 2016 is disclosed in Note 30 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 March 2016, we were unable to determine whether the opening balances as at 1 April 2016 are fairly stated.

Since the opening balances as at 1 April 2016 are entered into the determination of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2017, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 March 2017.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 31 Comparative figures (cont'd)

#### Extracted from auditor's report for the financial year ended 31 March 2017 (cont'd)

*"Basis for Disclaimer of Opinion" (cont'd)*

#### (b) Independent investigations

Subsequent to the completion of the independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY") on 31 October 2014, EY issued their Report ("EY Report") containing their findings to the Audit Committee of the Company, the details of which are described in [Note 29 (a)] to the financial statements. In view of EY's findings, the Company re-appointed EY on 10 November 2014 to perform further investigation into, inter alia the discrepancies and matters highlighted in the EY Report. Specifically, EY was engaged to investigate on (i) allegations raised by the former owners of Multi Skies Nusantara Limited's ("MSN") subsidiary, PT Multi Skies Nusantara ("PT MSN"); and (ii) the appropriateness of certain transactions and actions involving PT MSN, including review of the acquisition transaction and the process and procedures surrounding the consideration paid with reference to the financial records of MSN, PT Karunia Anugerah Mitra Utama ("PT Kamu") and PT MSN (collectively, the "MSN group") and the corporate records of PT MSN [Note 29(c)].

As at the date of this report, we had obtained confirmation from EY informing us that their investigation into the MSN group, as disclosed in Note 29(c) to the financial statements has just ended and EY is currently finalising their report ("EY2 Report") with the Company. We have also been informed by the Company that the draft EY2 Report is currently under review and being studied by the Board and the Company's legal counsel. Consequently, we are unable to determine whether any further significant findings may be reported by EY and whether there may be any adjustments arising thereon which may have an impact on the accompanying financial statements of the Group and the Company.

#### (c) Equity method of accounting for investment in joint venture

As disclosed in Note 12 to the financial statements, the Group's investment in joint venture with financial year ended 31 December is not co-terminus with the Group's financial year-end of 31 March. Management has used the financial statements of the joint venture relating to financial year ended 31 December 2016, which took into account the financial period from 1 January 2016 to 31 December 2016 for equity accounting the Group's share of results of the joint venture. The Group ought to have adjusted the reporting period of the joint venture for equity accounting purposes having considered and making adjustments to take into account the effects of significant transactions or events that occurred between 1 January 2017 to 31 March 2017 and between 1 January 2016 to 31 March 2016.

Had the Group equity accounted on an adjusted basis, that is, excluded the first 3 months of the financial period from 1 January 2016 to 31 December 2016 and included the first 3 months of the financial period from 1 January 2017 to 31 December 2017, the resultant net financial impacts would have been an increase in share of loss of joint venture and a corresponding increase in total comprehensive loss of \$275,810, which is material to the Group's financial statements for the financial year ended 31 March 2017.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 31 Comparative figures (cont'd)

#### Extracted from auditor's report for the financial year ended 31 March 2017 (cont'd)

*"Basis for Disclaimer of Opinion" (cont'd)*

#### (d) Investment in joint venture and subsidiary

As disclosed in Note 12 and 13 to the financial statements, the Group's carrying amount of its joint venture, Hughes UnifiedNet Holding (China) Company Limited and the Company's carrying amount of its subsidiary, China UnifiedNet Holdings Limited as at 31 March 2017 amounted to approximately \$30.2 million and \$33.8 million respectively. Management has not carried out a review of the recoverable amount of its investment in the joint venture and subsidiary as management is of the view that there is no indication of impairment. Accordingly, we are unable to obtain sufficient appropriate audit evidence to determine whether the recoverable amounts of the joint venture and subsidiary have reduced or have exceeded their carrying amounts as at 31 March 2017. Consequently, we are unable to determine whether any further impairment or reversal of impairment as at 31 March 2017 is required.

### 32 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings, if any.

The Group has complied with the externally imposed capital requirements during the financial years ended 31 March 2018 and 2017. The Group's overall strategy remains unchanged for the financial years ended 31 March 2018 and 2017.

### 33 Comparatives information

#### 33.1 Restatement

As stated in Note 31(c), in the last financial year, the Group did not equity account for its shares of results of the joint venture on an adjusted basis (that is, excluded the first 3 months of the financial period from 1 January 2016 to 31 December 2016 and included the first 3 months of the financial period from 1 January 2017 to 31 December 2017). Accordingly, during the current financial year, the Group has adjusted the financial statement of the joint venture relating to financial year ended 31 December 2017 in line with the financial year of the Group for the share of results of the joint venture.

This reclassification did not have any net financial impact on the consolidated statement of profit or loss and other comprehensive income, statements of financial position and consolidated statement of cash flows for the current financial year.

Comparative amounts for consolidated statement of profit or loss and other comprehensive income, statements of financial position and consolidated statement of changes in equity were restated for consistency. The restatement did not have any impact on the comparatives for total comprehensive (loss)/income attributable to equity holders of the Company, except that it had reduced the loss by \$706,829 for the financial year ended 31 March 2017.





## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 33 Comparatives information (cont'd)

#### 33.2 Change in classification

During the financial year, reclassification of certain comparative numbers were made in the consolidated statement of cash flows to enhance the comparability with the current year's financial statements.

The effects of the reclassifications are as follows:

	Previously reported \$'000	Group 2017 As restated \$'000	Difference \$'000
<b>Consolidated statements of cash flows</b>			
Net cash used in operating activities	(3,447)	346	(3,101)
Net cash used in financing activities	-	(346)	(346)
	<u>(3,447)</u>	<u>-</u>	<u>(3,447)</u>

### 34 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I), and International Financial Reporting Standards issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRSs.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new SFRS(I)s which are relevant to the Group are effective from the following dates:

Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- Classification and Measurement of Share Based Payment Transactions (Amendments to SFRS(I) 2)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 34 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (cont'd)

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*

Management anticipates that the adoption of the above SFRS(I)s in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for SFRS(I) 9, SFRS(I) 15, SFRS(I) 16 and SFRS(I) 1-28. Currently management is still assessing the impact of SFRS(I) 9, SFRS(I) 15, SFRS(I) 16 and SFRS(I) 1-28 but does not expect these to have any significant impact on the financial statements in the period of their initial adoption.

### 35 Authorisation of financial statements

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors dated 7 August 2018.

## INFORMATION ON SHAREHOLDING

Issued and Fully Paid-Up Capital (including Treasury Shares)	:	S\$156,586,798.55
Number of Issued Shares (excluding Treasury Shares)	:	6,424,735,828
Number/Percentage of Treasury Shares	:	24,200,000 (0.38%)
Class Of Shares	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	One vote per share

### Distribution of shareholdings as at 31 July 2018

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 99	16	0.15	612	0.00
100 - 1,000	1,175	10.94	1,150,057	0.02
1,001 - 10,000	3,349	31.20	15,880,654	0.25
10,001 - 1,000,000	5,767	53.72	860,033,975	13.38
1,000,001 and above	428	3.99	5,547,670,530	86.35
<b>Total</b>	<b>10,735</b>	<b>100.00</b>	<b>6,424,735,828</b>	<b>100.00</b>

Based on the information available to the Company as at 31 July 2018, approximately 67.92% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

### Twenty largest shareholders as at 31 July 2018

No.	Name of shareholders	No. of shares	%
1	Straits Law Practice Llc	1,074,100,000	16.72
2	HSBC (Singapore) Nominees Pte Ltd	444,347,389	6.92
3	UOB Kay Hian Pte Ltd	440,060,600	6.85
4	Citibank Nominees Singapore Pte Ltd	367,368,293	5.72
5	Wong Nam Sin	213,800,000	3.33
6	OCBC Securities Private Ltd	157,471,612	2.45
7	United Overseas Bank Nominees Pte Ltd	147,411,045	2.29
8	DBS Nominees Pte Ltd	126,999,765	1.98
9	Miao Mingfeng	119,324,000	1.86
10	Morgan Stanley Asia (S) Securities Pte Ltd	107,759,000	1.68
11	DBS Vickers Securities (S) Pte Ltd	96,880,799	1.51
12	RHB Securities Singapore Pte Ltd	85,752,766	1.33
13	Phillip Securities Pte Ltd	83,413,799	1.30
14	OAPT (Ong Teck Beng-B981/2017)	79,400,000	1.24
15	Wong Kwan Seng Robert or Tan Cheng Kit Alice	76,000,000	1.18
16	Maybank Kim Eng Securities Pte Ltd	74,154,539	1.15
17	CGS-CIMB Securities (S) Pte Ltd	60,764,000	0.95
18	Lim & Tan Securities Pte Ltd	52,301,000	0.81
19	Yoong Ah Ling	51,453,000	0.80
20	Lim Chin Tong	50,000,000	0.78
	<b>Total:</b>	<b>3,908,761,607</b>	<b>60.85</b>

## INFORMATION ON SHAREHOLDING (Cont'd)

### Substantial shareholders

Name of shareholders	Direct interest No. of shares	% of issued capital <sup>(1)</sup>	Deemed interest No. of shares	% of issued capital <sup>(1)</sup>
Telemedia Pacific Group Limited <sup>(2)</sup>	-	-	1,664,500,000	25.91
Family Unit Foundation Ltd <sup>(3)</sup>	-	-	1,664,500,000	25.91
Hady Hartanto <sup>(4)</sup>	-	-	1,676,097,000	26.09
Ban Joo Investment (Pte) Ltd <sup>(5)</sup>	384,799,887	5.99	-	-

### Notes:

- (1) The percentage of issued share capital is calculated based on 6,424,335,828 shares (excluding 24,200,000 treasury shares).
- (2) Telemedia Pacific Group Limited ("TPG") is deemed to have an interest in 1,664,500,000 shares held through various nominee accounts.
- (3) Family Unit Foundation Ltd is deemed to have an interest in the shares held by TPG by virtue of Section 7 of the Companies Act.
- (4) Mr. Hady Hartanto is deemed to have an interest in 11,597,000 Shares held through Messrs Straits Law Practice LLC as nominee and 1,664,500,000 shares held by TPG by virtue of Section 7 of the Companies Act.
- (5) Ban Joo Investment (Pte) Ltd is deemed to have an interest in 384,799,887 shares held through a nominee account.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“AGM”) of NGSC Limited (the “Company”) will be held at SAFRA Yishun, Allamanda & Balsam Ballroom, 60 Yishun Avenue 4, Singapore 769027 on Wednesday, 29 August 2018 at 2 p.m., to transact the following businesses:-

### (A) ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and financial statements for the financial year ended 31 March 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring under the Company’s Constitution:
  - (i) Mr Andrew Coulton (Regulation 91) [See Explanatory Note (i)] **(Resolution 2)**
  - (ii) Mr Lye Meng Yiau (Regulation 91) [See Explanatory Note (ii)] **(Resolution 3)**
  - (iii) Mr Lai Chik Fan (Regulation 91) [See Explanatory Note (iii)] **(Resolution 4)**
  - (iv) Mr Li Man Wai (Regulation 91) [See Explanatory Note (iv)] **(Resolution 5)**
3. To approve the payment of Directors’ Fees of S\$211,267 for the financial year ended 31 March 2018. (2017: S\$158,000) **(Resolution 6)**
4. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

### (B) SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments: **(Resolution 8)**

#### General Share Issue Mandate

“That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares, whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
  - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
    - (aa) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
    - (bb) any subsequent consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company;
  - (4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting ("AGM") of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (v)]
6. To transact any other business that may be properly transacted at an Annual General Meeting.

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### Explanatory Notes:

- (i) Detailed information on Mr Andrew Coulton can be found in the Company's annual report 2018. Mr Andrew Coulton will, upon re-election as a Director, remain as Non-Executive Non-Independent Chairman of the Company.
- (ii) Detailed information on Mr Lye Meng Yiau can be found in the Company's annual report 2018. Mr Lye Meng Yiau will, upon re-election as a Director, remain as Non-Executive Non-Independent Director of the Company.
- (ii) Detailed information on Mr Lai Chik Fan can be found in the Company's annual report 2018. Mr Lai Chik Fan will, upon re-election as a Director, remain as Non-Executive Non-Independent Director of the Company and a member of the Nominating and Remuneration Committees of the Company.
- (iv) Detailed information on Mr Li Man Wai can be found in the Company's annual report 2018. Mr Li Man Wai will, upon re-election as a Director of the Company, remain as an Independent Director and Chairman of the Nominating Committee and a member of the Audit Committee of the Company. Mr Li Man Wai is considered by the Board to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Li Man Wai does not have any relationships including immediate family relationships between himself and the Directors, the Company, its related corporations, its 10% shareholders or its officers.
- (v) The Ordinary Resolution 8 proposed in item 5 above, if passed, will empower the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

BY ORDER OF THE BOARD

### Andrew Coulton

Non-Executive Non-Independent Chairman

Date: 14 August 2018

### Notes:

- (i) A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

- (iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 30 Raffles Place, #19-04 Chevron House, Singapore 048622, not less than 48 hours before the time appointed for holding the AGM.
- (vi) A Depositor's name must appear on the Depositor Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above Annual General Meeting.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.



# PROXY FORM

## NGSC LIMITED

(Registration No.: 196400100R)

(Incorporated in the Republic of Singapore)

### Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 August 2018.

"Personal data" in the proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

I/We\*, \_\_\_\_\_ (Name) NRIC/Passport No.\* \_\_\_\_\_ of

\_\_\_\_\_ (Address)

being a shareholder/shareholders of **NGSC LIMITED** (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or \*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting (the "AGM") of the Company as my/our\* proxy/proxies\* to attend and to vote for me/us\* on my/our\* behalf at the AGM of the Company to be held at SAFRA Yishun, Allamanda & Balsam Ballroom, 60 Yishun Avenue 4, Singapore 769027 on Wednesday, 29 August 2018 at 2 p.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

<input type="checkbox"/>	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services
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All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Ordinary Resolutions relating to:-	Number of Votes For **	Number of Votes Against **
1.	Receive and adopt the Directors' Statement, Auditors' Report and Audited Financial Statements for the financial year ended 31 March 2018		
2.	Re-election of Mr Andrew Coulton as a Director of the Company		
3.	Re-election of Mr Lye Meng Yiau as a Director of the Company		
4.	Re-election of Mr Lai Chik Fan as a Director of the Company		
5.	Re-election of Mr Li Man Wai as a Director of the Company		
6.	Approval of payment of Directors' Fees of S\$211,267 for the financial year ended 31 March 2018		
7.	Re-appointment of Messrs RT LLP as Auditors		
8.	Authority to issue and allot shares pursuant to the General Share Issue Mandate		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
Signature(s) of Shareholder(s)/or  
Common Seal of Corporate Shareholder

Total Number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



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**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

**“relevant intermediary”** means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (iii) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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Affix  
Postage  
stamp

**NGSC Limited**  
30 Raffles Place  
#19-04 Chevron House  
Singapore 048622

3<sup>rd</sup> fold here

4. The instrument appointing the a proxy or proxies must be deposited at the Company’s registered office at 30 Raffles Place, #19-04 Chevron House, Singapore 048622 not less than 48 hours before the time appointed for the AGM.
5. A proxy need not be a member of the Company.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

# NGSC LIMITED

(Company Registration Number 196400100R)



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Singapore 048622  
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