VIBROPOWER

THE CUSTOM POWER SPECIALIST

STAYING RESILIENT

REFINE • RENEW • REFUEL

ANNUAL REPORT 2017

OUR MISSION

- BUILD A GLOBAL WORKFORCE TO SUPPORT OUR CHOSEN MARKETS.
- PROVIDE CUSTOMER VALUE THROUGH EXCELLENT AFTER-SALES SERVICES.
- STRENGTHEN EXISTING AND DEVELOP NEW MARKETS.
- TO CONSISTENTLY EXCEED SHAREHOLDER'S EXPECTATIONS.

OUR CORE VALUES

At VibroPower, there are 3-Powers at work:

PASSION

OUR PASSION FUELS OUR PEOPLE;

PRIDE

WE NEVER SAY NO; AND

POSSIBILITIES

WE TRANSFORM CHALLENGES TO POSSIBILTIES.

CONTENTS

BUSINESS LOCATIONS

SINGAPORE

- **VibroPower Corporation Limited**
- **VibroPower Pte Ltd**
- **VibroPower Sales and Services (S) Pte. Ltd.**
- **GMTM Holdings Pte Ltd**
- **Indamex (F.E) Pte.Ltd.**
- **Scott & English Pte. Ltd.**

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Singapore 638929
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Fax : (65) 6262 2922
www.vibropower.com

MALAYSIA

- **VibroPower Generators Sdn. Bhd.**

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Taman Sungei Besi Indah
Seri Kembangan, 43300
Selangor, Malaysia
Tel : (603) 8942 9328
Fax : (603) 8942 9329

CHINA

- **Shanxi Weineng Coal Mine Co Development Co. Ltd**

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Pingding Country, Nanyang
Shang Village, China
Tel : (86) 0353-5681550

INDIA

- **VibroPower Generators (India) Pvt. Ltd.**

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Dr. Ambedkar Chowk,
off Western Express Highway,
Goregaon (East)
Mumbai 400 063, India
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Fax : (91) 22 40662911

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- **VibroPower Representive Office**

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www.vprussia.com

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

It is my pleasure to present the Annual Report of VibroPower Corporation Limited ("**VibroPower**", "**the Group**" or "**the Company**"), for the financial year ended 31 December 2017 ("**FY2017**").

OVERVIEW

In FY2017, the Group continued to improve on the operational efficiency of its core custom power solutions business and remained profitable. At the same time, the company made steady progress in its coal gas methane power plant project in Shanxi China, and the oil palm biomass power plant project in Kluang, Malaysia.

Our two clean energy power plant projects will add stability and a more regular income stream to the Group to smooth the current lumpy nature of income streams from our core business, which depend on our customers securing projects. The two clean energy projects are also aligned with the global macro-trend towards clean energy and are therefore significant corporate milestones for the Group's strategy in creating long-term value for shareholders.

At the same time, the Board is studying various options to meet the MTP (SGX Minimum Trading Price) exit criteria. At an opportune time, the Board will make a decision on the relevant options that will best serve the interests of the Company's shareholders and provide an update.

FINANCIAL PERFORMANCE

In FY2017, the Group recorded revenue of S$14.2 million, a decrease of 43.4% from FY2016. The decrease in revenue was mainly attributed to lower sales and deferment of a few projects.

Gross profit was maintained at approximately S$3.4 million mainly due to better product margin and lower manufacturing overheads.

We continued to improve on our gross profit margins by increasing our operational efficiency. At the same time, we also provided customised solutions to our clients, and thereby increased the value-added services to capture better margins. This contributed to our improved gross profit margin of 24.3% compared to FY2016.

Administrative Expenses decreased by 15.4% to S$2.3 million mainly due to lower operating cost. Finance costs decreased by 20.9% to S$0.45 million mainly due to less borrowings during the year.

As a result, net profit attributable to shareholders was largely unchanged at S$0.58 million as compared to S$0.59 million in FY2016.

FINANCIAL POSITION

The Group's financial position remained healthy, with a Current Ratio of 1.85, largely unchanged from 1.8 in FY2016, and a Debt/Equity Ratio of 0.93. Cash and Cash Equivalents was S$1.28 million, a decrease from S$3.71 million in FY2016.

Net Asset Value was largely unchanged at 45.91 cents per ordinary share as compared to 45.73 per share as at 31 December 2016.

The increase in Property, Plant and Equipment was attributed to the acquisition of a subsidiary which owns a plot for land, with a value of S$3.1 million that will be used for the development of the biomass power plant project in Malaysia.

Inventories increased from S$7.4 million to S$8.0 million due to the purchase of materials and equipment for upcoming projects.

The cash flows used in operations were mainly due to purchases of inventories and payment made to trade and other payables during the year.

BUSINESS UPDATE

The Group has been active in tendering for projects to strengthen its order books. The Group's business development and marketing strategy has focused on providing customised solutions for client's power generation requirements. In addition, the Group has expanded its market to include the high-specifications and high-value power generation requirements of the marine and offshore industries.

The Group is steadily working towards achieving its objective of developing its clean energy business to become significant contributors to its revenue and profitability.

Shanxi Coal Mine Methane Power Generation Project

In FY2016, our clean energy wholly-owned subsidiary Shanxi Weineng Coal Mine Gas Development Co.Ltd's ("SXWN") Shanxi coal mine methane power plant ("CMMP") project became fully operational. The plant uses methane gas naturally emitted from coal seams as fuel for the generation of electricity. SXWN had entered into a power purchase agreement with the Shanxi State Grid, pursuant to which the Shanxi State Grid will purchase all electricity generated by SXWN's power plant.

On 5 March 2017, the Group's CMMP project had suspended its operations due to ongoing upgrading works and unstable gas supply at Shanxi Dongsheng Coal Mine Group Co., Ltd from which it obtains its coal mine methane gas. The Board is pleased to announce that in January 2018, SXWN has resumed its operations to supply electricity to the Shanxi power grid. The Board is further pleased to announce that SXWN has also obtained approval from the relevant authority to increase the electricity supply capacity to 20MW. Work is in progress to upgrade the existing power plant.

The CMMP project is expected to contribute to the Group's financials for FY2018. Shareholders will be kept updated by the Company on any further material developments at CMMP.

Palm Oil Biomass Clean Energy Project

Our palm oil biomass clean energy power plant project ("POB") in Kluang Malaysia continues to advance steadily towards operational status. POB will use disposed empty fruit bunches of oil palm as fuel for power generation. The plant is expected to have a capacity of 20 megawatts, and the electricity produced will be sold to Tenaga National Berhad for its distribution grid.

On 1 June 2017, the Company announced that all the conditions precedent for the completion of the acquisition have been satisfied and the acquisition has been completed. Agrimal currently owns the land on which the POB plant will be sited. Subsequent to the completion of the acquisition, the Company has an effective interest of 68.2% in Agrimal Projects Sdn. Bhd, held through its whollyowned subsidiary, VibroPower (HK) Limited and associated company VibroPower Green Energy Sdn. Bhd.

OUTLOOK FOR THE YEAR AHEAD

In their annual reports both the International Monetary Fund* and the World Bank** are optimistic on global economic growth for 2018. The buoyancy is expected to feed through into Singapore's open economy, currently the main market for the Group's business. Infrastructure and building development projects from both the private and public sectors are expected to grow, with the consequent increase in demand for the Group's onsite power generation solutions.

At the same time, the stabilisation of crude oil price may enhance the prospects for projects from the marine and offshore industries for which we are now actively bidding. Thus I am cautiously optimistic on our core business for the year ahead.

However, we must continually monitor the situation to ensure that our margins are maintained through operational efficiency, and our services are differentiated from competitors by the value-added services that we provide. It is only through these measures that we can build up the VibroPower brandname to achieve long-term sustainable growth.

I am also excited about the prospects ahead for the CMMP and POB projects. It is inevitable that the move towards clean energy will gain momentum as the world recognizes the disastrous effects of pollution and climate change. Clean energy is even more attractive, both from a commercial as well as environmental sustainability perspective, if it is converted from waste products, such as the disposed empty fruit bunches in our POB project, and the methane gas emitted in the process of coal mining as in the case of the CMMP project.

CONCLUSION

The Group has a long-established track record in its core business of fossil-fuelled power generation. But with our clean energy projects, I am hopeful and extremely happy that we are now able to be an active partner in the world's move towards the vision of a clean and green future of energy.

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to our shareholders, business associates and partners for their unwavering support and confidence in the Company. I would also like to thank the Board for their guidance and advice in steering the Company towards its strategic objectives.

Last but not least, I would like to thank the Management and Staff for their dedication and hard work, without which we would not have been able to achieve our performance. ✓

BENEDICT CHEN ONN MENG
Chief Executive Officer

References
* https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018
** http://www.worldbank.org/en/publication/global-economic-prospects

FINANCIAL AND OPERATIONS REVIEW

FINANCIAL REVIEW

In FY2017, the Group was able to remain profitable due to its focus on increasing productivity through continued improvements in operational efficiency, providing customised solutions to its customers and managing its manufacturing overheads, adding value to its products and services, and maintaining strict cost control. The Group recorded a net profit attributable to shareholders of S$0.58 million.

The Group's improvements in operational efficiency was mainly attributed to more effective workflow and a well-trained workforce.

In cost control, the Group focused on savings from corporate support functions while applying financial resources to functions directly related to sales and business development. Thus administrative expenses decreased by 15.4% to S$2.3 million while finance costs declined by 20.9% to S$0.45 million. At the same time, marketing and distribution were boosted by 11.0% from S$0.26 million in FY2016 to S$0.30 million in FY2017.

Earnings per ordinary share remained positive at 1.60 Singapore cents, despite the marked decrease in revenue.

The Group's financial position remained healthy with total assets as at 31 December 2017 of S$33.4 million compared with S$34.2 million as at 31 December 2016. Total liabilities as at 31 December 2017 was S$15.3 million compared with S$17.8 million as at 31 December 2016. Cash and cash equivalents stood at S$1.28 million. With a Current Ratio of 1.85 and a Borrowings to Equity Ratio of 0.93, the Group's short term as well as longer term liquidity is well-covered.

Based on the Group's share capital of 35,950,856 Shares (excluding treasury shares) as at 31 December 2017, the net asset value per ordinary share stood at 45.91 Singapore cents.

CORPORATE ANNOUNCEMENTS

On 5 June 2017, the Board of Directors announced that the SGX-ST has notified the Company that it would be placed on the Watch-list from 5 June 2017 due to the minimum trading price ("MTP") entry criterion. The Company must take active steps to meet the requirements of Listing Rule 1314(2) within 36 months from 5 June 2017, failing which the Exchange would delist the Company or suspend trading in the Company's shares with a view to delisting the Company. The Board also announced that it would take all steps and make every effort to meet the requirements for exit from the Watch-list.

MARKET GEOGRAPHICAL SEGMENTS

The Group's markets are Singapore, Asia, and Rest of the World. Singapore remains the largest market for the Group, contributing to 83.4% of Group revenue in FY2017, which was a significant increase from the 52.5% contribution in FY2015 and 72.8% in FY2016.

Singapore is expected to remain the Group's largest market for FY2018 due to a slew of upcoming infrastructure and building construction projects from both the public and private sectors. Demand for our services from the construction of private residential and commercial property developments, public housing developments, transportation infrastructure such as MRT stations and roads, education and research institutes, hospitals and polyclinics is expected to remain robust.

Singapore's predominance in the Group's market meant that its two other market segments, Asia and Rest Of The World, declined to 15.0% and 1.6% respectively.

The Shanxi coal mine methane power plant project has resumed operations and is expected to contribute to the Group's FY2018 financials.

For the proposed Kluang, Malaysia palm oil biomass plant, an expenditure of S$3.0 million was incurred for the acquisition of a subsidiary which owns the land on which the project will be sited.

OPERATIONS UPDATE

Shanxi, China coal mine methane power generation project.

On 5 March 2017, the operations at our Shanxi, China coal mine methane power plant ("CMMP") was suspended for commencement of upgrading works. This is to increase the volume of gas that can be received, in order to meet the expected increase in supply from Shanxi Dongsheng Coal Mine Group Co., Ltd from which it obtains its coal mine methane gas.

In January 2018, CMMP has resumed its operations to supply electricity to the Shanxi power grid. It has also obtained approval from the relevant authority to increase the electricity supply capacity to 20MW.

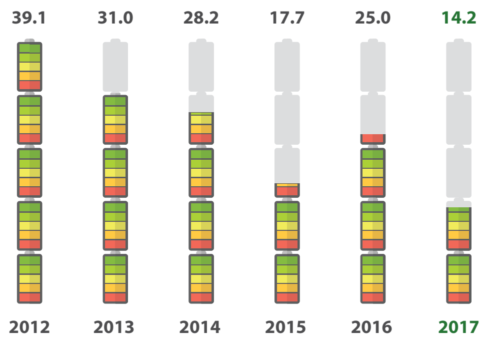
Palm Oil Biomass Clean Energy Project

The acquisition of a 68.2% effective interest in Agrimal Projects Sdn Bhd for the purpose of acquiring the 4.7 hectares plot of land on which the palm oil biomass power plant will sited was completed on 1 June 2017. This will pave the way for the progress of the project towards the operational stage. ✓

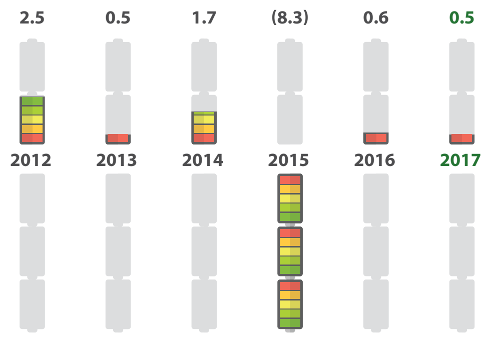
FINANCIAL HIGHLIGHTS (S$MIL)

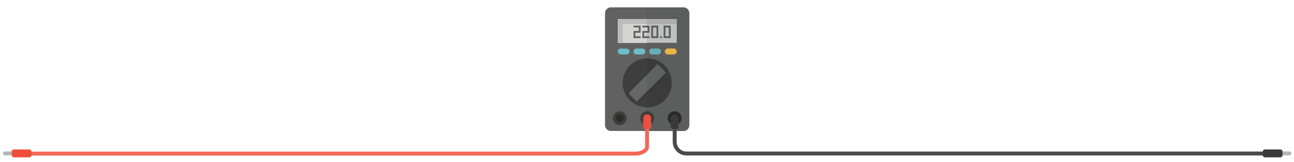
	2012	2013	2014	2015	2016	2017
Turnover	39.1	31.0	28.2	17.7	25.0	**14.2**
Profit/(Loss) before tax	2.5	0.5	1.7	(8.3)	0.6	**0.5**
Shareholders' Equity, Attributable to Equity Holders of the Company	22.1	21.1	23.0	15.4	16.4	**16.5**
Total Assets	45.0	43.5	40.7	35.7	34.2	**33.4**

TURNOVER (S$MIL)



PROFIT/(LOSS) BEFORE TAX (S$MIL)





SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (S$MIL)

TOTAL ASSETS (S$MIL)

BOARD OF DIRECTORS

ERNEST YOGARAJAH S/O BALASUBRAMANIAM

TOH SHIH HUA

BENEDICT CHEN ONN MENG

BENEDICT CHEN ONN MENG

Chief Executive Officer

Mr Chen is one of the founders and has been with the Group since 1995. He is the Chief Executive Officer of the Group. He is jointly responsible for the overall direction of the Group. He is also a member of the Company's Remuneration Committee.

Mr Chen has a diploma in Mechanical Engineering from Singapore Polytechnic.

ERNEST YOGARAJAH S/O BALASUBRAMANIAM

Independent and Non-Executive Director

Mr Balasubramaniam was appointed as an Independent Director on 10 May 2007. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee.

Mr Balasubramaniam is a practising lawyer and Director of UniLegal LLC. He has a Bachelor of Laws degree and a Master of Laws degree from the National University of Singapore.

TOH SHIH HUA

Independent and Non-Executive Director

Ms Toh was appointed as an Independent Director on 28 April 2015. She is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Ms Toh is the founder and director of Genesis Capital Pte Ltd, a corporate finance advisory firm since 2004. Ms Toh has a Bachelor of Accountancy degree from Nanyang Technological University and is a member of Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **BENEDICT CHEN ONN MENG**
  Chief Executive Officer
- **ERNEST YOGARAJAH S/O BALASUBRAMANIAM**
  Independent and Non-executive Director
- **TOH SHIH HUA**
  Independent and Non-executive Director

AUDIT COMMITTEE

- **TOH SHIH HUA**
  Chairman
- **ERNEST YOGARAJAH S/O BALASUBRAMANIAM**
- **BENEDICT CHEN ONN MENG**

NOMINATING COMMITTEE

- **TOH SHIH HUA**
  Chairman
- **ERNEST YOGARAJAH S/O BALASUBRAMANIAM**
- **BENEDICT CHEN ONN MENG**

REMUNERATION COMMITTEE

- **ERNEST YOGARAJAH S/O BALASUBRAMANIAM**
  Chairman
- **BENEDICT CHEN ONN MENG**
- **TOH SHIH HUA**

REGISTERED OFFICE AND BUSINESS ADDRESS

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COMPANY SECRETARY

- **SIA HUAI PENG**

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ERNST & YOUNG LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
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Partner in charge: Yee Woon Yim
(Since reporting year ended 31 December 2014)

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CORPORATE GOVERNANCE REPORT

VibroPower Corporation Limited (the "Company") is committed to maintaining good corporate governance within the Company and its subsidiaries (collectively, the "Group"). The Board recognizes the importance of good corporate governance and is committed to making sure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximize long-term shareholder value.

This report describes the Company's corporate governance processes and activities for the financial year ended 31 December 2017 ("FY2017"), with specific references made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). The Board confirms that for FY2017, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has disclosed and explained any deviations from the Code in this report.

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 Board is entrusted with the responsibility of the overall management of the Company. Its primary function is to provide effective leadership and direction for the overall business and corporate affairs of the Group to enhance the long-term value for the Company's shareholders and the Group's stakeholders.

Besides carrying out its statutory responsibilities, the Board's role is to:

(a) Set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;

(b) Establish a framework of effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(c) Review management performance, approve annual budgets, funding requirements, expansion programs, capital investment and major acquisitions and divestments proposals;

(d) Identify the key stakeholder groups and recognize that their perceptions affect the company's reputation;

(e) Set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

(f) Supervising and monitoring of the Group's management over various matters, including strategic and sustainability issues and business planning processes;

(g) Assume responsibility for corporate governance; and

(h) Approve the release of the financial results and annual report of the Group to shareholders.

The Board exercises objective judgement independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. All Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board has established board committees (the "Board Committees"), which operate under clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also reviewed by the Board. The three (3) Board Committees are:

- the Audit Committee (the "AC")
- the Nominating Committee (the "NC")
- the Remuneration Committee (the "RC")

The Board acknowledges that the Board Committees play an important role in ensuring good corporate governance of the Group and actively engages the Board Committees on matters pertaining to the Group. The Board also acknowledges that while these Board Committees have the authority to examine specific issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

The Board meets at least two (2) times a year to review and approve, inter alia, the half-year and full year results of the Group. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Additional meetings are convened as and when required. Apart from approvals obtained at Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing together with all relevant information pertaining to the matter. As provided in the Constitution of the Company, the Board may convene telephonic and videoconferencing meetings as necessary.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during FY2017 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	2	1	2
No. of meetings attended by the Directors				
Benedict Chen Onn Meng	2	2	1	2
Ernest Yogarajah s/o Balasubramaniam	2	2	1	2
Toh Shih Hua	2	2	1	2

The Board has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and funding proposals, diversification of business, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions with interested persons, and those relating to investment, funding, legal, compliance and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group.

Newly appointed Directors, if any, will be issued a letter of appointment setting out their duties and obligations when they are appointed. They will also undergo an orientation session, which include a briefing by Management on the Group's business operations and governance practices to ensure that new Directors have an insight into the workings of the Group. There was no new director appointed during the financial year.

The Company Secretary and the Company's auditors will advise the existing Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as update them on any changes in the Companies Act and the Listing Manual. Directors also have opportunities to visit the Group's operation facilities in order to have a better understanding of its business operations.

CORPORATE GOVERNANCE REPORT

From time to time, the Directors participate in seminars or discussions to keep themselves updated on the latest changes and developments concerning the Group and keep abreast of the latest regulatory changes.

The briefings and updates provided to Directors in FY2017 include:

- The Company Auditors briefed the AC members on changes or amendments to the accounting standards.
- The Chief Executive Officer updated the Board on the business and strategic developments of the Group.

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.

As at the date of this report, the Board comprises one (1) Executive Director and two (2) Independent and Non-Executive Directors as follows:

<u>Executive Chairman and Chief Executive Officer</u>
Mr Benedict Chen Onn Meng

<u>Independent Non-Executive Directors</u>
Mr Ernest Yogarajah s/o Balasubramaniam
Ms Toh Shih Hua

There is presently a strong and independent element on the Board as two out of three board members (more than 50%) are considered independent. Accordingly, the Company is in compliance with the requirement of the Code where independent directors should make up at least half of the Board, where the Chairman of the Board (the "Chairman") and the CEO is the same person.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition of an "independent" director and guidance on relationships, the existence of which would deem a director not to be independent. A director who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interests of the Company, is considered to be independent.

In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including (i) the employment of a director by the Company or any of its related corporations; (ii) employment of an immediate family member by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; (iii) the acceptance by a director of any significant compensation from the Company or any of its related corporations, other than compensation for board service; (iv) a director being related to any organisation from which the Company of any of its subsidiaries received significant payments or material services; (v) a director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder of the Company; (vi) a director who is or has been associated with a 10% shareholder of the Company, for the current or any of the past three financial years.

Each Independent and Non-Executive Director is required to complete a Director's Independence Form annually to confirm his independence. For FY2017, the NC carried out a review on the independence of each Independent and Non-Executive Director based on the foregoing considerations, the respective Director's Independence Form and their actual performance on the Board and Committees. Having carried out their review, the NC is satisfied that the two Directors, who are non-executive, are independent.

The Board recognizes that the Independent and Non-Executive Directors may over time develop significant insights in the Group's businesses and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the Independent and Non-Executive Directors must be based on the substance of their professionalism, integrity, objectivity and not merely based on the number of years which they have served on the Board.

CORPORATE GOVERNANCE REPORT

Currently, Mr Ernest Yogarajah s/o Balasubramaniam has served on the Board for more than nine years from the date of his first appointment. The NC has subjected his independence to a rigorous review in the light of Guideline 2.4 of the Code, taking into consideration the absence of potential conflicts of interests which may arise through, inter alia, a shareholding interest in the Company and assessment of his independence in character, judgement through his contributions to the Board discussions and deliberations. The NC is of the view that Mr Ernest Yogarajah s/o Balasubramaniam has demonstrated strong independence of character and judgement over the years in discharging his duties and responsibilities as the Independent and Non-Executive Director of the Company with the utmost commitment in upholding the interest of the shareholders. He has expressed individual viewpoints, objectively scrutinized issues and sought clarification as he deemed necessary. The NC has also noted that there were no relationships or circumstances which were likely to affect, or could appear to affect his independent judgement. As such, the NC had recommended to the Board and the Board concurred that Mr Ernest Yogarajah s/o Balasubramaniam's independence of character and judgement was not in any way affected or impaired by his length of service.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has an appropriate balance of independent directors. The Board is of the view that the current board size and composition is appropriate for effective decision making, taking into account the scope and nature of the Group's operations.

In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability, qualifications and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors.

The Board comprises Directors who are qualified and experienced in various fields including accounting and finance, legal, business and management experience and the requisite industry knowledge.

Skills and Experience:
The Board comprises three Directors who are each experienced and qualified in their respective fields.

Gender:
The Board comprises two male members and a female member.

Knowledge of the Company:
The Executive Chairman and CEO, Mr Benedict Chen Onn Meng, has over 30 years experience in the energy and power generation industry.

The Independent and Non-Executive Directors have been having regular meetings with the Group's management to keep abreast of its financial performance, position and prospects. Prior to their appointment, they had undergone an orientation of the Group's business, including onsite visits and meetings with management to familiarise themselves with the Group's business.

Together, the Directors bring a wide and diverse range of business, finance, legal and management experience that will provide effective governance and stewardship for the Group. Please refer to the "Board of Directors" section of the Annual Report for the directors' profile.

Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. Independent and Non-Executive Directors, will then evaluate these proposals or reports and where appropriate, provide guidance to Management.

In addition, these directors will also review the performance of Management in meeting goals and objectives. Where required, Independent and Non-Executive Directors will meet without the presence of Management or Executive Director to review any matter that may be raised privately.

CORPORATE GOVERNANCE REPORT

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 Chief Executive Officer and the Chairman of the Board of Directors for the Company is Mr Benedict Chen Onn Meng. The Board, after careful consideration, is of the opinion that the need to separate the roles of the Chief Executive Officer and Chairman is not necessary for the time being. The presence of a strong independent element and the participation of the Independent and Non-Executive Directors ensure that Mr Benedict Chen Onn Meng does not have unfettered powers of decision. This has been reflected in Board and Committee meetings where the Independent and Non-Executive Directors have participated actively in the decision-making process.

The Board has not adopted the recommendation of the Code to have separate persons appointed as the Chairman and the Chief Executive Officer as the Board is of the view that there is a sufficiently strong independent element and safeguards in place to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the numbers of independent directors on the Board as well as the contributions made by each member at meetings which relate to the affairs and operations of the Group. Further, given the Group's current corporate structure, size, nature and scope of operations, the Board is satisfied that one person is able to effectively discharge the duties of both positions.

The Chief Executive Officer is responsible for the proper functioning of the Board and ensures that Board meetings are held as and when necessary. As the Chairman, he also assumes responsibility for the smooth functioning of the Board, ensures the timely flow of information between Management and the Board, sets the agenda for Board meetings, ensures sufficient allocation of time for thorough discussion of each agenda item, promotes a culture of openness and debate at the Board and cultivates high standards of corporate governance.

Mr Ernest Yogarajah s/o Balasubramaniam has been appointed as the Lead Independent Director of the Company. He is the principal liaison in the event that any issues arise between the Independent and Non-Executive Directors and the Executive Director. He is available to address the concerns of shareholders, employees or other persons in the event that interaction with the Executive Chairman and Chief Executive Officer has failed to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

The Independent and Non-Executive Directors meet on a need-to basis amongst themselves and with the Company's external auditors and internal auditors without the presence of Management to discuss matters such as the Group's financial performance, corporate governance and risk management initiatives, Board processes, any internal audit observations.

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 comprises the following three members, the majority of whom, including the NC Chairman, are independent:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

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

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board, where appropriate;

- evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;

- developing processes for evaluating the performance of the Board, the Board Committees and Directors and implementing such processes for assessing the effectiveness of the Board as a whole and the contribution of each individual Director;

- nomination and re-nomination of Directors having regard to their contribution, performance and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside of the Group and the roles and scope of responsibilities of such commitments;

- determining the independence of the Directors, taking into consideration guidance from the Code and any other salient factors, at least on an annual basis;

- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The role of NC also includes the recommendation of Directors for retirement by rotation pursuant to the Constitution of the Company. In reviewing the re-nomination of Directors, the NC will take into consideration the results of the assessment conducted on the Board as a whole, the Director's independence, contribution, performance (such as attendance and participation at Board meetings and other board appointments and principal commitments outside of the Group) and any other factors as may be deemed relevant by the NC. Pursuant to the Constitution of the Company, at least one-third of the Board members (except the Chief Executive Officer) are to retire from office by rotation and be subject to re-election by the shareholders at every Annual General Meeting ("AGM"). Taking into consideration that the Chief Executive Officer is instrumental to the Group's operations, the Company has not adopted the guideline for retirement once every 3 years for the Chief Executive Officer.

Each Independent and Non-Executive Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2017. The NC has reviewed and is satisfied with the independence of the Independent and Non-Executive Directors.

As a director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is 5. The NC has reviewed each Director's outside directorships and all directors have complied with the maximum limit.

The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless it is in exceptional cases.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of Directors. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability, qualifications and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors.

In identifying suitable candidates, the NC may:

- advertise or use the services of external advisors to facilitate a search; and

- consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group.

Key information of each member of the Board is set out below:

Name of Director	Date of first appointment	Date of last re-election	Present directorships and chairmanships in other listed companies	Directorships and chairmanships in other listed companies over the preceding three years
Benedict Chen Onn Meng	23 May 2000	Not Applicable	Nil	Nil
Ernest Yogarajah s/o Balasubramaniam	10 May 2007	28 April 2016	Independent Director of Patec Precision Industry Co. Ltd listed on the Taiwan Stock Exchange	Nil
Toh Shih Hua	28 April 2015	28 April 2017	Nil	Nil

BOARD PERFORMANCE

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

The NC has established a review process to assess the performance of the Board as a whole on an annual basis. The performance evaluation includes qualitative and quantitative factors including board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, transparency in terms of disclosures and communication with shareholders. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance against certain short and long-term financial and non-financial performance indicators and to identify areas for improvement and to implement appropriate action.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

For FY2017, all Directors are requested to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board. The checklists are completed and submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board.

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and each Director has been adequately contributing to the overall effectiveness and objectives of the Board.

ACCESS TO INFORMATION

Principle 6: In order to fulfill 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.

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, financial results announcements and reports from committees, internal and external auditors. Any additional material or information requested by the Directors is promptly furnished.

All Directors have unrestricted access to the Group's records and information and the Independent and Non-Executive Directors have access to all levels of key management personnel, including the Company Secretary, in the Group.

The Company Secretary attends the Board and committee meetings and is responsible for ensuring that Board procedures are followed and the minutes of all Board and committees meetings are recorded and circulated to the Board and the committees. The Company Secretary also assists the Board to ensure that applicable rules and regulations are complied with.

The appointment and removal of the Company Secretary are decisions taken by the Board as a whole.

The Company currently does not have a formal procedure for Directors to seek independent professional advice for the furtherance of their duties. However, directors may, on a case-to-case basis, propose to the Board for such independent professional advice, the cost of which may be borne by the Company.

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 own remuneration.

The RC comprises a majority of Independent and Non-Executive Directors as follows:

Mr Ernest Yogarajah s/o Balasubramaniam	(Chairman)
Ms Toh Shih Hua	(Member)
Mr Benedict Chen Onn Meng	(Member)

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

- reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options, share-based incentives and awards and other benefits-in-kind with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;

- administering the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme; and

- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the directors and key management personnel required to run the Group successfully.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees (where applicable), salaries, allowances, bonuses and benefits in kind and specific remuneration packages for each director and key management personnel.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company.

The RC will review the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

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 RC has agreed on a performance-based compensation package for the Executive Director. The remuneration structure for the Executive Director is based on service contract. This include a profit sharing scheme that is performance related to align his interest with those of the shareholders.

As part of its review, the RC ensures that the Executive Director and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Director and key management personnel.

The Company currently does not have any long-term incentive scheme, apart from the employee share performance scheme known as the "VibroPower Share Performance Scheme".

The RC has adopted a framework to remunerate the Independent and Non-Executive Directors based on their appointments and roles in respective committees and contributions to the Board and Company. The remuneration packages of the Independent and Non-Executive Directors comprise a basic director retainer fee and additional fees for appointment to Board Committees. While the remuneration frameworks are not subject to shareholders' approval, the directors' fees for Independent and Non-Executive Directors will be subjected to the approval of shareholders at AGMs. None of the Director or key management personnel is involved in deciding his own remuneration.

The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Director owes a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Each 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 breakdown for the remuneration of the Directors for FY2017 is as follows :

Name	Salary	Performance Related Bonus	Fees	Allowance and other benefits	Total
$250,000 to $500,000					
Benedict Chen Onn Meng	77%	–	–	23%	100%
Below $250,000					
Toh Shih Hua	–	–	100%	–	100%
Ernest Yogarajah s/o Balasubramaniam	–	–	100%	–	100%

There are no termination and retirement benefits that may be granted to the Directors.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors) for FY2017 is as follows:

Name	Salary	Performance Related Bonus	Fees	Allowance and other benefits	Total
Below $250,000					
Sia Huai Peng	88%	–	–	12%	100%
Liew Zi Liang (Resigned on 17 October 2017)	86%	–	–	14%	100%
Koh Beng Chuan (Resigned on 12 December 2017)	80%	–	–	20%	100%

There are no termination and retirement benefits that may be granted to the key management personnel. The total remuneration paid to the top three (3) key management personnel for FY2017 was S$239,000. Save as disclosed above, there is no other key management personnel.

There is no employee who is an immediate family member of a Director or CEO and whose remuneration exceeds S$50,000 for FY2017.

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.

The Company has an employee share performance scheme known as the "VibroPower Share Performance Scheme" ("Share Scheme") which serves to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. Shareholders have approved the Share Scheme on 30 April 2010. Directors who are also controlling shareholders of the Company and their associates are eligible to participate in the Share Scheme. As at the date of this report, no awards have been granted under the Share Scheme.

C. ACCOUNTABILITY AND AUDIT

Accountability

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

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the interim and annual financial statements, results announcements as well as timely announcements and/or news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial performance, position and prospects.

In accordance with the Listing Manual of the SGX-ST, the Board will provide a negative assurance statement in respect of the interim financial results announcements, to confirm that to the best of its knowledge, nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company had, pursuant to the Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its Directors and Executive Officers that they each shall, in the exercise of their powers and duties as directors and officers, comply with the best of their abilities with the provisions of the SGX-ST's listing rules, the Securities and Futures Act, the Code on Takeovers and Mergers, and the Companies Act and will also procure the Company to do so.

The Group recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with, amongst others, the management accounts of the Group and the relevant accompanying explanatory information on a half yearly basis. 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 performance, financial performance, position and prospects as well as Management's achievements of the goals and objectives determined.

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.

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

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

The Board notes that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology ("IT") controls. The Board also recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' interests and the Group's assets. Currently, the Group does not have a risk management committee. The Board will look into the need for establishment of a separate Board risk committee at the relevant time.

CORPORATE GOVERNANCE REPORT

Nexia TS Risk Advisory Pte Ltd ("Nexia TS") had previously assisted the Group to design and implement a framework which set out the Group's risk profile, the key risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board. The framework provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place, which will allow the Group to address the on-going changes and challenges in the business environment, reduce uncertainties and facilitate the shareholder value creation process.

With the framework in place, Management would review regularly the key risks identified, considered the relevance of these risks, identify new risks which may arise and assess the internal controls in place to mitigate such risks. Management also reviews all significant policies and procedures and highlights all significant matters to the AC. After the AC has discussed and reviewed these risk matters highlighted to them by Management, a report would be given to the Board for consideration. If there are any matters in which any Board member is of the view poses weakness or risk to the operation of the Group, he can request Management to engage a professional risk consultant to look into it further.

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, including financial, operational, compliance and IT risks are conducted annually. In this respect, the AC will review the audit plans and the findings of the external and internal auditors, and will ensure that Management follows up on the external and internal auditors' recommendations raised, if any, during the audit process.

Based on the internal control policies and procedures established and maintained by the Group, works performed by the external and internal auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the view that the internal controls and risk management systems of the Group addressing the financial, operational, compliance and IT risks are adequate and effective as at the date of this Annual Report.

For FY2017, the Board and the AC have also obtained assurances from the Executive Chairman and CEO and the Acting Group Financial Controller that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

AUDIT COMMITTEE

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

The AC comprises three members. Two members are Independent and Non-Executive Directors with financial and legal background while the third member is an Executive Director. The AC comprises the following members:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

The Board recognizes that the composition of the AC is not in accordance with the Code's guidelines that the AC should be made up of entirely non-executive directors. However, the Board is of the view that independence is not compromise as majority of the members of the AC, including the Chairman, are Independent and Non-Executive Directors. Accordingly, no individual is able to dominate the AC's decision making process.

The AC meets at least twice a year to review the announcements of the half-year and full-year results before it is approved by the Board for release to the Singapore Exchange Securities Trading Limited ("SGX").

The Board considers Ms Toh Shih Hua, who has extensive accounting and financial management knowledge and experience, is well-qualified to chair the AC. The other members of the AC bring with them invaluable experience in legal and business management. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge the duties and responsibilities of the AC.

CORPORATE GOVERNANCE REPORT

As a sub-committee of the Board of Directors, the AC assist the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in the Group. The AC also reviews and supervises the internal audit functions of the Group.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

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:

- To review, the external and internal audit plans (if any), including the nature and scope of the audit before the audit commences, the internal auditors' evaluation of the Company's system of internal controls, the external and internal audit reports and management letters issued by the external auditors (if any) and management response to these letters;

- To review the announcements of the interim and annual results prior to their submissions to the Board for approval for release to SGX;

- To review interested person transactions in accordance with the requirements of the Listing Rules of SGX;

- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors;

- To review and recommend the re-appointment of the external auditors; and

- Any other functions that are requested by the Board, as may be required by statute or the Listing Manual.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC meets with the internal auditors and the external auditors, at least once a year, without the presence of Management in order to have free and unfettered access to unfiltered information and feedback.

The aggregate amount of audit fees paid or payable to the external auditors for FY2017 was stated on page 58 of the Annual report. No non-audit fees were paid to the external auditors in respect of FY2017. The AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.

For the financial year ended 31 December 2017, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to its auditors.

The Company has put in place a whistle-blowing policy and has implemented procedures and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the independent directors.

A dedicated email address has been given to all employees to allow whistle-blowers to contact the Independent and Non-Executive Directors directly. All complaints or concerns raised will be dealt with, including anonymous complaints. The policy ensures independent investigation of issues/concerns raised and appropriate and timely follow-up action, and provides assurance that whistle blowers will be protected from reprisal or victimization for whistle blowing in good faith and without malice, within the limits of the law. If necessary, the Independent and Non-Executive Directors will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policies and arrangements have been made available to all employees. During FY2017, there were no complaints, concerns or issues received.

In FY2017, the AC has reviewed with the Management and the external auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The AC also reviewed the Group's financial condition, internal and external audit reports.

The AC is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any.

None of the members of the AC is a former partner or director of the Company's external or internal auditors.

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 Company outsources its internal audit function to a certified public accounting firm which is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The internal auditors report directly to the AC and the internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The AC approves the hiring, removal, evaluation and compensation of the certified public accounting firm to which the internal audit function is outsourced.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The internal auditors is guided by the Standards of Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The AC reviews annually the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the internal auditors is staffed by qualified and experienced personnel.

The internal auditors completed one review during the financial year ended 31 December 2017 in accordance with the internal audit plan approved by the AC. The findings and recommendations of the internal auditors, management's responses, and management's implementation of the recommendations have been reviewed and approved by the AC.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

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

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all shareholders. 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 allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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 provide timely disclosure of material information to shareholders and does so through the Annual Report, press releases, results announcements and other SGXNET announcements on developments within the Group or in relation to disclosures required by SGX. The Company does not practice selective disclosure as all materials and price-sensitive information are released through SGXNET in a timely manner.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages greater shareholder participation.

Shareholders are encouraged to attend and raise questions to the directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to express their views and raise issues either formally or informally. These meetings provide opportunities for the Board to engage with shareholders and solicit their feedback.

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. Taking into account the above factors, the Board has not recommended dividend to be paid in respect of FY2017.

CORPORATE GOVERNANCE REPORT

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.

All shareholders of the Company receive the annual report of the company and notice of AGM within the mandatory period. The notice is also published in the local newspaper and made available on the SGXNET.

Participation of shareholders is encouraged at the Company's general meetings. Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory note. This is to enable the shareholders to understand the nature and effect of the proposed resolution.

The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's AGM to address any questions that shareholders may have.

The Company will make available minutes of general meetings to shareholders upon their written request.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET.

If any Shareholder is unable to attend, he/she is allowed to appoint proxies to vote on his/her behalf at the general meetings through proxy forms sent to the Company within prescribed period. The Company has not amended its Constitution to provide for absentia voting method. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities are not compromised.

INTERNAL CODE ON DEALING IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy on share dealings by its Directors and key officers, setting out the implications of insider trading and providing guidance to employees on dealing in the Company's shares. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing two weeks before the announcement of the Company's half yearly financial results and one month before the announcement of the Company's full-year financial results.

- Directors and key officers should not deal in the Company's securities on short-term consideration.

- Directors and key officers of the Company are also required to adhere to the provisions of the Securities and Futures Act, Chapter 289, Companies Act, Chapter 50 and any other relevant laws, rules and regulations with regard to their securities transactions. To enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

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

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The AC reviewed the Group's IPTs for FY2017 to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. On a half-yearly basis, Management reports to the AC, the IPTs in accordance with the IPT Mandate. Management also informed the AC that the internal control procedures for determining the transaction prices of IPTs have not changed since the date of the last AGM, at which the IPT Mandate was last renewed. The AC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of IPTs are effective.

The aggregate value of transactions entered into by the Group with interested persons as defined in the SGX-ST Listing Manual for FY2017 are as follow:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Mason Industries Pte Ltd	355,000	2,999,000
Wizdenki Pte Ltd	–	–

Apart from the aforesaid transactions, there was no other material contract entered into by the Company and/or any of its subsidiaries involving the interests of any director, CEO or controlling shareholder during the year under review.

The Company is seeking a renewal of the Shareholders' Mandate for Interested Person Transactions at the forthcoming AGM.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of VibroPower Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

2. DIRECTORS

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

Benedict Chen Onn Meng
Ernest Yogarajah s/o Balasubramaniam
Toh Shih Hua

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Holdings registered in name of director		**Holdings in which director is deemed to have an interest**	
	At beginning of the financial year	**At end of the financial year**	**At beginning of the financial year**	**At end of the financial year**
	Ordinary shares of the Company		***Ordinary shares of the Company***	
Name of directors and Companies in which interests are held				
VibroPower Corporation Limited				
Benedict Chen Onn Meng	8,000,120	8,000,120	87,600	87,600

The deemed interest of Benedict Chen Onn Meng arises from shares held through his Central Provident Fund ("CPF") investment account (UOB Kay Hian Pte Ltd) of 87,600 shares (2016: 87,600 shares).

The directors' interests as at 21 January 2018 were the same as those at the end of the financial year.

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

5. OPTIONS

During the financial year, no option to take up unissued shares of the Company or related corporations was granted.

During the financial year, there were no shares of the Company or related corporations issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or related corporations under option.

6. AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors, as well as the external auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

The AC convened two meetings during the year with full attendance from all members, except for one where a member was absent. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

7. AUDITOR

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

On behalf of the board of directors:

Benedict Chen Onn Meng Director	Ernest Yogarajah s/o Balasubramaniam Director

Singapore
4 April 2018

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent Auditor's Report to the Members of VibroPower Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of VibroPower Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and 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 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key Audit Matters

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

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

Recoverability of trade receivables

The Group's trade receivables balances were significant as these represent 29% of the total assets in the consolidated balance sheet. The total trade receivables and related allowance for impairment of trade receivables amounted to $11,060,000 and $1,387,000 respectively as at 31 December 2017. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. Trade receivables impairment assessment requires significant management judgement in assessing the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

We assessed the Group's processes and key controls relating to the monitoring of trade receivables and considered ageing to identify collection risks. In addition, our audit procedures included, amongst others, on a sample basis, requesting trade receivables confirmations and evidence of receipts from the trade debtors subsequent to the year end. We also evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through analyses of ageing of receivables, assessment of material overdue individual trade receivables and where applicable, review of customers' payment history and correspondences between the Group and the customers. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Note 31 to the financial statements.

Allowance for slow-moving and obsolete inventories

The Group's total inventories amounted to $8,007,000 as at 31 December 2017. The Group's inventories balances were significant as these represent 24% of the total assets in the consolidated balance sheet. The determination of allowance for slow-moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of required allowance. As such, we determined that this is a key audit matter.

We observed the inventory count performed by management and noted management's assessment of the physical condition of the inventories at the balance sheet date. As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving items and assess adequacy of the allowance for slow-moving and obsolete inventories. We reviewed the reasonableness of the allowance for slow-moving and obsolete inventories by comparing the inventory turnover, gross profit margin and inventory ageing against prior years' results. We selected samples of inventories and tested whether they were stated at the lower of cost and net realisable value by comparing to sales price of the inventories subsequent year-end. We also assessed the adequacy of the disclosures related to inventories in Note 16 to the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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.

- 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.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	14,167	25,035
Cost of sales		(10,720)	(21,557)
Gross profit		3,447	3,478
Other items of income			
Interest income	5	31	44
Other credits	6	371	749
Other items of expense			
Marketing and distribution costs		(292)	(263)
Administrative expenses		(2,285)	(2,700)
Finance costs	7	(454)	(574)
Other charges	6	(211)	(145)
Share of results of an associate		(73)	22
Profit before tax		534	611
Income tax credit/(expense)	10	35	(23)
Profit net of tax		569	588
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(510)	(85)
Other comprehensive income for the year, net of tax		(510)	(85)
Total comprehensive income for the year		59	503
Profit attributable to:			
Owners of the Company		575	588
Non-controlling interests		(6)	–
		569	588
Total comprehensive income attributable to:			
Owners of the Company		64	503
Non-controlling interests		(5)	–
		59	503
Earnings per share			
Currency unit		**Cents**	**Cents**
Basic and diluted	11	1.60	1.74

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

BALANCE SHEETS

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	9,318	7,061	–	–
Investment in subsidiaries	13	–	–	14,618	14,473
Investment in an associate	14	510	583	–	–
Deferred tax assets	15	181	179	–	–
Other receivables	17	49	49	–	–
Total non-current assets		10,058	7,872	14,618	14,473
Current assets					
Inventories	16	8,007	7,410	–	–
Trade and other receivables	17	12,912	14,703	804	2,338
Other assets	18	1,151	497	3	3
Cash and cash equivalents	19	1,276	3,710	23	174
Tax recoverable		18	23	–	–
Total current assets		23,364	26,343	830	2,515
Total assets		33,422	34,215	15,448	16,988
EQUITY AND LIABILITIES					
Equity					
Share capital	20	15,322	15,322	15,322	15,322
Treasury shares	20	(388)	(388)	(388)	(388)
Retained earnings		1,284	709	126	262
Reserves	21	287	798	–	–
Equity attributable to equity holders of the Company		16,505	16,441	15,060	15,196
Non-controlling Interests		1,582	–	–	–
Total equity		18,087	16,441	15,060	15,196
Non-current liabilities					
Finance leases	24	182	286	–	–
Loans and borrowings	23	2,511	2,846	–	–
Total non-current liabilities		2,693	3,132	–	–
Current liabilities					
Provisions	22	16	27	–	–
Payables and accruals	25	6,238	8,434	388	392
Finance leases	24	100	128	–	–
Loans and borrowings	23	6,013	5,467	–	1,400
Other liabilities	26	275	586	–	–
Total current liabilities		12,642	14,642	388	1,792
Total liabilities		15,335	17,774	388	1,792
Total equity and liabilities		33,422	34,215	15,448	16,988

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Share capital (Note 20) $'000	**Treasury shares (Note 20) $'000**	**Reserves (Note 21) $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2017							
Group							
Opening balance at 1 January 2017	15,322	(388)	798	709	16,441	–	16,441
Profit for the year	–	–	–	575	575	(6)	569
Other comprehensive income							
Foreign currency translation	–	–	(511)	–	(511)	1	(510)
Other comprehensive income for the year, net of tax	–	–	(511)	–	(511)	1	(510)
Total comprehensive income for the year	–	–	(511)	575	64	(5)	59
Changes in ownership interests in a subsidiary							
Investment by non-controlling interests	–	–	–	–	–	1,587	1,587
Closing balance at 31 December 2017	15,322	(388)	287	1,284	16,505	1,582	18,087

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company				
	Share capital (Note 20) $'000	Treasury shares (Note 20) $'000	Reserves (Note 21) $'000	Retained earnings $'000	Total equity $'000
2016					
Group					
Opening balance at 1 January 2016	14,767	(388)	883	121	15,383
Profit for the year	–	–	–	588	588
Other comprehensive income					
Foreign currency translation	–	–	(85)	–	(85)
Other comprehensive income for the year, net of tax	–	–	(85)	–	(85)
Total comprehensive income for the year	–	–	(85)	588	503
Contributions by and distributions to owners					
Share issuance	555	–	–	–	555
Closing balance at 31 December 2016	15,322	(388)	798	709	16,441

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital (Note 20) $'000	Treasury shares (Note 20) $'000	Retained earnings $'000	Total $'000
2017				
Company				
Opening balance at 1 January 2017	15,322	(388)	262	15,196
Loss for the year	–	–	(136)	(136)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	(136)	(136)
Closing balance at 31 December 2017	15,322	(388)	126	15,060
2016				
Opening balance at 1 January 2016	14,767	(388)	419	14,798
Loss for the year	–	–	(157)	(157)
Other comprehensive income				
Other comprehensive income for the year	–	–	–	–
Contributions by and distributions to owners				
Share issuance	555	–	–	555
Total comprehensive income for the year	555	–	(157)	398
Closing balance at 31 December 2016	15,322	(388)	262	15,196

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Profit before tax		534	611
Adjustments for:			
Interest income	5	(31)	(44)
Finance costs	7	454	574
Depreciation of property, plant and equipment	12	694	749
Property, plant and equipment written off	12	29	–
Unrealised exchange loss		79	73
Provision for/(reversal of) product warranty expense	22	1	(33)
Allowance/(reversal) for slow moving inventories	6	75	(611)
Bad debts written off	6	12	3
Provision for/(reversal of) impairment on trade receivables	17	48	(17)
(Reversal of)/provision for impairment for other receivables	17	(110)	14
Share of results of an associate	14	73	(22)
Operating cash flows before changes in working capital		1,858	1,297
Changes in working capital			
(Increase)/decrease in inventories		(1,263)	7,430
Decrease/(increase) in trade and other receivables		1,280	(3,843)
(Increase)/decrease in other assets		(645)	48
(Decrease)/increase in payables and accruals		(1,790)	2,819
Decrease in other liabilities		(307)	(324)
Decrease in provisions		(10)	(29)
Cash flows from operations		(877)	7,398
Income taxes refund/(paid)		31	(145)
Interest received		7	44
Interest paid	7	(454)	(574)
Net cash flows (used in)/from operating activities		(1,293)	6,723
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3,262)	(285)
Proceeds from disposal of an equipment		–	41
Net cash flows used in investing activities		(3,262)	(244)
Cash flows from financing activities			
Investment from an associate through a subsidiary		1,587	–
Proceeds from issuing of shares		–	555
Proceeds from loans and borrowings		11,184	11,990
Repayment of loans and borrowings		(10,405)	(17,494)
Repayment of obligations under finance leases		(107)	(224)
Net cash flows from/(used in) financing activities		2,259	(5,173)
Net (decrease)/increase in cash and cash equivalents		(2,296)	1,306
Effects of exchange rate changes on cash and cash equivalents		(138)	49
Cash and cash equivalents at 1 January		3,710	2,355
Cash and cash equivalents at 31 December	19	1,276	3,710

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 11 Tuas Avenue 16, Singapore 638929.

The principal activities of the Company are those of an investment holding company and the provision of management and administrative support to its subsidiaries.

The principal activities of the subsidiaries are described in Note 13 to the financial statements below.

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 4 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018. The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Transactions with non-controlling interests

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 104 Applying FRS 109 *Financial Instruments with* FRS 104 *Insurance Contracts*	1 January 2018
Amendments to FRS 115 *Clarifications* to FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Improvements to FRSs (December 2016)	
– Amendment to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
– INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
– INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

<u>SFRS(I) 9 *Financial Instruments*</u>

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group has completed its qualitative assessment of the impact on the financial statements arising from the adoption of SFRS(I) 9. Based on its assessment, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Both held-to-maturity financial assets in relation to fixed deposits and loans and receivables in relation to trade and other receivables and deposits, and cash and cash equivalents will continue to be accounted for using amortised cost model under SFRS(I) 9.

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables. On adoption of SFRS(I) 9, the Group does not expect a significant increase in the impairment loss allowance. The Group has adopted the new standard on the required effective date without restating prior periods' information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards issued but not yet effective (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has completed its qualitative assessment of the impact on the financial statements arising from the adoption of SFRS(I) 15. Based on its assessment, the Group does not expect significant changes to the basis of revenue recognition for its contracts. The Group is expected to continue to recognise revenue upon the completion of its contracts.

The Group has assessed that there are no material impact to the financial statements and has adopted the new standard on the required effective date using the modified retrospective approach. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

2.5 Foreign currency

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

(a) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.6 Property, plant and equipment

(a) Measurement

Items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss.

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

(b) Components of costs

The cost of an item 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 the management.

(c) Depreciation

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold property and improvements	–	Over the lease term to 2035
Plant and equipment	–	1 to 10 years

The residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end date. The effects of any revision are recognised in the profit or loss when the change arises. An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

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

(d) Subsequent expenditure

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 Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit or loss when incurred

(e) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss within "Other charges" or "Other credits".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Subsidiaries

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

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

2.8 Joint ventures and associates

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

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets

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

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

<u>De-recognition</u>

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

(b) Financial liabilities

<u>Initial recognition and measurement</u>

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

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

<u>Subsequent measurement</u>

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

<u>De-recognition</u>

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(c) Offsetting of financial instruments

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

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Inventories

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

– Raw materials: purchase costs on a weighted average basis.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Provisions

General

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

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

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.15 Financial guarantees

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

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

2.16 Borrowing costs

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

2.17 Employee benefits

Defined contribution plans

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Leases

(a) As lessee

The Group leases certain plant and equipment under finance leases and leasehold properties under operating leases from non-related parties.

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

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering services is recognised based on the extent of the services rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes (cont'd)

(c) Sales tax

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

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.21 Share capital and share issuance expenses

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

2.22 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Segment reporting

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2.25 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); and/or

(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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3.2 Key source of estimation uncertainty

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

Allowance for doubtful trade and other receivables

An allowance is made for doubtful trade and other receivables for estimated losses resulting from the subsequent inability of the receivables to make required payments. If the financial conditions of the receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade and other receivables and analyses historical bad debts, receivables concentrations, creditworthiness, and changes in payment terms when evaluating the adequacy of the allowance for doubtful trade and other receivables. To the extent that it is feasible, impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the financial year, the trade and other receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the financial year.

Net realisable value of inventories

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most acceptable evidence available at the end of the financial year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the financial year was $8,007,000 (2016: $7,410,000).

4. REVENUE

	Group	
	2017 $'000	2016 $'000
Sale of goods	13,373	24,289
Rendering of services	794	746
	14,167	25,035

5. INTEREST INCOME

	Group	
	2017 $'000	2016 $'000
Interest income from:		
Loans and receivables	31	44

6. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2017 $'000	2016 $'000
(Provision for)/reversal of impairment loss on trade receivables	(48)	17
Foreign exchange loss	(34)	(128)
(Provision for)/reversal of product warranty expense	(1)	33
(Allowance)/reversal for slow moving inventories	(75)	611
Reversal of/(provision for) impairment loss on other receivables	110	(14)
Bad debts written off	(12)	(3)
Rental income	119	–
Deposits received forfeited	28	35
Others	73	53
Net	160	604
Presented in profit or loss as:		
Other credits	371	749
Other charges	(211)	(145)
Net	160	604

7. FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense on:		
– Bank loans	441	557
– Obligation under finance leases	13	17
	454	574

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	$'000	$'000
Salaries and bonuses	2,183	2,628
Contributions to defined contribution plan	145	129
Other benefits	132	197
Total employee benefits expense	2,460	2,954

9. ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	Group	
	2017	2016
	$'000	$'000
Audit fees to independent auditors of the Company	115	104
Non audit fees to independent auditors of the Company	–	–
Audit fees to other independent auditors	28	42
Employees benefits expense (Note 8)	2,460	2,954
Depreciation of property, plant and equipment (Note 12)	694	749
Rental expenses (Note 28)	208	301
Inventories recognised as an expense in cost of sales (Note 16)	8,368	18,602

10. INCOME TAX CREDIT/(EXPENSE)

Major components of income tax credit/(expense)

The major components of income tax credit/(expense) for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 $'000	2016 $'000
Current tax credit/(expense):		
Current year	–	(4)
Over/(under) provision in respect of prior years	20	(2)
	20	(6)
Deferred tax credit/(expense):		
Current year	15	(17)
Income tax credit/(expense) recognised in profit or loss	35	(23)

Relationship between tax credit/(expense) and accounting profit

A reconciliation between tax credit/(expense) and accounting profit before tax multiplied by the applicable Singapore corporate tax rates for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017 $'000	2016 $'000
Profit before tax	534	611
Income tax expense at a tax rate of 17% (2016:17%)	91	104
Effects of different tax rates in different countries	27	(110)
Income not subject to taxation	(84)	(31)
Non-deductible items	506	418
Effect of partial tax exemption and tax relief	(53)	(6)
Deferred tax assets not recognised	–	107
Benefits from previously unrecognised tax losses	(495)	(461)
(Over)/under provision in respect of prior years	(20)	2
Others	(7)	–
Total income tax (credit)/expense	(35)	23
Deferred tax assets recognised in profit or loss:		
Excess of tax value of plant and equipment over net book value	(22)	(7)
Provision for warranty and unutilised leave	2	(2)
Others	5	26
Total deferred tax (credit)/expense recognised in profit or loss	(15)	17

11. EARNINGS PER SHARE

Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company (after adjusting for interest expense on convertible loan) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2017	**2016**
	$'000	**$'000**
Profit, net of tax attributable to owners of the Company	575	588
Profit, net of tax attributable to owners of the Company, after adjusting for interest expense on convertible loan	575	610
	Number of shares	
Weighted average number of ordinary shares outstanding for basic earnings per share	35,950,856	33,868,664
Weighted average number of ordinary shares outstanding for diluted earnings per share	35,950,856	34,964,555
Basic earnings per share (cents)	1.60	1.74
Diluted earnings per share (cents)	1.60	1.74

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property and improvements $'000	Plant and equipment $'000	Freehold [(1)] land $'000	Total $'000
Group				
Cost				
At 1 January 2016	3,045	7,414	–	10,459
Exchange differences	78	(138)	–	(60)
Additions	8	1,275	–	1,283
Disposals	–	(109)	–	(109)
At 31 December 2016	3,131	8,442	–	11,573
Exchange differences	(242)	(359)	7	(594)
Additions	–	156	3,106	3,262
Reclass to deposit		(37)	–	(37)
Written off	–	(191)	–	(191)
Disposals	–	–	–	–
At 31 December 2017	2,889	8,011	3,113	14,013
Accumulated depreciation				
At 1 January 2016	1,936	1,766	–	3,702
Exchange differences	52	44	–	96
Depreciation for the year	46	703	–	749
Disposals	–	(35)	–	(35)
At 31 December 2016	2,034	2,478	–	4,512
Exchange differences	(156)	(193)	–	(349)
Depreciation for the year	68	626	–	694
Written off	–	(162)	–	(162)
Disposals	–	–	–	–
At 31 December 2017	1,946	2,749	–	4,695
Net book value				
At 31 December 2016	1,097	5,964	–	7,061
At 31 December 2017	943	5,262	3,113	9,318

(1) During the year, the Group acquired fixed assets of S$3,113,000 from the acquisition of a subsidiary (Note 13).

Assets held under finance leases

The carrying amount of plant and equipment held under finance leases at the end of the financial year were $485,000 (2016: $644,000).

Leased assets are pledged as security for the related finance lease liabilities.

Asset pledged as security

In addition to assets held under finance lease, the Group's leasehold property and improvements with a carrying amount of $943,000 (2016: 1,097,000) are mortgaged to secure the Group's other loan (Note 23).

13. INVESTMENT IN SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	7,028	7,028
Quasi equity loan, at cost (a)	6,000	6,000
Deemed investment in a subsidiary (b)	2,618	2,473
	15,646	15,501
Impairment losses	(1,028)	(1,028)
Net carrying value at end of the year	14,618	14,473
Movements in allowance for impairment:		
Balance at beginning of year	1,028	1,028
Reversal for the year	–	–
Balance at end of the year	1,028	1,028

The impairment loss represents the write-down of the carrying value of a subsidiary in full.

(a) This relates to interest free quasi-equity loan of $6,000,000 (2016: $6,000,000) from the Company to its subsidiary, VibroPower Pte Ltd. This loan is not expected to be repaid in the foreseeable future.

(b) The deemed investment in a subsidiary, VibroPower Pte Ltd arose from financial guarantees provided by the Company for bank facilities.

The subsidiaries held by the Company and the Group is listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group 2017 %	Effective percentage of equity held by Group 2016 %
GMTM Holdings Pte. Ltd. Singapore Investment holding (Ernst & Young LLP, Singapore)	100	100
Shanghai VibroPower Generators Equipment Co. Ltd. [a] People's Republic of China Import and sale of engines and spare parts (Shanghai Mingyu Certified Public Accountants Co., Ltd)	100	100
VibroPower Pte. Ltd. Singapore Supply, design, manufacture, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	**Effective percentage of equity held by Group**	
	2017	**2016**
	%	**%**
Held through VibroPower Pte. Ltd.		
VibroPower (HK) Limited [(a)] Hong Kong Supply, installation, commissioning and servicing of generators (BDO Limited)	100	100
Indamex (UK) Limited [(b)] United Kingdom Trader in generator parts and accessories	100	100
VibroPower Generators Sdn. Bhd. Malaysia Trading, installation, commissioning and servicing of diesel generators (Ernst & Young LLP, Malaysia)	100	100
VibroPower Generators (India) Private Limited [(a)] India Trading, installation, commissioning and servicing of diesel generators (Suresh Surana & Associates LLP)	100	100
VibroPower Sales And Services (S) Pte. Ltd. Singapore Trading, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100
Held through GMTM Holdings Pte. Ltd.		
Indamex (F.E) Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower (UK) Limited [(a)] United Kingdom Import and export of engines and spare parts	100	100
Scott & English Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower Generators Middle East (FZE) [(b)] United Arab Emirates Manufacture and repair of electric generators	100	100

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group	
	2017	2016
	%	%
Held through VibroPower (HK) Limited		
Shanxi Weineng Coal Mine Gas Development Co., Ltd. [(a)] People's Republic of China Development, operation and management of power generations projects (Shanxi Huihua Certified Public Accountants Co., Ltd)	100	100
Agrimal Project Sdn. Bhd. [(a)] Malaysia Property developer (Lesmond & Associates, Malaysia)	68.2	–

(a) Audited by firms of accountants other than member firms of Ernst & Young Global. Their names are indicated above.

(b) Not audited as it is not required to be audited under the laws of the respective countries.

The Company holds 68.2% effective interest in Agrimal Project Sdn. Bhd., through its wholly owned subsidiary, VibroPower (HK) Limited and associated company VibroPower Green Energy Sdn. Bhd, which in turn hold 47% and 53% issued and paid up share capital of Agrimal Project Sdn. Bhd., respectively.

In accordance to the Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and the effectiveness of the audit of the Group.

14. INVESTMENT IN AN ASSOCIATE

	Group	
	2017	2016
	$'000	$'000
Shares, at cost	600	600
Share of post-acquisition reserve	(19)	54
Exchange differences	(71)	(71)
	510	583

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2017	2016
			%	%
Held through subsidiary				
VibroPower Green Energy Sdn. Bhd. *	Malaysia	To build and operate a biomass power plant	40	40

* Audited by Lesmond & Associates, Malaysia

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

The summarised financial information in respect of VibroPower Green Energy Sdn. Bhd, based on FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	VibroPower Green Energy Sdn. Bhd. 2017 $'000	2016 $'000
Current assets	2,482	1,745
Non-current assets	–	–
Total assets	2,482	1,745
Current liabilities	1,207	288
Non-current liabilities	–	–
Total liabilities	1,207	288
Net assets	1,275	1,457
Group's share of net assets	510	583
Carrying amount of the investment	510	583

Summarised statement of comprehensive income

	VibroPower Green Energy Sdn. Bhd. 2017 $'000	2016 $'000
Revenue	–	–
(Loss)/profit after tax	(182)	55
Other comprehensive income	–	–
Total comprehensive income	(182)	55

15. DEFERRED TAX ASSETS

Deferred tax balances in the balance sheet:

	Group 2017 $'000	Group 2016 $'000
Excess of tax value of plant and equipment over net book value	178	169
Provision	3	5
Other temporary differences	–	5
Net balance	181	179

At the end of the reporting period, the Group has tax losses of approximately $1,627,000 (2016: $4,539,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At end of the reporting period, the Group had potential dividend distribution tax liability amounting to $239,000 (2016: $254,000), associated with undistributed earnings of the Group's subsidiaries. No deferred tax liability (2016: Nil) has been recognised in respect of these differences because the Company is in a position to control the dividend policies of these subsidiaries and provision is made only when there is a plan for dividend distribution.

16. INVENTORIES

	Group 2017 $'000	Group 2016 $'000
Parts and components	6,408	6,379
Work-in-progress	1,599	1,031
	8,007	7,410

Inventories are stated after deducting allowance for slow moving inventories.

Analysis of allowance:

	2017	2016
Balance at beginning of the year	320	1,030
Charged/(reversed) to profit or loss included in other credits and other charges	75	(611)
Written off of allowance made in previous years	–	(98)
Exchange differences	(24)	(1)
Balance at end of the year	371	320
Changes in inventories of work-in-progress	568	(671)
Inventories recognised as an expense in cost of sales	8,368	18,602

Certain inventories were purchased under trust receipts (Note 23).

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables:				
Due from external parties	9,905	11,048	–	–
Less allowance for impairment	(1,387)	(1,348)	–	–
Due from subsidiaries	–	–	79	79
Less allowance for impairment	–	–	(79)	(79)
Retention monies	1,155	1,765	–	–
Subtotal	9,673	11,465	–	–
Other receivables:				
Due from subsidiaries	–	–	790	2,260
Less allowance for impairment	–	–	(34)	(34)
Due from an associate	340	99	–	–
Due from related parties	375	499	–	–
Advance for an investment project	1,407	1,422	–	–
Due from external parties	1,006	1,113	–	–
Others	111	105	48	112
Subtotal	3,239	3,238	804	2,338
Total trade and other receivables (current)	12,912	14,703	804	2,338
Other receivables (non-current):				
Other receivable (non-current)	49	49	–	–
Add: Cash at banks and on hand (Note 19)	1,276	3,710	23	174
Total loans and receivables	14,237	18,462	827	2,512

Trade receivables:

Trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables (Current):

Amounts due from subsidiaries, associate and related parties are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

Advance for an investment project is unsecured, non-interest bearing, non-trade related, and repayable on demand by cash. The interest has not been recognised.

Amounts due from external parties are unsecured, non-trade related, repayable on demand by cash, and of which S$821,000 (2016: S$49,000) is interest bearing at 12% per annum.

Others are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Movements in above allowance:				
Trade receivables:				
Balance at beginning of the year	1,348	1,363	79	79
Charged/(reversed) to profit or loss	78	(17)	–	–
Written off during the year	(6)	–	–	–
Reversal of allowance made in prior years	(30)	–	–	–
Foreign exchange adjustments	(3)	2	–	–
	1,387	1,348	79	79
Other receivables:				
Balance at beginning and end of the year	539	528	34	34
Charged to profit or loss	11	14	–	–
Reversal of allowance made in prior years	(121)	–	–	–
Foreign exchange adjustments	(4)	(3)	–	–
	425	539	34	34

The Group monitors its receivables periodically for collectability. The Group evaluates whether there is any objective evidence that the trade and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the counterparties to make required payments.

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Singapore dollar	7,045	6,603	–	–
Malaysian ringgit	–	3	–	–

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is about 30 – 60 days (2016: 30 – 60 days). But some customers take a longer period to settle the amounts.

(i) Ageing analysis of the age of trade receivable amounts that are past due as at the end of the financial year but not impaired:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables:				
Less than 30 days	1,131	969	–	–
31 to 60 days	442	278	–	–
61 to 90 days	22	741	–	–
Over 90 days	1,469	2,038	–	–
Total	3,064	4,026	–	–

(ii) Ageing analysis as at the end of the financial year of trade receivable amounts that are impaired:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 90 days	1,387	1,348	–	–

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

18. OTHER ASSETS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Deposits to secure services	360	345	–	–
Prepayments	689	109	3	3
Others	102	43	–	–
	1,151	497	3	3

19. CASH AND CASH EQUIVALENTS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Cash at banks and on hand	1,276	3,710	23	174
Cash and cash equivalents	1,276	3,710	23	174

Cash at banks earns interest at floating rates based on daily bank deposits rates, and is not restricted in use.

Cash at banks and on hand denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Singapore dollar	854	1,669	–	–
United States dollar	11	12	–	–

20. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2017		2016	
	No. of shares issued '000	$'000	No. of shares issued '000	$'000
Issued and fully paid ordinary shares:				
At 1 January	35,951	15,322	33,451	14,767
Share issuance pursuant to private placement	–	–	2,500	555
At 31 December	35,951	15,322	35,951	15,322

20. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares

	Group and Company			
	2017		2016	
	No. of shares issued '000	$'000	No. of shares issued '000	$'000
At 1 January	(1,077)	(388)	(1,077)	(388)
At 31 December	(1,077)	(388)	(1,077)	(388)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

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

Capital management:

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the financial year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash at banks and on hand. Adjusted capital comprises all components of equity (i.e. share capital and retained earnings).

	Group	
	2017 $'000	2016 $'000
Net debt:		
All current and non-current borrowings including finance leases	8,806	8,727
Less cash at banks and on hand	(1,276)	(3,710)
	7,530	5,017
Adjusted capital:		
Total equity attributable to Equity Holders	16,505	16,441
Adjusted capital	16,505	16,441
Debt-to-adjusted capital ratio	46%	31%

The Company itself does not have significant borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

21. RESERVES

	2017 $'000	2016 $'000
Foreign currency translation reserve	287	798

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the Group entities whose functional currencies are different from that of the Group's presentation currency.

22. PROVISION

	Group	
	2017 $'000	2016 $'000
Provision for product warranty:		
Balance at beginning of the year	27	88
Charged/(reversal) to profit or loss included in other charges	1	(33)
Used during the year	(10)	(27)
Exchange differences	(2)	(1)
Balance at end of the year	16	27

Goods are sold with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first twelve months after installation. A warranty provision is made based on past experience and future expectations and an assessment of probability of an outflow for the warranty obligations as a whole. It is expected that most of these costs will be incurred within the next 12 months from the end of the financial year.

23. LOANS AND BORROWINGS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current:				
Fixed rate bank loans (secured)	30	809	–	–
Fixed rate other loans (unsecured)	1,089	1,606	–	1,400
Floating rate bank loans (unsecured)	633	955	–	–
Floating rate other loans (secured)	218	233	–	–
Trust receipts for purchase of inventories and invoice financing (secured)	4,043	1,864	–	–
Subtotal	6,013	5,467	–	1,400
Non-current:				
Fixed rate bank loans (secured)	–	29	–	–
Fixed rate other loans (unsecured)	–	89	–	–
Floating rate other loans (secured)	2,511	2,728	–	–
Subtotal	2,511	2,846	–	–
Total	8,524	8,313	–	1,400

23. LOANS AND BORROWINGS (CONT'D)

For the year ended 31 December 2017, the loans and borrowings arising from financing activities increased to $8,524,000 (2016: $8,313,000) mainly due to increase through financing cash flows of $779,000 and a decrease through effect of changes in foreign exchange rates amounting to $568,000.

Loans and borrowings denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	6,305	6,726	–	–
Euro	438	79	–	–

The ranges of floating interest rates paid were as follows:

	2017	**2016**
	$'000	**$'000**
Floating rate bank loans (unsecured)	5.00% to 5.10%	4.90% to 5.10%
Trust receipts for purchase of inventories	3.95% to 6.75%	3.60% to 6.75%

(a) Fixed rate bank loans (secured)

The bank loans comprises of the following:

The bank loan agreement provides among other matters for the following:

1. Repayable by 36 equal instalments and is due on 6 January 2018.

2. Fixed interest rate paid was 2.5% (2016: 2.5%) per annum.

3. Corporate guarantee from the Company.

(b) Fixed rate other loans (unsecured)

Other loans comprises of the following:

(i) Loan from a finance company

The loan amounted to $89,000 (2016: $295,000) was provided among other matters for the following:

1. Repayable in 3 years, which is due on 29 May 2018.

2. Interest rate at 2.85% per annum.

3. Need to comply with certain financial covenants such as (a) one of the Group's subsidiary maintains minimum tangible networth of $6 million equivalent and a working capital of not less than $3.5 million during the loan tenor and (b) the same subsidiary must not incur any losses on a net profit after tax basis for two consecutive years.

4. Corporate guarantee from the Company.

23. LOANS AND BORROWINGS (CONT'D)

(b) Fixed rate other loans (unsecured) (cont'd)

(ii) Loan from a substantial shareholder and director

The loan amounted to $1,000,000 (2016: Nil) was provided among other matters for the following:

1. Repayable in 30 days, which is due on 26 January 2018.
2. Interest rate at 1% per month.

(c) Floating rate bank loans (unsecured)

The bank loans comprises of the following:

Revolving Term Loan

The revolving term loan amounted to $633,000 (2016: $955,000) was provided among other matters for the following:

1. Repayable by 6 equal instalments, which is due on 26 June 2018.
2. One of the Group's subsidiary maintains minimum tangible networth of $6 million equivalent.
3. Corporate guarantee from the Company.

(d) Floating rate other loans (secured)

The other loans comprises of the following:

Loan from a finance company

The other loan amounted to $2,729,000 (2016: $2,961,000) was provided among other matters for the following:

1. Repayable by monthly installment and due on 26 February 2028.
2. Corporate guarantee from the Company.
3. Secured by a first mortgage over Group's leasehold property and improvements (Note 12).

(e) Trust receipt

The bank agreement for certain of credit facilities provide among other matters for the following:

1. Repayable within 150 days.
2. Corporate guarantee from the Company.
3. One of the Group's subsidiary maintains minimum tangible networth of $6 million equivalent.

24. FINANCE LEASES

	Minimum payments $'000	Finance Charges $'000	Present value $'000
Group			
2017			
Minimum lease payments payable:			
Due within one year	108	(8)	100
Due within 2 to 5 years	189	(7)	182
Total	297	(15)	282
2016			
Minimum lease payments payable:			
Due within one year	141	(13)	128
Due within 2 to 5 years	301	(15)	286
Total	442	(28)	414

The Group has finance leases for certain items of plant and equipment. The lease term is 3 to 5 years. The rate of interest for finance leases is about 1.8% to 1.9% (2016:1.8% to 1.9%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance leases denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore dollar	282	414	–	–

25. PAYABLES AND ACCRUALS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables and accruals:				
External parties	3,974	4,293	27	107
Accruals	1,342	1,759	64	170
Subtotal	5,316	6,052	91	277
Other payables:				
Due to an associate	831	1,655	–	–
Others	91	727	297	115
Subtotal	922	2,382	297	115
Total payables and accruals	6,238	8,434	388	392
Add:				
Loans and borrowings (Note 23)	8,524	8,313	–	1,400
Finance lease (Note 24)	282	414	–	–
Total financial liabilities carried at amortised cost	15,044	17,161	388	1,792

Trade payables and other payables:

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

Amounts due to an associate:

Amounts due to an associate are unsecured, non-interest bearing and repayable on demand by cash.

Payables and accruals denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollar	2,088	3,019	–	–
Euro	119	108	–	–
Chinese Renminbi	23	193	–	–

26. OTHER LIABILITIES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits received from customers	275	586	–	–

These amounts are trade related, non-interest bearing and based on contractual terms as established with external parties.

27. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(a) Related parties

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and non-interest bearing unless stated otherwise.

Purchases were made at an arm's length basis in a manner similar to transactions with third parties.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	2017 $'000	2016 $'000
Loan from a substantial shareholder and director	1,000	1,000
Sales to a related party	575	–
Rental income from a related party	119	60
Loan and repayment from a related party	–	1,000
Interest and other expense paid to a substantial shareholder and director	–	137
Purchases of goods and services from related parties	2,283	3,553
Subcontractor costs paid to a related party	495	654
Purchase of an equipment from a related party	–	592

Related parties are companies in which the substantial shareholder is a close relative of a director of the Company.

(b) Key management compensation

	Group	
	2017 $'000	2016 $'000
Short-term employee benefits	760	805
Central Provident Fund contributions	39	39
	799	844

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2017 $'000	2016 $'000
Remuneration of directors of the Company	460	520
Remuneration of other key management personnel	239	223
Fees to directors of the Company	100	100
Remuneration of other directors of the Group	–	1
	799	844

27. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONT'D)

(b) Key management compensation (cont'd)

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

28. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	$'000	$'000
Commitments to purchase additional plant and equipment	1,070	1,086

(b) Operating lease commitments – as lessee

Operating lease payments are rentals payable for land and certain of its factory properties. The land lease from the Jurong Town Corporation is for 22 years and 7 months from 1 March 2013. The lease rental terms are negotiated for an average term of one year and rentals are subject to an escalation clause.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to $208,000 (2016: $301,000).

At the end of the financial year, the total of future minimum lease payments under non-cancellable operating leases is as follows:

	2017	2016
	$'000	$'000
Not later than one year	55	57
Later than one year but not later than five years	220	227
Later than five years	702	781
	977	1,065

29. CONTINGENT LIABILITIES

	Group	
	2017	2016
	$'000	$'000
Corporate guarantee given for a subsidiary's credit facilities	7,524	6,913

The Company has undertaken to provide financial support to certain subsidiaries, which had net capital deficits as at 31 December 2017. It is impracticable to reliably estimate the exposure.

30. 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 measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for asset or liability that are not based on observable market on observable market data (unobservable inputs)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables (Note 17), Current other assets (Note 18), Non-current other receivables (Note 17), Provisions (Note 22), Current and non-current loans and borrowings (Note 23), Finance leases (Note 24), Payables and accruals (Note 25) and Current other liabilities (Note 26).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

3. All financial risk management activities are carried out and monitored by senior management staff.

4. All financial risk management activities are carried out following good market practices.

5. When appropriate may consider investing in shares or similar instruments.

6. When appropriate enter into derivatives or any other similar instruments solely for hedging purposes.

There has been no change to the exposures to risk; the objective, policies and processes for managing the risk and the methods used to measure the risk.

The financial controller monitors the procedures, and reports to the audit committee of the board.

With regards to derivatives, the policies include the following:

1. The management documents carefully all derivatives including the relationship between them and the hedged items at inception and throughout their life.

2. Effectiveness is assessed at the inception of the hedge and at each end of the financial year ensuring that FRS 39 criteria are met. Ineffectiveness is recognised in profit or loss as soon as it arises.

3. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; and the maximum amount the entity could have to pay if the guarantee is called on. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Concentration of trade receivables as at the end of the financial year:

	Group	
	2017	2016
	$'000	$'000
Top 1 customer	1,489	1,131
Top 2 customers	2,159	1,970
Top 3 customers	2,830	2,660

Available-for-sale investments: All of them represent equity shares and therefore there is no fixed maturity.

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient level of cash at banks and on hand to meet its working capital requirements. The Group maintains a balance between continuity of funding and flexibility through the use of stand-by financial and credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and to mitigate the effects of fluctuations in cash flows.

Short-term funding may be obtained from short-term loans where necessary without incurring unacceptable losses or risking damage to the Group's reputation.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Group			
2017			
Financial assets			
Trade and other receivables (Note 17)	12,936	49	12,985
Cash at banks and on hand (Note 19)	1,276	–	1,276
Total undiscounted financial assets	14,212	49	14,261
Financial liabilities			
Loans and borrowings (Note 23)	6,376	2,983	9,359
Finance leases (Note 24)	108	189	297
Payables and accruals (Note 25)	6,238	–	6,238
Total undiscounted financial liabilities	12,722	3,172	15,894
Total net undiscounted financial assets/ (financial liabilities)	1,490	(3,123)	(1,633)
2016			
Financial assets			
Trade and other receivables (Note 17)	14,703	49	14,752
Cash at banks and on hand (Note 19)	3,710	–	3,710
Total undiscounted financial assets	18,413	49	18,462
Financial liabilities			
Loans and borrowings (Note 23)	5,774	3,176	8,950
Finance leases (Note 24)	141	301	442
Payables and accruals (Note 25)	8,434	–	8,434
Total undiscounted financial liabilities	14,349	3,477	17,826
Total net undiscounted financial assets/ (financial liabilities)	4,064	(3,428)	636

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Company			
2017			
Financial assets			
Trade and other receivables (Note 17)	804	–	804
Cash at banks and on hand (Note 19)	23	–	23
Total undiscounted financial assets	827	–	827
Financial liabilities			
Payables and accruals (Note 25)	388	–	388
Total undiscounted financial liabilities	388	–	388
Total net undiscounted financial assets	439	–	439
2016			
Financial assets			
Trade and other receivables (Note 17)	2,338	–	2,338
Cash at banks and on hand (Note 19)	174	–	174
Total undiscounted financial assets	2,512	–	2,512
Financial liabilities			
Loans and borrowings (Note 23)	1,400	–	1,400
Payables and accruals (Note 25)	392	–	392
Total undiscounted financial liabilities	1,792	–	1,792
Total net undiscounted financial assets	720	–	720

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Financial guarantee contracts - For financial guarantee contracts, the maximum earliest period in which the guarantee could be called is used. At the end of the financial year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Company			
2017			
Bank guarantee in favour of a subsidiary	5,013	2,511	7,524
2016			
Bank guarantee in favour of a subsidiary	4,067	2,846	6,913

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the end of the reporting period, approximately 16% (2016: 34%) of the Group's borrowings are at fixed rates of interest.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and borrowings:				
Fixed rates	1,119	2,533	–	1,400
Floating rates	7,405	5,780	–	–
Finance leases:				
Fixed rates	282	414	–	–
Total at end of the year	8,806	8,727	–	1,400

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $74,000 (2016: $58,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily USD. The foreign currencies in which these transactions are denominated are mainly SGD. The Group's trade receivable and trade payable balances at the end of the financial year have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in SGD.

The Company itself does not have significant exposure to the foreign currency risk. The non-functional currencies balances as at end of the financial year are not significant.

The Group has certain practices for the management of financial risks. The following guidelines are followed:

- All financial risk management activities are carried out and monitored by senior management staff.
- All financial risk management activities are carried out following good market practices.

Sensitivity analysis of foreign currency risk

The following table demonstrates the sensitivity to the Group's profit net of tax to a reasonably possible change in the SGD exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Group Increase/(Decrease) Profit net of tax	
		2017	**2016**
		$'000	**$'000**
SGD/USD	– strengthened 2% (2016: 2%)	13	31
	– weakened 2% (2016: 2%)	(13)	(31)

32. FINANCIAL INFORMATION BY OPERATION SEGMENTS

(a) Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are 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 principal activities of the group are supplying, designing, manufacturing, installing, commissioning and servicing of stationary generators, with capacities ranging from 13.3kVA to 2,500kVA, used mainly in commercial and industrial properties and housing projects.

The group only has one operating segment supplying generators used mainly in commercial and industrial projects and housing projects.

Primary Analysis by Geographical Segments

For management purpose, the group is organised into three major geographical areas – Singapore, Asia (Brunei, Cambodia, Laos, Malaysia, Myanmar, Indonesia, Philippines, Thailand, Vietnam, People's Republic of China, Hong Kong, India and Australia) and Rest of the world.

In presenting information on the basis of geographical segments, segment is based on the geographical location of assets (same as the location of the customers). Segment revenue, expenses, assets and liabilities comprise amounts that are either directly attributable to, or can be allocated on a reasonable basis to a segment. Addition of non-current assets is the total cost incurred during the year to acquire property, plant and equipment.

32. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations

Segment information of these geographical areas described above is presented below:

	Singapore		Asia (excluding Singapore)		Rest of the world		Adjustment and elimination		Notes	Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000		2017 $'000	2016 $'000
External customers	11,822	18,216	2,121	5,866	224	953	–	–		14,167	25,035
Inter-segment	5,630	11,122	–	–	4	124	(5,634)	(11,246)		–	–
Total revenue	17,452	29,338	2,121	5,866	228	1,077	(5,634)	(11,246)	A	14,167	25,035
Results:											
Interest income	176	199	–	–	–	–	(145)	(155)		31	44
Finance costs	(454)	(574)	–	–	–	–	–	–		(454)	(574)
Depreciation	(327)	(379)	(367)	(368)	–	(2)	–	–		(694)	(749)
Share of results of an associate	–	–	(73)	22	–	–	–	–		(73)	22
Segment profit/(loss)	1,264	1,739	(211)	(1,014)	(182)	43	(337)	(157)		534	611
Addition of non-current assets	71	1,131	3,191	152	–	–	–	–		3,262	1,283
Non-current assets	2,022	2,489	7,296	4,572	–	–	–	–	B	9,318	7,061
Segment assets	51,884	60,549	18,683	17,553	200	1,636	(37,345)	(45,523)	C	33,422	34,215
Segment liabilities	24,681	34,149	17,800	18,151	5	15	(27,151)	(34,541)	D	15,335	17,774

Notes Nature of adjustment and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Non-current assets only include property, plant and equipment.

C Inter-segments assets are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet.

D Inter-segments liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet.

(c) Information about a major customer

Revenue from one major customer amounted to $1,391,147, arising from sales of generators in Singapore (2016: $1,982,480 in Singapore).

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

Issued and fully paid up capital	:	$15,674,904.862
Number of issued shares	:	37,027,656
Number of issued shares (excluding treasury shares)	:	35,950,856
Number / Percentage of Treasury Shares	:	1,076,800 (3%)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	96	7.42	1,751	0.005
100 – 1,000	534	41.27	216,334	0.60
1,001 – 10,000	396	30.60	1,870,652	5.20
10,001 – 1,000,000	263	20.32	18,019,237	50.12
1,000,001 AND ABOVE	5	0.39	15,842,882	44.07
TOTAL	**1,294**	**100.00**	**35,950,856**	**100.00**

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 15 March 2018, approximately 64.13% of the issued ordinary shares of the Company is held by the public, and therefore, the Company is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	BENEDICT CHEN ONN MENG	8,000,120	22.25
2	KANG BENG CHIANG	3,251,875	9.05
3	CHUA KENG WOON	1,666,667	4.64
4	CHEN SIEW MENG	1,554,200	4.32
5	OCBC SECURITIES PRIVATE LIMITED	1,370,020	3.81
6	FREDDIE FONG CHEE ENG	861,375	2.40
7	LIM SIM BENG	818,600	2.28
8	SOH CHOON LEONG	670,333	1.86
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	665,800	1.85
10	JENNY KANG	519,800	1.45
11	CITIBANK NOMINEES SINGAPORE PTE LTD	503,050	1.40
12	HONG LEONG FINANCE NOMINEES PTE LTD	451,800	1.26
13	TEO CHEE KIAN(ZHANG ZHI QIANG)	430,000	1.20
14	YAP SENG TECK	352,582	0.98
15	RAFFLES NOMINEES (PTE) LIMITED	345,900	0.96
16	HOW YIM SOO	344,400	0.96
17	YAP HOCK BENG	321,900	0.90
18	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	313,137	0.87
19	SIA LING SING	302,800	0.84
20	UOB KAY HIAN PRIVATE LIMITED	286,000	0.80
	TOTAL	**23,030,359**	**64.08**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as 15 March 2018

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of shares**	**% of shares**	**No. of shares**	**% of shares**
Benedict Chen Onn Meng [(1)]	8,000,120	22.25	87,600	0.24
Kang Beng Chiang	3,510,075	9.76	–	–

(1) Benedict Chen Onn Meng's deemed interest arises from shares held through his CPF investment account, UOB Kay Hian Private Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of the Company will be held at 11 Tuas Avenue 16 Singapore 638929 on 30 April 2018 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon. **Resolution 1**

2. To re-elect the following director retiring pursuant to the Company's Constitution: **Resolution 2**

   Mr Ernest Yogarajah s/o Balasubramaniam (Article 104)

   Mr Ernest Yogarajah s/o Balasubramaniam shall, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee, a member of the Nominating Committee and a member of the Audit Committee. Mr Ernest Yogarajah s/o Balasubramaniam shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the Directors' fees of $100,000 for the year ending 31 December 2018, payable half-yearly in arrears. **Resolution 3**

4. To re-appoint Ernst & Young LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

5. **Proposed share issue mandate** **Resolution 5**

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

   (a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier."

[See Explanatory Note (i)]

6. **Authority to grant awards and to allot and issue shares pursuant to the VibroPower Performance Share Scheme** **Resolution 6**

"That approval be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the VibroPower Performance Share Scheme ("the Scheme") and to deliver such number of fully paid-up Shares in the form of existing shares held as treasury shares and/or new Shares as may be required to be delivered pursuant to the vesting of awards under the Scheme provided that the aggregate number of shares to be issued and allotted pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time."

[See Explanatory Note (ii)]

7. And to transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The proposed Resolution 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(ii) The proposed Resolution 6, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the VibroPower Performance Share Scheme ("the Scheme"). The grant of awards under the Scheme will be made in accordance with the provisions of the Scheme provided that the aggregate number of shares to be issued and allotted shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 5.

BY ORDER OF THE BOARD

SIA HUAI PENG
Company Secretary
Singapore

Date : 13 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

(a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

(b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:

  (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

  (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

  (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the meeting.

(d) A proxy need not be a member of the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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VIBROPOWER CORPORATION LIMITED
Registration No. 200004436E

PROXY FORM

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ______________________________ NRIC/Passport No./Registration No. ______________

of ____

being a member(s) of VibroPower Corporation Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2018 Annual General Meeting of the Company to be held at 11 Tuas Avenue 16 Singapore 638929 on 30 April 2018 at 9:30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Statement and Audited Accounts for the year ended 31 December 2017		
2	Re-election of Mr Ernest Yogarajah s/o Balasubramaniam as Director		
3	Approval of Directors' fees for the year ending 31 December 2018, payable half-yearly in arrears		
4	Re-appointment of Ernst & Young LLP as Auditors		
5	Proposed Share Issue Mandate		
6	Authority to grant awards and to allot and issue shares pursuant to the VibroPower Performance Share Scheme		

Signed this ________________ day of ____________ 2018

Total number of shares held

____
Signature or Common Seal of shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

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, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorized in writing or by an authorised officer of the corporation.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) 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.

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

VIBROPOWER
THE CUSTOM POWER SPECIALIST

VIBROPOWER CORPORATION LIMITED
11 Tuas Avenue 16
Singapore 638929
Company Registration No.: 200004436E

www.vibropower.com