



Sunningdale Tech



Resilience Underpinned
by **STRONG
FUNDAMENTALS**

Annual Report 2016

VISION

To be recognised as a leading **Global tooling, plastics injection moulding with decorative finishing processes** and precision assembly company supplying to the Global market.

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PILLARS OF **EXCELLENCE**



TIME

On-time delivery for both external and internal customers



QUALITY

Pro-quality mindset to the extent of doing right the first time, every time with no rework



WASTE REDUCTION

Waste reduction attitude in **time, cost, manpower** and other resources



IMPROVEMENT

Continuous improvement culture through **new work processes and new technologies**



TEAMWORK

Strong teamwork and co-operation spirit among workers, sections, departments, locations and organisations

CHAIRMAN'S MESSAGE



KOH BOON HWEЕ
Chairman
March 2017

“ WITH A GLOBAL PRESENCE ACROSS NINETEEN MANUFACTURING FACILITIES IN NINE DIFFERENT COUNTRIES, WE CONTINUE TO RECEIVE BUSINESS QUERIES FROM BOTH NEW AND EXISTING CUSTOMERS WHO RECOGNISE OUR ABILITY TO UNDERTAKE PROJECTS ON A GLOBAL SCALE. ”

DEAR SHAREHOLDERS,

The business landscape in 2016 presented us with significant challenges. In addition to traditional headwinds such as foreign exchange volatility and rising labour costs, the rise of global protectionism added uncertainty to an economic environment characterised by subdued growth. In spite of the challenges, our resilient business model, underpinned by its strong fundamentals ensured that we came through quite well.

INVESTING FOR THE FUTURE

Over the years, capacity utilisation at our manufacturing sites in Southern China has been a challenge as the economy undergoes structural reforms. Amidst difficult economic conditions, we focused on what we could control internally; driving operational efficiency in order to fuel sustainable growth. In this light, we proactively worked on improving our utilisation levels in Southern China through a restructuring exercise at our plant in Zhongshan. Initiated towards the end of March, this exercise was completed in the second quarter of 2016. The enhanced

operational efficiencies that were derived will progressively translate to improvements in our financial performance.

Sunningdale was built on a culture of innovation. Our goal is to enhance our competitive edge as a leading one-stop precision plastic engineering company supplying to the global market. During periods of subdued growth and uncertainty, it is imperative for us to stay focused on investing in new technologies in order to emerge ahead of the curve. With a strategic view on the future and to mitigate rising costs in first-tier cities such as Shanghai, we completed the construction of a 50,000 square meter mega site in Chuzhou during the fourth quarter of 2016. This state of the art manufacturing site is fully-equipped with our latest machinery, staffed by highly trained personnel and adheres to the highest industry standards. We will progressively add capacity to this facility as we optimise resources in the region and win new projects from our customers.

GLOBAL OPERATIONS

With a global presence across nineteen manufacturing facilities in nine different countries, we continue to receive business queries from both new and existing customers who recognise our ability to undertake projects on a global scale.

Building upon the successful ramp up of production at our manufacturing site in Brazil in 2015, we continue to grow organically despite the recession faced by the country. Similarly, we are gaining traction in India and Malaysia through new project wins in our Automotive segment as customers recognise our best in class capabilities across the value chain. This was also the case in Latvia where we won our first Automotive project which is expected to go into mass production towards the end of 2017.

OUTLOOK

We expect the global business environment to remain subdued as rising economic uncertainties such as foreign exchange rate volatility continue to present us with challenges. China's rapidly evolving economy has led to rising labour costs across our large manufacturing footprint in the region. Similarly, pricing pressure from customers and

rising input costs should persist in the year ahead.

While being mindful of the business headwinds, we continue to focus on our overarching strategy of building a sustainable and profitable business. Our diversified business segments in Automotive, Consumer/IT, Healthcare and Mould Fabrication position us favourably to cushion the impact arising from a sudden economic setback in any one particular sector. Furthermore, our ability to consistently generate positive operating cash flows coupled with effective working capital management has strengthened our balance sheet as we navigate the uncertainties facing the global economy.

Heading into 2017, we expect our Automotive segment to be a key growth driver for the Group while our overall order backlog across our business segments remains stable. Supported by our ability to undertake complex engineering projects and our global manufacturing footprint, the management team remains committed to expanding our blue chip customer base and product offering.

As we continue to make positive strides in driving organic growth,

we invested in a new manufacturing plant in Penang, Malaysia. This facility will incorporate our latest precision engineering technology as we diversify our manufacturing footprint and gain closer proximity to customers in cost competitive regions.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank shareholders for their confidence in us as we uphold our long-term vision for the Group. As a reward for your unwavering support, it is my pleasure to announce that a final dividend of 6.0 cents per ordinary share has been recommended by the Board for shareholder's approval at the forthcoming Annual General Meeting.

I would also like to express my appreciation to our customers, bankers, business associates and suppliers for their continuing support. Finally, my deepest gratitude goes out to our employees around the world, now numbering more than 9,000, for their relentless commitment to operational excellence. More than anything else, our people and their dedication make Sunningdale what it is today.



主席致词

尊敬的股东，

2016年是个充满挑战的一年。除了遭受汇率波动及面对不断攀升的工资成本外，全球贸易保护主义崛起更雪上加霜，为不明朗的经济环境蒙上更多的不确定性，以致全球增长速度放缓。尽管面对这些严峻的挑战，我们所实施具韧性的商业模式及坚实的基础带领我们突破重围，最后还能安然无恙地度过这些风风雨雨。

投资未来

过去几年，中国经济经历了结构性的转型，对我们位于中国南部的制造设施产能带来影响。在面对上述艰难的经济条件下，我们专注于竭力对我们控制范围内的内部因素进行调整，并推动营运效率，以取得可持续性的增长。因此，我们通过对于位于中山的设施进行重组，以积极加强我们于中国南部的设施生产力。在去年三月底全面实施的措施已于2016年第二季度顺利完成，并成功改善了营运效率。我们相信，这将逐步提升本集团业绩，改善我们的财务表现。

本集团也着重于创新，旨在加强我们的竞争优势，打造成全球首屈一指的一站式精密塑料工程企业。在面对经济放缓及充满不确定性的环境时，我们更需要对新技术进行投资，以确保我们能保持领先地位。为了未来的战略性计划及应付在上海等一线城市所面对不断上升的成本压力，本集团于2016财政年第四季度顺利完成位于滁州占地5万平方米的设施建筑工程项目。这座具顶尖技术的制造设施除了拥有全新的先进设备外，还雇用受过专业训练的专才，甚至还达最高级别的行业标准。我们在本区域优化资源及扩大业务的同时，也将逐步提升其设施的产量。

国际业务

我们的19座制造设施横跨9个不同国家，业务遍布全球。我们不断收到现有和全新客户的询问，证明他们对我们承办国际项目的能力持有信心。

在2015年成功提升我们位于巴西的制造产量的同时，尽管面对当地经济衰退，我们仍能取得有机增长。同样的，我们的汽车业务领域业务于印度和马来西亚的成功拓展，也受到越来越多客户对我们价值链中所显现的卓越能力表示认同。此外，我们在拉脱维亚成功获得首个汽车业务领域项目，也体现出国际客户对我们深具信心。这个全新项目预计在2017年底投入大量生产。

前景

我们预测，在汇率波动等不确定因素持续对我们构成挑战的情况下，国际商业环境将依旧受到影响。中国快速蜕变的经济已导致我们本区域的庞大制造市场的工资成本不断攀升。来自客户的价格压力及制造成本上升也预计将持续。

因此，我们会继续专注于打造一个可持续发展且可获利的支配性战略，以应付接下来的营运挑战。我们横跨汽车、消费/信息技术、医疗保健及模型制造领域的多元化业务模式，可在某个领域出现突如其来的冲击时，发挥缓冲的作用。此外，我们持续取得正营运现金流，配上有效的资金管理，强化了我们的财政状况，让我们能够继续在充满不确定性的经济环境中寻找商机。

展望未来，我们预计汽车业务领域将继续是本集团的主要增长引擎。我们其他业务领域目前的订单数量也持续



保持平稳。我们可承办复杂工程项目的能力与国际制造的业务版的推动下，管理层依然有信心，能够扩大我们的蓝筹客户群以及我们的产品种类。

在我们持续迈向有机增长势头的同时，我们也在马来西亚檳城添购了新的制造设施。这座崭新的设施除了拥有最先进的精密工程技术，扩大我们的业务版图，还能拉近与客户的距离。

致谢

在此，我谨代表董事会，感谢所有股东一直以来对本集团长期业务发展的信心。为了回馈您所给予的大力支持，董事会决定向来临的股东大会建议派发每普通股6.0分的一次性股息。

我也希望借此机会对我们的客户、银行家、商业伙伴及供应商所给予的鼎力支持，表示由衷的感谢。最后，我想对我们覆盖全球超过9000名的员工表达最深切的谢意。因为你们辛勤的付出所创造的卓越表现，才能使本集团拥有今天的成就！

BOARD OF **DIRECTORS**



1.



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BOARD OF DIRECTORS

1. MR KOH BOON HWEE

Is the Non-Executive Chairman of Sunningdale Tech Ltd.

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

He is also currently the Non-Executive Chairman of public-listed Yeo Hiap Seng Limited, Far East Orchard Ltd and AAC Technologies Holdings Ltd. He is Chairman (non-executive) of FEO Hospitality Asset Management Pte Ltd and FEO Hospitality Trust Management Pte Ltd which manage listed Far East Hospitality Trust. Mr Koh serves as a director on the board of Agilent Technologies, Inc, Razer Inc, Bank Pictet & Cie (Asia) Ltd, and is also the Chairman of the Nanyang Technological University Board of Trustees and Chairman of Rippled Capital Advisers Pte Ltd.

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

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

2. MR KHOO BOO HOR

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

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

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

3. MR WONG CHI HUNG

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

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

4. MR STEVEN UHLMANN

Is a Non-Executive Director of Sunningdale Tech Ltd.

Mr Uhlmann pursued a career in the plastics industry, starting the Tech Group in 1967, expanding to Asia in 1995 ultimately becoming Tech Group Asia, then merging with Sunningdale Precision Industries. He was named Arizona's 1998 Entrepreneur of the Year in the Manufacturing/High Tech category, and is also a former President of the Society of Plastics Engineers, Arizona Chapter.

In addition, Mr Uhlmann is the former Chairman of the Board of Governors for the National Plastics Centre Museum. He also serves on the boards of a number of nonprofit organizations committed to the strengthening of marriage and family relationships.

Mr Uhlmann studied product design at the Arizona State University.

5. MR GABRIEL TEO CHEN THYE

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

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

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

6. MR KAKA SINGH

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

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

7. MR STEVEN TAN CHEE CHUAN

Is an Independent Director of Sunningdale Tech Ltd. He is currently the Chairman of Steven Tan Russell Bedford PAC, Steven Tan Management Consultants Pte Ltd and Samas Management Consultants Pte Ltd.

Mr Tan is a CA (Singapore) – Public Accountant and is a fellow member of the Institute of Chartered Accountants in England and Wales. From 1969 to 1981, he was the President of the Singapore Society of Accountants, now known as the Institute of Singapore Chartered Accountants (“ISCA”) for six terms, and from 1994 to April 2002, he was the Chairman of the Ethics Committees of the Institute of Certified Public Accountants of Singapore (“ICPAS”) and The Public Accountants Board.

From 1994 to September 2001, he was an Independent Director and Chairman of the Audit Committee of Berger International Ltd.

Mr Tan was also a member of the Council of the Ngee Ann Polytechnic from 1980 to 1992, and Deputy Chairman from 1992 to March 2000. He was appointed as a member of the Liquor Licensing Board from 1971 to 1992 and as Vice-Chairman from 1992 to 2006.

He was a member of the National University of Singapore Advisory Committee on Acquisitions of the Lee Kong Chian museum from 1995 to 2003 and Chairman from 2003 to 2006.

Mr Tan received the Gold Medal awarded by ICPAS in 1987 and was conferred The Public Service Medal in 1988 and The Public Service Star in 1995 by the President of Singapore.

8. MR ONG SIM HO

Is an Independent Director of Sunningdale Tech Ltd. He is a practising lawyer specializing in tax laws and is currently running his own law firm, Messrs Ong Sim Ho Advocates & Solicitors. He is a member of the Board of AIA Singapore Private Limited, Emirates National Oil Company (Singapore) Pte Ltd, Bluefield Ventures Pte. Ltd. and Bluefield Renewable Energy Pte. Ltd. Mr Ong also serves as an Alumni Advisory Board Member at the Nanyang Business School, NTU and a director of Centre for Fathering Ltd. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law of Lincoln’s Inn, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

MANAGEMENT TEAM

MS SOH HUI LING

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

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

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

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

MR CHAN WHYE MUN

Is the General Manager for South Asia, responsible for all moulding operations in Singapore, Johor (Cemerlang & Senai), Batam and Chennai plants. Prior to joining Sunningdale Tech Ltd, he was the COO of UMS Holdings, a semiconductor

precision machining and solutions company.

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

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

MR CHAN TUNG SING

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

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

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

MR TAN BAIR KION SIMON

Is the Senior Vice President – Corporate Management and the General Manager responsible for business development and operations of Omni Mold Ltd, the flagship precision tooling subsidiary of Sunningdale Tech Ltd along with four other Tooling Operations of the Group. He has been with the Group since 1998, first joined as Project Manager and was appointed General Manager for Tech Group Singapore in 2001. He was responsible for business development initiatives and oversaw the operations and performance of three moulding plants during that period.

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

Mr Tan holds a Bachelor of Science Degree (Hons) in Business and Management Studies from University of Bradford (UK). Advanced Diploma in Business Administration, Diploma in Business Efficiency & Productivity,

and National Certificate in Supervision from National Productivity Board Institution.

MR CHEONG WAI LUEN

Is the Information Technology Director that has overall responsibility for the information system/technology strategy and execution for all the companies under the group. He is also responsible for the group business processes.

Prior to joining Sunningdale Tech Ltd, Mr Cheong started his career in Hewlett Packard as IT specialist working on optimizing supply chain and production planning. He had since held various management position in Sony Electronics Asia Pacific, Agilent Technologies and Hewlett Packard focusing on implementing regional and world-wide based information system. He comes with strong application domain expertise in manufacturing, supply chain planning, logistics and customer relationship management.

Mr Cheong holds a Bachelor degree in Computer Engineering from Nanyang Technological University. He is also a Project Management Professional from PMI and holds a certificate in Production and Inventory Management from APICS.

MS BIN BOON KIM CINDY

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

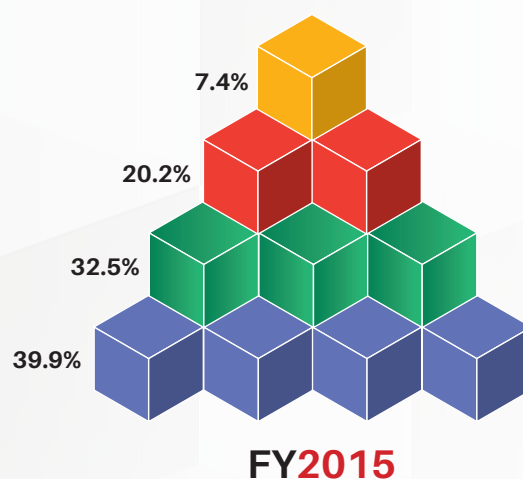
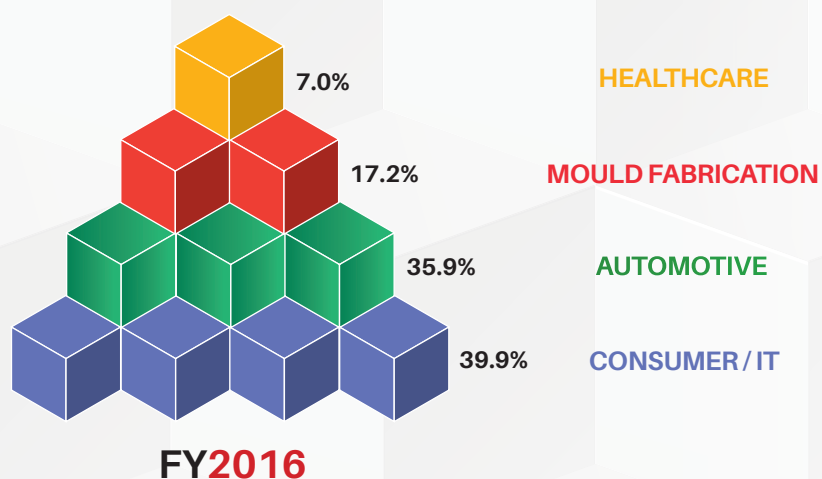
Prior to her current position, Ms Bin joined Sunningdale Precision Industries Ltd as Corporate Human Resource Manager in April 2003.

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

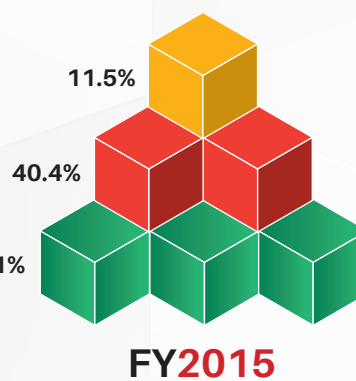
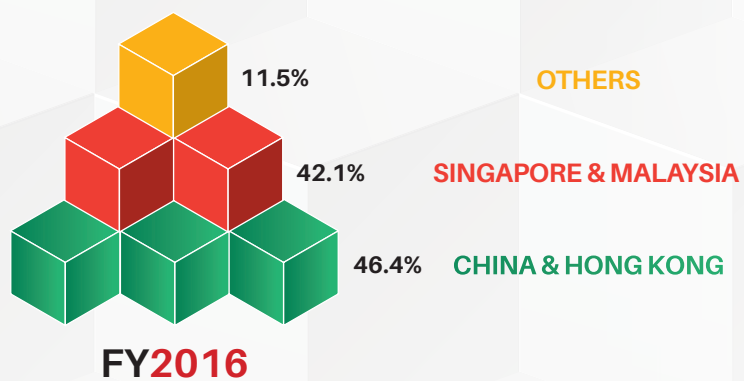
Ms Bin graduated from the University of Singapore with a Bachelor of Science degree, majoring in Chemistry. She also holds a Post Graduate Diploma in Personnel Management from the Singapore Institute of Management.

FINANCIAL HIGHLIGHTS

PERFORMANCE BY BUSINESS SEGMENT



PERFORMANCE BY GEOGRAPHIC

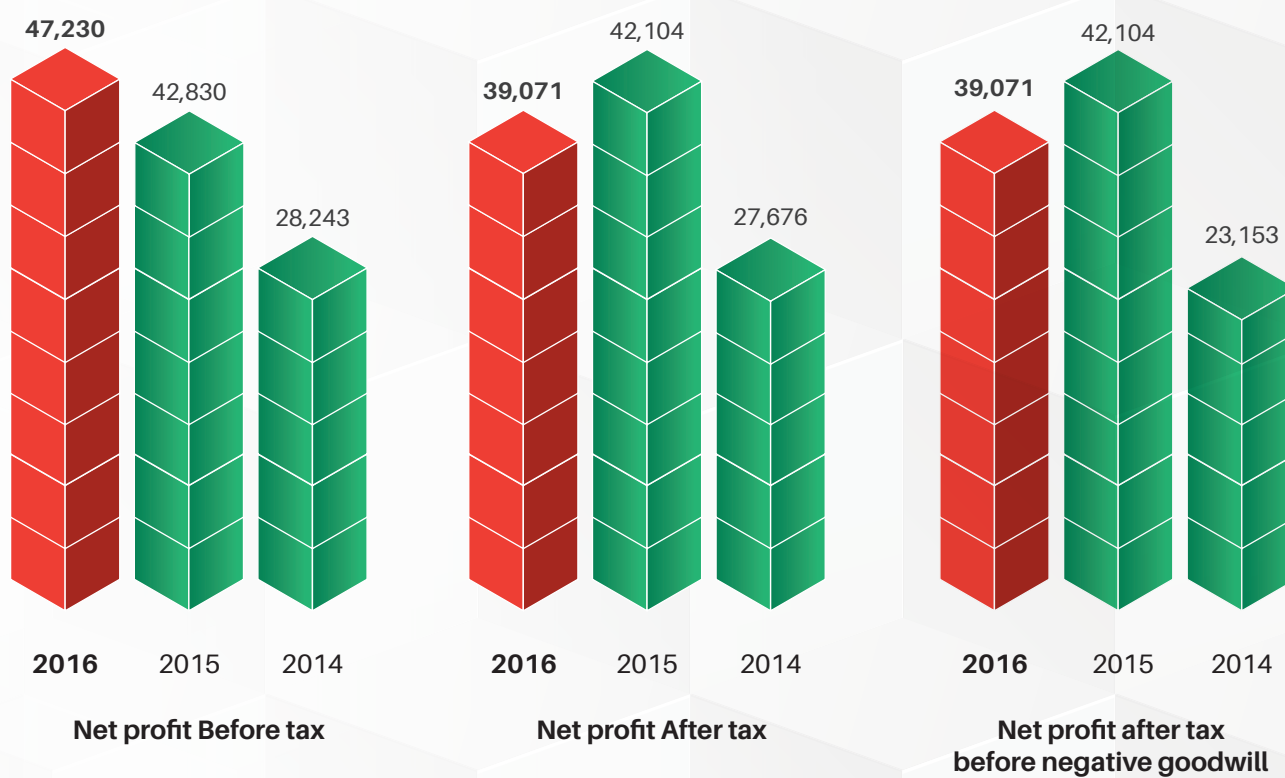


REVENUE & EBITDA (\$'000)

	2016	2015	2014
REVENUE	684,457	674,464	475,613
EBITDA*	69,363	65,113	46,247

*EBITDA = Gross profit - G&A + depreciation + one-off SG&A expenses excluding JV profit/loss

PROFIT TREND (\$'000)



FINANCIAL REVIEW

The Group's revenue increased by 1.5% year-on-year ("yoy") from \$674.5 million for FY2015 to \$684.5 million for FY2016. The increase came mainly from growth in the Automotive and Consumer/IT business segments. This growth was partially offset by the Group's Mould Fabrication and Healthcare business segments.

The Group recorded gross profit amounting \$94.3 million for FY2016, an increase of 3.8% yoy from \$90.8 million for FY2015. Gross margin improved from 13.5% for FY2015 to 13.8% for FY2016 due to an increase in capacity utilisation and an improved product mix.

The increase in other income was due to a gain on the disposal of property, plant and equipment of \$5.0 million for FY2016 compared to a loss on the disposal of property, plant and equipment of \$104,000 for FY2015.

The increase in other expenses was due to retrenchment costs of \$6.5 million as a result of (i) a restructuring exercise in our Southern China plant and (ii) a relocation of an operating unit from the Group's Shanghai plant to its Chuzhou plant.

The increase in income tax expenses was due to tax refund of \$5.9 million for FY2015 recorded in a subsidiary when the appeal was finalised as well as in line with increase in profit.

The Group achieved a net profit of \$39.1 million for FY2016 compared to \$42.1 million for FY2015. Excluding acquisition costs, foreign

exchange gains, gain on the disposal of property, plant and equipment, retrenchment costs and tax refunds, net profit would have been \$31.7 million for FY2016 and \$23.6 million for FY2015, representing a 34.1% yoy increase.

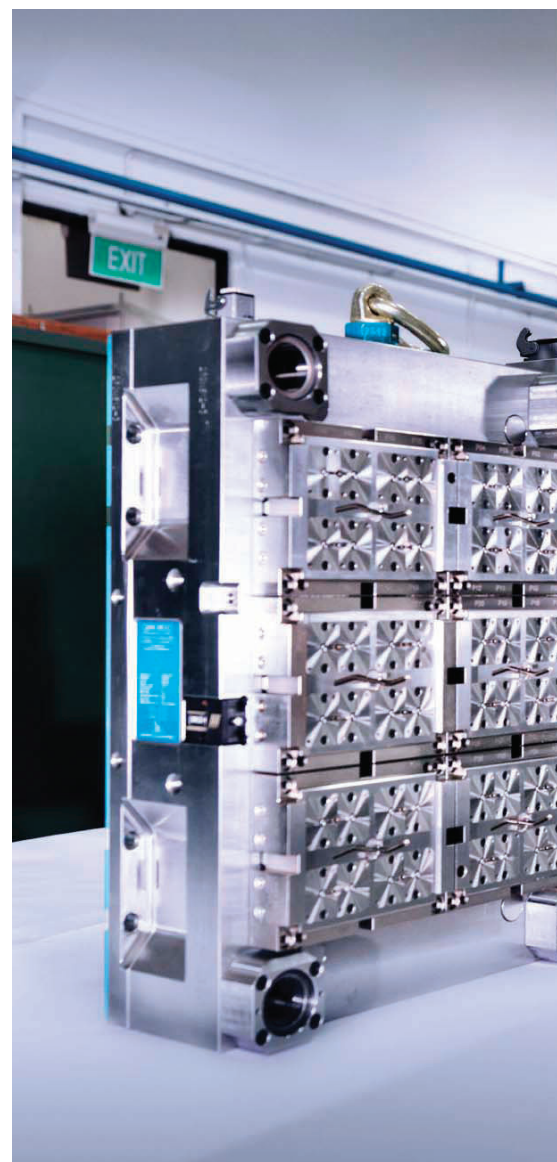
	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%
Profit for the period reported	39,071	42,104	(7.2)
Adjustments:			
Acquisition costs	-	145	(100.0)
Foreign exchange gain	(8,952)	(12,849)	(30.3)
(Gain)/loss on disposal of Property, plant and equipment	(4,984)	104	n.m.
Retrenchment cost	6,526	-	n.m.
Tax refund	-	(5,887)	n.m.
	31,661	23,617	34.1

The Group's earnings per share amounted to 20.91 Singapore cents for FY2016 as compared to 22.68 Singapore cents for FY2015.

The net asset value per share increased from \$1.77 as at 31 December 2015 to \$1.87 as at 31 December 2016. The net tangible asset per share also increased from \$1.67 as at 31 December 2015 to \$1.78 as at 31 December 2016.

FINANCIAL POSITION AND CASHFLOWS

The Group's property, plant and equipment amounted \$191.6 million as at 31 December 2016 compared to \$186.9 as at 31 December 2015. Property, plant and equipment were stated net of depreciation charges of



\$29.6 million (FY15: \$32.1 million) and partially offset by currency re-alignment and the addition of \$39.2 million (FY15: \$26.7 million) in capital expenditure for machineries and building.

The decrease in loans and borrowings was due to the repayment of loans.



The Group maintained a cash balance of \$115.3 million as at 31 December 2016 (31 December 2015: \$121.1 million), resulting in a net cash position of \$15.5 million (31 December 2015: \$1.1 million), after accounting for loans and borrowings of \$99.8 million (31 December 2015: \$120.0 million).

BUSINESS SEGMENT PERFORMANCE

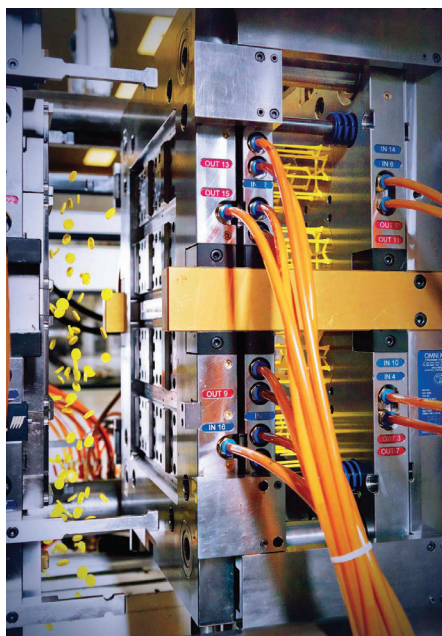
	FY2016	FY2015	Inc/Dec
	\$'000	\$'000	%
Automotive	245,446	219,126	12.0
Consumer/IT	272,980	268,832	1.5
Healthcare	48,452	49,775	(2.7)
Mould Fabrication	117,579	136,731	(14.0)
	684,457	674,464	1.5

Revenue from the Automotive business segment, one of the key revenue generators, increased by 12.0% yoy from \$219.1 million for FY2015 to \$245.4 million for FY2016. The Automotive segment's contribution to the Group's revenue was 35.9% (FY2015: 32.5%). In line with the increase in revenue, profit in the Automotive segment increased from \$10.1 million for FY2015 to \$15.0 million (excluding retrenchment costs) in FY2016. This was due to higher utilisation attributed to an increase in orders from current and new projects along with a change in product mix.

The Group's revenue from the Consumer/IT segment increased 1.5% yoy from \$268.8 million for FY2015 to \$273.0 million for FY2016. Correspondingly, profit in the Consumer/IT segment increased from \$31.7 million for FY2015 to \$37.8 million for FY2016 (excluding retrenchment costs). The increase in profit was due to (i) a change in product mix and (ii) improved utilisation in our Southern China operations.

Revenue from the Group's Healthcare segment decreased 2.7% yoy from \$49.8 million for FY2015 to \$48.5 million for FY2016. This was due to (i) a decrease in orders and (ii) delay in new projects launched. Profit in the Healthcare segment declined from \$2.5 million for FY2015 to \$1.0 million for FY2016.

FINANCIAL REVIEW



Revenue from the Group's Mould Fabrication segment decreased 14.0% yoy from \$136.7 million for FY2015 to \$117.6 million for FY2016. This decrease was due to a (i) reduction in capacity resulting from the downsizing of mould fabrication facilities in Southern China and (ii) lesser orders billed and recognized to profit and loss. Despite the decline in revenue and excluding the retrenchment costs, the profit increased from \$2.6 million for FY2015 to \$3.5 million for FY2016.

GEOGRAPHIC SEGMENT PERFORMANCE

Contributions from operations in China and Hong Kong to the Group's revenue declined 2.1% yoy from \$324.5 million for FY2015 to \$317.7 million for FY2016. This was mainly due to the Group's Mould Fabrication segment, partially offset

by an increase in contributions from the Automotive segment.

Revenue contributions from the Group's Singapore and Malaysia operations increased from 40.4% for FY2015 to 42.1% for FY2016. In absolute figures, revenue from our Singapore and Malaysia operations increased from \$272.5 million for FY2015 to \$287.9 million for FY2016. The increase was mainly due to a rise in orders from the Group's Automotive, Consumer/IT and Healthcare business segments.

The contribution in revenue from the Group's operations in other regions maintained at 11.5%. However, in absolute figures, revenue from the Group's operations in other regions increased from \$77.4 million for FY2015 to \$78.8 million for FY2016.

CORPORATE SOCIAL RESPONSIBILITY

Being one of the leading global plastic manufacturers, the Group emphasises sustainable growth as part of its progressive efforts to build long-term organisational success. This starts from within and the Group takes pride in conducting its businesses responsibly, contributing to the broader value chain that it operates in.

For the year ended 31 December 2016 (FY2016), the Board has considered sustainability as a strategic matter and supervised the management of it.

In particular, **four** key verticals in the form of **Environmental, Social, Corporate Governance** and **Research & Development** are addressed accordingly below:

1. ENVIRONMENTAL ISSUES:

1.1. ENVIRONMENT, HEALTH & SAFETY

The Group is committed to surpass customer and relevant stakeholders' expectations with due care to the Environment, Health and Safety (EHS). As such, the Group places emphasis on environment issues alongside health and workplace safety as its top priorities through integrated EHS management systems.

To constantly promote EHS performance, the Group deploys its EHS management system and integrates EHS

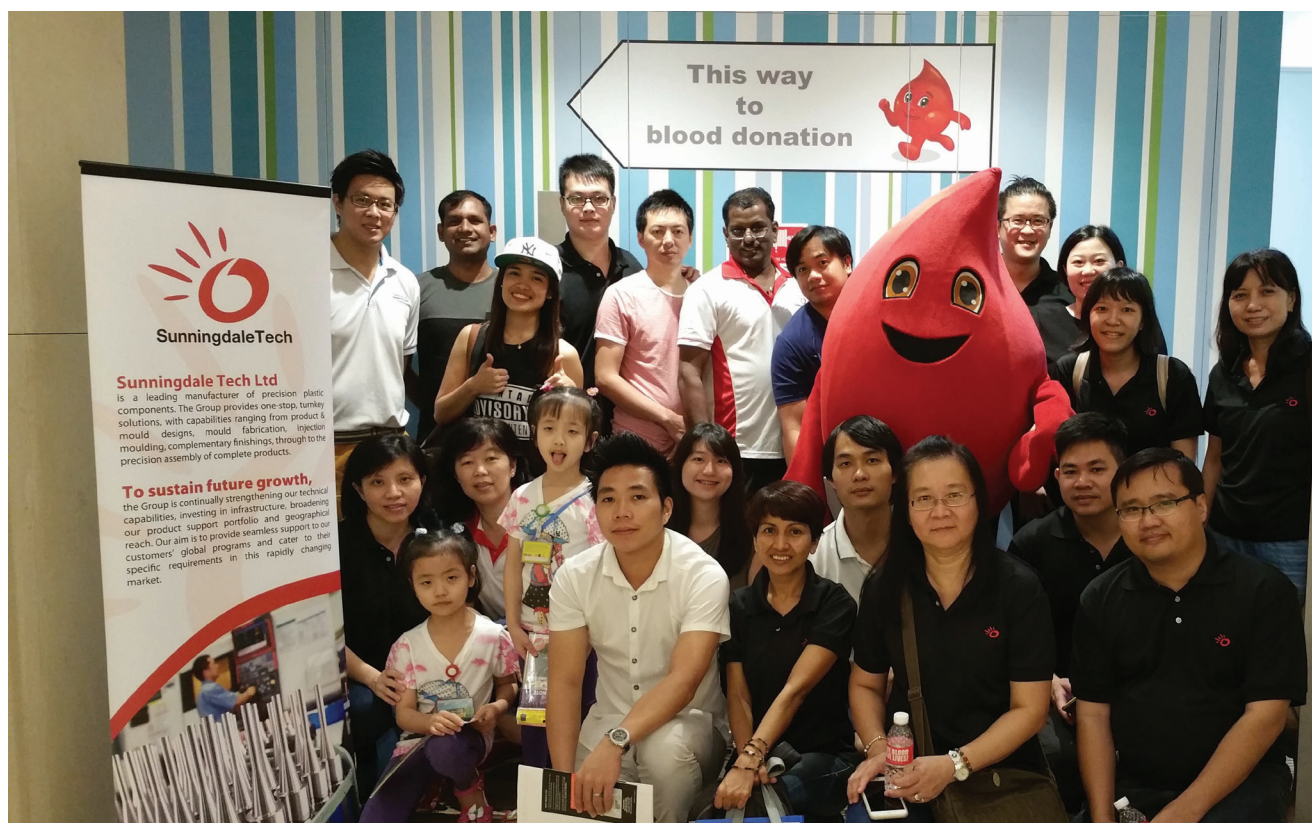
considerations into all aspects of its business operations. This is in line with the aim to prevent accidents, occupational illnesses, and pollution as well as to comply with applicable laws and regulatory requirements through:

- Obtaining an ISO14001 certification at all operating sites. At present, a total of 14 out of 21 sites are certified. The Mexican site has successfully obtained the ISO14001 certification in May 2016 as scheduled. Two new sites (Sunningdale Thailand & Sunningdale Chuzhou) have been added to the list
- Establishing and maintaining a measurement and monitoring list to track the compliance of legal requirements on emissions and discharge, working environment conditions and permit/license validity
- Promoting EHS awareness to the Group's employees through induction training and regular EHS programs for existing staff
- Disseminating the Group's EHS policy to all suppliers and creating EHS awareness by getting suppliers to complete its vendor survey form, which requires suppliers to acknowledge their compliance with EHS regulatory requirements along with a declaration on the use of restricted substances and areas of non-compliance

The following objectives and targets are reviewed regularly on the effectiveness of the EHS management system.

Objectives	Targets	Program
Accidents and incidents rate, near-miss and non-compliance	ZERO accidents and man-day loss	• EHS orientation carried out for all new employees • Creating EHS awareness through an EHS promotional week • Reviewing and monitoring progress with analysis of monthly trends in chart form • Thorough investigation of all accidents, near-miss, and non-compliance incidents in periodic operations and management review meetings • Monthly EHS inspection is carried out by the site EHS officer. All non-conformances with EHS committee members are shared with the various departments • The Company Emergency Response Team (CERT) was established with members from various departments
Energy conservation programme	Reducing consumption through improving operational efficiency	• Introducing high bay induction lighting in warehouses, reducing 50.0% watt consumption • Switching to an air compressor that uses energy saving inverter drives • Purchasing energy saving electrical injection molding machines whenever possible • Monitoring the use of electricity and sales with trend analysis
Waste management programme	• Eliminating improper segregation and the disposal of waste • Waste reduction by reducing scrap, reuse and recycling	• Initiate recycling programmes with customers for pallets, carton boxes and other packaging material • Where possible, plastic tote boxes and pallets are used • Paper waste recycle bins are placed at every office • Reusable mug was given out during EHS promotion to further educate the employee and to discourage the use of disposable cups
Chemical management programme	Eliminate chemical spillage resulting in pollution	• Ensure MSDS are available and accessible through Sharepoint • Provide a first-aid kit that includes an eyewash station and an oil spill kit • Emergency preparedness and responsiveness – to protect people, property, the environment and the continuity of operations

CORPORATE SOCIAL RESPONSIBILITY



2. SOCIAL:

2.1. FAIR EMPLOYMENT ENVIRONMENT

The Group's policy is to provide fair and equal employment opportunities to all employees and applicants for employment on the basis of merit regardless of age, race, gender, religion, or marital status.

It is the view of the Group that people are the most valuable asset and as such, should be treated with respect and dignity. The Group provides a work environment where each employee has an equal opportunity for development and career movement. By all accounts, all employees are treated fairly. The Group ensures that our work environment is free from unlawful discrimination, hostility, intimidation and harassment.

2.2. TEAM WORK

As one of its pillars of excellence, the Group fosters a culture of strong teamwork and cooperative spirit amongst workers and departments in the organisation. It is with this strong belief that actions and decisions are often carried out collaboratively and collectively. Staff work well together and are supportive of one another, trying their best in any circumstances. This has resulted in encouraging more effective solutions and achieving better results in areas which contribute to the growth of the organisation in terms of business opportunities and maximising our capabilities.

2.3. LEARNING AND DEVELOPMENT

The Group is committed to developing and providing employees with equal opportunities for training in a variety of ways based on their strengths and

needs. On-the-job training is provided to allow employees to learn and improve their knowledge and skills while gaining experience to handle their daily tasks more effectively. The line managers and supervisors are responsible for the development of their team members. The Group also provides jobs with opportunities for rotational roles to fresh graduates from polytechnics and universities. Coached and mentored under the guidance of the experienced employees in the same department, these fresh graduates acquire both general skills and specific skills that are unique to their jobs in a more systematic manner.

External courses are arranged for employees to further enhance their knowledge in their respective functions. To tap on the grants offered by the

government, the Group has sponsored Toolroom machinists to attend the Diploma in Precision Engineering (Master Craftsman Skills) course jointly organised by Polytechnics, EDB, SPRING Singapore and WDA to further upgrade their knowledge and skills. All these support the Group's drive towards higher productivity and technical capabilities with the ultimate goal of enhancing our competitive edge.

The Group also offers a variety of other training courses for management and professional development. Development opportunities include professional training and certification courses that help the management and professionals stay relevant in their respective fields/functions.

Overseas attachment programmes develop employees' leadership capabilities and build a global mindset with the capacity to appreciate and leverage the trend and business practices in different parts of the globe. Employees' career aspirations are met which enable the Group to retain talent with the necessary skills and capabilities to propel the Group forward.

2.4. PERFORMANCE MANAGEMENT

Compensation and benefits along with all aspects of employment are administered in a fair and objective manner based on the employees' ability, performance and contribution. Adopting a performance-based compensation scheme, employees are appraised annually on a number of competencies and KPIs. The appraisal helps to improve the performance and develop the capabilities of teams and individuals. This performance-based system rewards individuals according to their performance and contribution which contribute to the effective management of the individuals and the teams, thus helping the Group towards achieving its goals. Promotion is also linked to the results of a performance appraisal which opens career advancement opportunities to staff. Providing career progression in the Group has been one of the key factors for motivating and retaining employees.

2.5. RECREATIONAL AND CORPORATE SOCIAL ACTIVITIES

Recreational activities such as a Durian Feast and Food Fair are organised every year. Well-received by employees, these activities promote greater interaction and a better understanding of one another.

To support the EDB's initiative and efforts to ensure that there is a supply of talent entering the precision engineering sector, our Company participated in the National Precision Study Award (NPESA) signing ceremony for ITE students.



We were given an opportunity to brief the students at the ceremony on how precision engineering specialists can play a significant role in creating the next technological breakthrough. This was affirmed by a plant tour organised days after the ceremony. The students benefited from seeing a factory firsthand, which expanded their knowledge of precision engineering workplace and broadened their understanding of the manufacturing capabilities. We hoped to encourage more students to take up courses in precision engineering and explore a career in the industry.

"Coming Together : Celebrating Harmony in Diversity", the Singapore Children's Society (SCS) Walkathon organised last year was one of the SCS's annual fund-raising events. Besides raising funds to support programmes run by the society, the walk also aimed at promoting the spirit of charity and encouraged family bonding and kinship. More than 100 employees and their families took part in the walk to show their support of such a good cause.

In collaboration with the Singapore Red Cross Society, the Company organised a Blood Donation Drive at Westgate Tower last year. Besides encouraging our employees to be regular blood donors, the event brought together people in the community to save lives in partnership with Sunningdale Tech. The Company was proud to be one of the supporting partners in this community project by going the extra mile to help people in achieving a healthier, happier and more fruitful life.

CORPORATE SOCIAL RESPONSIBILITY

3. CORPORATE GOVERNANCE

3.1. CODE OF BUSINESS ETHICS AND CONDUCT AND WHISTLE BLOWING POLICY

The Group has in place a Code of Business Ethics and Conduct which provides guidelines to manage business ethics and prevent conflict of interests. This provides assurance that the Group's businesses are conducted in a legal, ethical and fair manner and to maintain confidence from the public in the integrity of the Group and its staff. The Code can be found in the Group's shared folders for employees' reference and as part of compliance. All new employees are required to complete a declaration of interests form upon joining the Group. Annual declarations are also conducted to reinforce the Code and provide an avenue for the updating of any relationships that could potentially develop in a conflict of interest.

The Group's Whistle Blowing Policy provides an avenue to employees to raise concerns and offer reassurance in good faith that they will be protected from reprisals or victimisation for whistle-blowing. To ensure the programme is administered impartially, a Whistle-Blowing Committee (WBC) has been formed under the oversight of the Audit & Risk Committee (ARC). The WBC consists of the CEO, CFO, HR Director and the Internal Audit Manager and is empowered to look into all issues or concerns relating to the Group. The AC which consists of independent directors of the Board looks into reports and recommendations from the WBC, as well as any issues or concerns relating specifically to or concerning any member of the WBC.

3.2. INTEGRATED SYSTEMS FOR ENHANCED INTERNAL CONTROLS

As part of Group's efforts to heighten internal controls, the Group has successfully implemented the SAP software across majority of its operations. The remaining sites that have yet to migrate to the platform will progressively do so over the next few years. The old Enterprise Resource Planning (ERP) system which was used for the last 10 years had been retired as Microsoft has discontinued support for its system.

Given the Group's global footprint with 19 facilities, the implementation of the SAP software will help to provide greater visibility in terms of the overall control and governance.

4. RESEARCH AND DEVELOPMENT

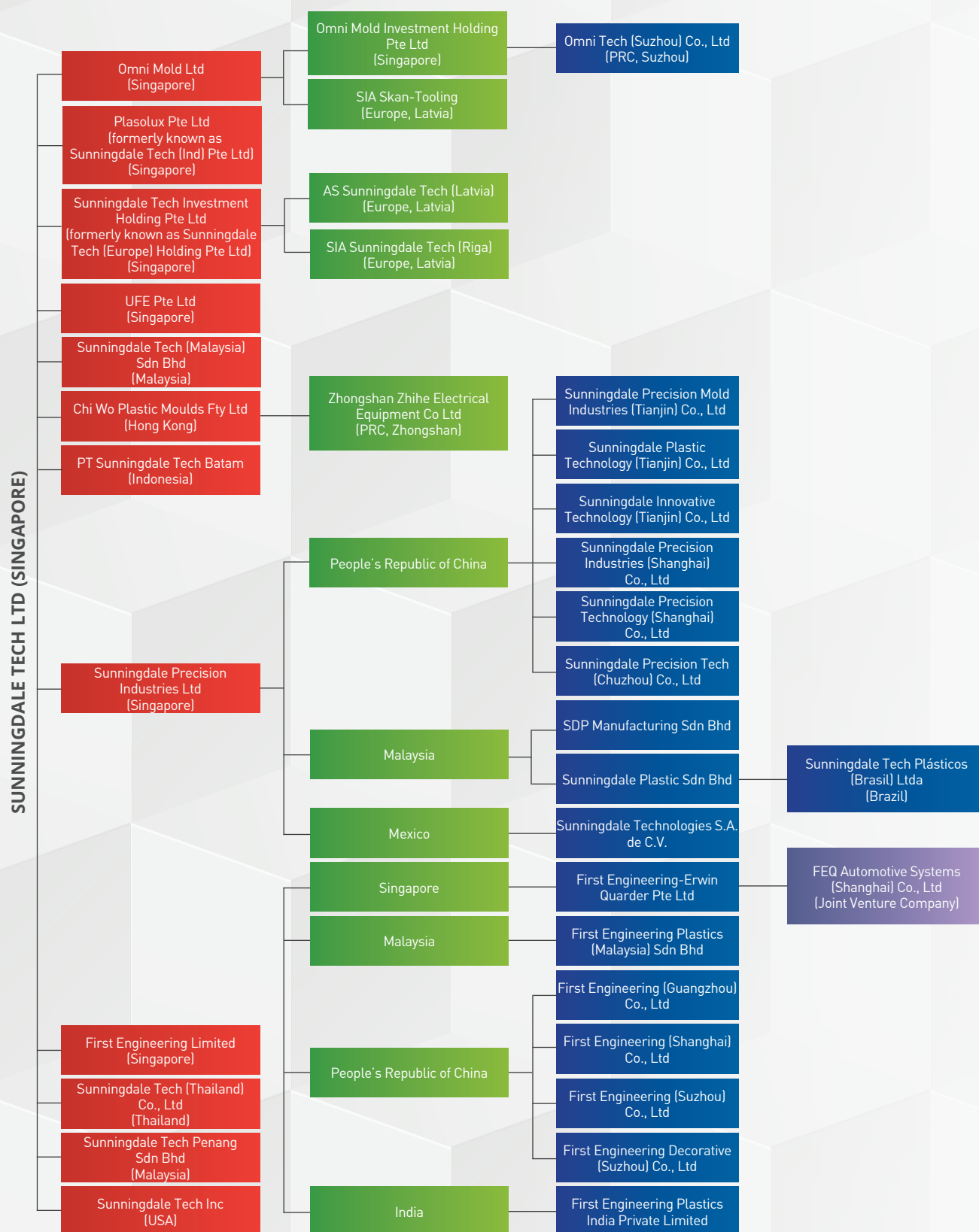
4.1. TECHNOLOGY AND INNOVATION

The Group's long-term plan in building a sustainable business model with the setup of a research and development department has showed encouraging signs. It is imperative for the Group to continue investing into new technology and innovate consistently in order to stay ahead of the industry's curve. New plastic products are being reviewed and tested to evaluate end customer acceptance. At the same time, supplier involvement with key customers continues to allow the Group to keep in touch with industry trends and help position the Group favourably to capture future growth prospects.

The Group has launched a number projects which use advance materials such as Polyether ether ketone (PEEK), liquid silicone rubber and other complex materials. Historically, these projects are run in Europe, US or Japan. It is the Group's plans to expand its offerings available to customers by developing these capabilities.

The Group is also looking into installing collaborative six-axis robots to reduce labour and increase efficiency. This will first be implemented into the Singapore operations and eventually across all sites. Revenue per employee will be tracked closely to ensure the expected benefits are achieved. At the same time, industry 4.0 concepts are being explored in the Group's moulding operations. Once proven to be effective, this will be expanded to all sites with the aim of improving quality and efficiency.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Boon Hwee

(Non-Executive Chairman)

Khoo Boo Hor

(Chief Executive Officer, Executive Director)

Wong Chi Hung

(Non-Executive Director)

Steven Uhlmann

(Non-Executive Director)

Steven Tan Chee Chuan

(Independent Director)

Gabriel Teo Chen Thye

(Independent Director)

Kaka Singh

(Independent Director)

Ong Sim Ho

(Independent Director)

AUDIT & RISK COMMITTEE

Kaka Singh

(Chairman)

Gabriel Teo Chen Thye

(Member)

Steven Tan Chee Chuan

(Member)

NOMINATING COMMITTEE

Ong Sim Ho

(Chairman)

Steven Uhlmann

(Member)

Gabriel Teo Chen Thye

(Member)

Kaka Singh

(Member)

REMUNERATION COMMITTEE

Steven Tan Chee Chuan

(Chairman)

Steven Uhlmann

(Member)

Ong Sim Ho

(Member)

JOINT COMPANY SECRETARIES

Dorothy Ho Lai Yong

Theng Searn Por (resigned on 7 March 2017)

SHARE REGISTRAR

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

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Audit Partner: Yee Woon Yim
(Date of appointment: since financial year ended 31 December 2013)

BANKERS

- DBS Bank Ltd
- Malayan Banking Berhad
- Oversea-Chinese Banking Corporation Limited
- Sumitomo Mitsui Banking Corporation
- The Hongkong and Shanghai Banking Corporation Limited
- United Overseas Bank Limited

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CORPORATE GOVERNANCE REPORT

THE COMPANY'S COMPLIANCE AND DISCLOSURE SCORE-CARD ON THE CODE OF CORPORATE GOVERNANCE 2012 ISSUED BY THE MONETARY AUTHORITY OF SINGAPORE ("CODE")

The following table summarises the Company's compliance with the Code principles. The table also sets out specific disclosures stated in the Annual Report, including key departures from the Code.

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Principle 1 : The Board's Conduct of Affairs 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 Management remains accountable to the Board.	√	27
Guideline 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters	√	28
Guideline 1.4 The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	√	29
Guideline 1.5 Disclosure in the Annual Report of the types of material transactions that require Board approval	√	
Guideline 1.6 Information on induction, orientation and training provided to new and existing Directors	√	30
Principle 2 : Board Composition and Guidance 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 the Company's substantial shareholders (those who own 10% or more of the Company's shares). No individual or small group of individuals should be allowed to dominate the Board's decision making.	√	30
Guideline 2.3 - Each Director considered to be Independent by the Board - A Director considered to be Independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a Director not to be independent, the nature of the Director's relationship and the reasons for considering him as independent to be disclosed	√	
Guideline 2.4 If an Independent Director, who has served on the Board for more than 9 years from the date of his first appointment, is considered to be independent, the reasons for considering him as independent should be disclosed	√	31
Principle 3 : Chairman and Chief Executive Officer 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.	√	31

CORPORATE GOVERNANCE REPORT

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Guideline 3.3 Every Company should appoint a Lead Independent Director where the Chairman is not an Independent Director	√	
Principle 4 : Board Membership There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.	√	32
Guideline 4.1 Names of the members of the Nominating Committee ("NC") and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	√	32
Guideline 4.4 The maximum number of listed company Board representations which Directors may hold	√	34
Guideline 4.6 Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process	√	
Guideline 4.7 Key information regarding Directors, including which Directors are Executive, Non-Executive or considered by the NC to be independent	√	
Principle 5 : Board Performance There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.	√	34
Guideline 5.1 Assessment of the contributions of the Board, Board Committees and individual Directors to the effectiveness of the Board has been conducted. If an external facilitator has been used, disclosure whether the external facilitator has any other connection with the company or any of its directors	√	
Principle 6 : Access of information In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.	√	35
Principle 7 : Procedures for Developing Remuneration Policies 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.	√	37
Guideline 7.1 Names of the members of the Remuneration Committee ("RC") and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	√	
Guideline 7.3 Names and firm of the remuneration consultants (if any), including a statement on whether the remuneration consultants have any relationships with the Company	-	

CORPORATE GOVERNANCE REPORT

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Principle 8 : Level and Mix of Remuneration 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. Companies should avoid paying more than is necessary for this purpose.	√	37
Principle 9 : Disclosure of Remuneration Every company should provide clear disclosure of its remuneration policies, level and mix of 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.	√	37
Guideline 9.1 - Remuneration of Directors, the CEO and at least the top 5 key management personnel of the Company - The aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top 5 key management personnel	√	
Guideline 9.2 Fully disclose the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives	√	40
Guideline 9.3 - Name and disclose the remuneration of at least the top 5 key management personnel in bands of S\$250,000 with a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefit-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives. - In addition, the Company should disclosure in aggregate the total remuneration paid to the top 5 key management personnel	√	40
Guideline 9.4 Details of the remuneration of named employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	Not Applicable	
Guideline 9.5 Details and important terms of employee share schemes	√	

CORPORATE GOVERNANCE REPORT

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Guideline 9.6 More information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	√	
Principle 10 : Accountability The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.	√	41
Principle 11 : Risk Management And Internal Controls 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' interest 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.	√	44
Guideline 11.3 - The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems - The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems	√	
Principle 12 : Audit Committee ("AC") The Board should establish an AC with written terms of reference which clearly set out its authority and duties.	√	42
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegate to it by the Board	√	
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	√	
Guideline 12.7 The existence of a whistle-blowing policy	√	
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	√	
Principle 13 : Internal Audit The Company should establish an effective internal audit function that is adequately resources and independent of the activities it audits.	√	41

CORPORATE GOVERNANCE REPORT

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Principle 14 : Shareholder Rights Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.	√	45
Guideline 14.3 Allow corporation which provide nominee or custodial services to appoint more than 2 proxies	√	
Principle 15 : Communication with Shareholders Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.	√	45
Guideline 15.4 Steps taken to solicit and understand shareholders' view, eg through analyst briefings, investor road shows or investors' Day briefings	√	
Guideline 15.5 • Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders	–	
• Where dividends are not paid, the Company must disclose its reasons	√	
Principle 16 : Conduct Of Shareholder Meetings 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.	√	46
Guideline 16.1 Companies should allow for absentia voting at general meetings of shareholders	–	

CORPORATE GOVERNANCE REPORT

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

This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2016 (FY2016). As part of the continuous effort to improve the risk governance framework, the Risk Management Committee was established in April 2010 to oversee the adequacy and effectiveness of the Group's risk management framework and policies.

A. BOARD MATTERS

Principle 1: The Board's conduct of its affairs

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

In addition, the principal duties of the Board include:

- Setting the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Appointing the Group CEO and approving the remuneration policies and guidelines for the Board and senior management.
- Reviewing the performance of senior management.
- Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

Independent judgement

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

CORPORATE GOVERNANCE REPORT

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

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

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

Delegation by the Board

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

Key features of board processes

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

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board and board committee meeting in FY2016

	Board Meetings		Audit & Risk Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Koh Boon Hwee	5	5						
Khoo Boo Hor	5	5						
Wong Chi Hung	5	4						
Steven Uhlmann	5	2			1	0	1	0
Steven Tan Chee Chuan	5	4	4	3			1	1
Gabriel Teo Chen Thye	5	5	4	4	1	1		
Kaka Singh	5	5	4	4	1	1		
Ong Sim Ho	5	5			1	1	1	1

Board approval

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

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

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

CORPORATE GOVERNANCE REPORT

Induction and training of directors

The Group will conduct a comprehensive orientation programme, which is presented by the CEO and senior management, to familiarise new directors with business and governance policies. The orientation programme gives directors an understanding of the Group's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Briefings and updates provided for directors

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

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

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

Principle 2: Board composition and guidance

Board size and board composition

The Board comprises eight directors. Excluding the CEO, 4 directors are independent and 3 are non-executive.

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

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

Directors' independence review

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

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

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

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

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

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

Role of the independent and non-executive directors

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

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

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

To ensure that the directors are well supported by accurate, complete and timely information, directors have unrestricted access to management and have had sufficient time and resources to discharge their oversight function effectively. Directors receive board briefings on prospective deals and potential development at an early stage before formal board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives.

Principle 3: Chairman and Chief Executive Officer

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

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

The Chairman:

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

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- Takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.
- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures independent directors and NEDs are able to speak freely and contribute effectively.
- Exercises control over the quality, quantity and timeliness of information flow between the Board and management.
- Provides close oversight, guidance, advice and leadership to the CEO and management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at AGMs and other shareholder meetings.

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

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- Ensuring implementation policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Ensuring that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments.
- Leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

Principle 4: Board membership

NC Composition

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

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

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable).
- Review the skills required by the Board, and the size of the Board.
- Ensure that the Company adheres to the board composition rules, including having independent directors make up 50% of the Board under certain circumstances.

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- Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, when he/she has multiple board representations.
- Develop a process for evaluating the performance of the Board, its board committees and the contribution of each director.
- Formal assessment of the effectiveness of the Board as a whole and individual director.
- Review the training and professional development programmes for the Board.
- Review the Board succession plans for directors, in particular, the Chairman and the CEO.

Key information on directors

Key information on the directors is set out below:

Name of Director	Position as at date of report	Date of Initial Appontment	Date of Last Re-election/ Re-Appointmnet
Koh Boon Hwee	Non-Executive Chairman	22 April 2003	18 April 2016
Khoo Boo Hor	Chief Executive Officer	10 November 2008	27 April 2015
Wong Chi Hung	Non-Executive Director	11 May 2004	27 April 2015
Steven Uhlmann	Non-Executive Director	22 January 1996	29 April 2014
Gabriel Teo Chen Thye	Independent Director	18 July 2005	18 April 2016
Steven Tan Chee Chuan	Independent Director	20 October 2003	18 April 2016
Kaka Singh	Independent Director	18 July 2005	18 April 2016
Ong Sim Ho	Independent Director	18 July 2005	29 April 2014

Note: The details of directors' shareholdings in the Company and its related corporations are disclosed on page 48 of the Annual Report under "Directors' interest in shares and debentures" section of the Directors' Report.

Directors' independence review

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

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

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

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

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

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Directors' time commitments and multiple directorships

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

Process for re-appointment of directors

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance (including his or her contribution and performance as an independent director, if applicable).

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

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

Pursuant to the one-third rotation role, Mr. Steven Uhlmann, Mr. Ong Sim Ho and Mr. Wong Chi Hung will retire and submit themselves for re-appointment at the forthcoming AGM. The NC is satisfied that the directors retiring in accordance with the Article 91 of the Company's Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations.

Mr. Steven Uhlmann, Mr. Ong Sim Ho and Mr. Wong Chi Hung who will submit themselves for re-appointment at the forthcoming AGM does not have any relationships with the Group, its directors, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company.

Principle 5: Board performance

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

Evaluation process

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

- Board Performance
- Committee Performance
- Chairman of the Board Performance

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Board performance criteria

The performance criteria for the board evaluation are as follows:

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

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

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

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

Principle 6: Access to information

Complete, adequate and timely information

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

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

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

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

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

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

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

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

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

Company Secretary

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

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

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

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

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Independent professional advice

The Board takes independent professional advice as and when necessary to enable it or the independent directors to discharge its or their responsibilities effectively. Subject to the approval of the Chairman, each director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

B. REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

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

- Steven Tan Chee Chuan (RC Chairman)
- Steven Uhlmann
- Ong Sim Ho

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

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

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, shares incentives and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's Restricted Share plan.
- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

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

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of remuneration

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating employees. The Group's compensation framework comprises fixed pay, variable bonus and share incentives. The Group subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees.

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Remuneration of executive directors and key management personnel

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

Executive directors do not receive directors' fees.

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

- a) Fixed remuneration
- b) Variable bonus
- c) Share award

a) Fixed remuneration

The fixed remuneration is established taking into account the role and responsibility of the positions within the Group. A Job Grading and Salary Structure System has been established for all functions and positions. The system reflects the value of the positions benchmarking their equivalence and market rates outside. However, while benchmarking is used, it is not solely to match the 'median' market rates but to provide a point of reference for determining the appropriate level of pay and to establish the mid-points of the salary ranges of various grades in the system.

The Group also offers other benefits such as transport allowance as part of the fixed monthly wage. This incentive which enables staff to discharge their duties and responsibilities more effectively and efficiently helps to attract and retain staff to work in the Company which is away from the city.

As a rule of thumb, the fixed remuneration accounts for about 70% to 85% of the total remuneration.

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

b) Variable bonus

Variable bonus incentivizes performance and rewards achievements. The variable bonus is linked to the Group and entity financial results and performance. The amount of this remuneration is subject to achieving specific quantifiable targets as follows:

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

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

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The amounts to be given to the individuals are based on the guidelines set in accordance with the degree of fulfilment of the individual targets set with the CEO and the contributions of the individuals. The target parameters include EBITDA, gross margin and sales quota, etc. In the case of CEO, the targets are agreed with the Chairman of the Board of Directors.

In general, the total amount of annual variable bonus is in the range of 5% to 20% of the total remunerations calculated on the basis of the latest fixed basic salary.

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

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

c) Restricted Share Plan ("RSP")

All employees and full-time executive directors are potentially eligible. However, participation will be determined by the CEO and the Remuneration Committee. All such determinations are made in accordance with the terms and conditions of the Restricted Shares Plan.

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

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

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

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

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

The **RC** administers the Sunningdale Restricted Share Plan 2014 and Sunningdale Performance Share Plan 2014.

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

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Remuneration of Independent directors and NEDs

The RC reviews the scheme put in place by the Company for rewarding the independent directors and NEDs in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to attract, motivate and retain the Directors.

Remuneration of directors and the CEO

The remuneration paid to or accrued to each individual director and the CEO for FY2016 is as follows:

Remuneration Band and Name of Director	Fee ⁽¹⁾ (%)	Basic Salary (%)	Variable Bonus (%)	Share Award ⁽²⁾ (%)	Total Remuneration (%)
<u>Below \$250,000:</u>					
Koh Boon Hwee	100	–	–	–	100
Steven Uhlmann	100	–	–	–	100
Wong Chi Hung	100	–	–	–	100
Gabriel Teo Chen Thye	100	–	–	–	100
Steven Tan Chee Chuan	100	–	–	–	100
Kaka Singh	100	–	–	–	100
Ong Sim Ho	100	–	–	–	100
<u>Above \$750,000 to \$999,999:</u>					
Khoo Boo Hor	–	61	19	20	100

Remuneration to key management personnel

The remuneration paid to or accrued to the key management personnel (who are not directors or the CEO) for FY2016 as follows:

Remuneration Band and Name of Key Management Personnel	Basic Salary (%)	Variable Bonus (%)	Share Awards ⁽²⁾ (%)	Total Remuneration (%)
<u>\$250,000 to \$499,999:</u>				
Chan Whye Mun	76	11	13	100
Chan Tung Sing	72	19	9	100
Tan Bair Kion Simon	74	13	13	100
Soh Hui Ling	78	12	10	100
Cheong Wai Luen	82	10	8	100
<u>Below \$250,000:</u>				
Cindy Bin	85	8	7	100

There are no employees as at 31st December 2016 who are related to the Directors.

⁽¹⁾ subject to approval by shareholders as a lump sum at the annual general meeting for the financial year ended 31 December 2016;

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

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the non-Executive Directors, Independent Director, CEO, Executive Director and the Key Management Personnel in this Annual Report.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, the Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective decision making.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with quarterly and annual financial reports. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

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

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

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

Principle 13: Internal audit

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

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

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group's internal audit approach is aligned with the Group's Risk Management Framework by focusing on key financial, operational, compliance

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and information technology risks. The ARC reviews reports submitted by the Internal Audit Function and audits completed against the annual internal audit plan established in consultation with, but independent of, management. The internal audit plan is reviewed and approved by the ARC. All internal audit findings, recommendations and status of remediation, are circulated to the ARC, the CEO, the external auditors and relevant senior management every quarter.

Training plan is in place and reviewed at least annually to update competencies of the internal auditors through conferences and seminars on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified and experienced professionals with diverse operational and financial experience. The ARC is satisfied that the internal audit function has adequate resources and the appropriate standing within the Group to perform its function effectively.

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

Principle 12: Audit & Risk Committee

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

- Kaka Singh (ARC Chairman)
- Gabriel Teo Chen Thye
- Steven Tan Chee Chuan

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

The main responsibilities of the ARC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- overseeing financial reporting;
- overseeing internal control and risk management systems;
- overseeing internal and external audit processes; and
- overseeing Interested Party Transactions (IPTs).

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

- reviews the audit plans and scope of audit examination of the external auditors and evaluates their overall effectiveness through regular meetings with each group of auditors;
- reviews the adequacy of the internal audit function;
- determines that no restrictions are being placed by Management upon the work of the internal and external auditors;

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- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the external auditors, and Management's responses and actions to correct any deficiencies;
- evaluates the adherence to the Group's administrative, operating and internal accounting controls;
- reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- ensures the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- considers other matters as requested by the Board.

The ARC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.

Summary of the ARC's activities

The ARC met four times during the year under review. Details of members and their attendance at meetings are provided in page 29. The CFO, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

For the financial year ended 31 December 2016, the **ARC** met with the external and internal auditors separately, without the presence of the Management. These meetings enable the external auditors and internal auditors raise issues encountered in the course of their work directly to the ARC.

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

The **ARC** also reviewed the non-audit services provided by the external auditors, which comprise tax services, and was satisfied that the independence of the external auditors would not be impaired.

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

ARC comment on the auditors report

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

The management has made a number of significant judgements relating to significant accounting estimates in the financial statements. These also required the making of assumptions regarding uncertain future events including in particular those relating to (a) revenue recognition from mould fabrication work, (b) impairment assessment of goodwill, and (c) the recoverability of trade receivables. The financial reporting matters that required significant judgements and estimates are more fully described in Note 3 to the accompanying financial statements.

CORPORATE GOVERNANCE REPORT

The ARC also considered the key audit matters (KAMs) reported by the external auditors. The KAMs included those relating to (a) revenue recognition from mould fabrication work, (b) impairment assessment of goodwill, and (c) the recoverability of trade receivables. The ARC considered the key assumptions used in the determination of the revenue recognised, the carrying value of the goodwill and the amount of impairment allowance on trade receivables. The ARC and the external auditors discussed these three KAMs and other audit matters, their reason for justifying them as KAMs and the approach they took in their audit of these account balances.

The ARC reviewed management's approach to the timing of recognition of revenue and the contract arrangements with the customers relating to the mould fabrication work. Management receives detailed reports from the operation, finance and project managers and performs a review of the budgeted and actual costs. Management discusses the underlying performance of the significant mould fabrication projects (that are in Singapore and overseas) with the operation and project managers to ensure that the operation management considers the stage of completion to be appropriate.

For goodwill, the ARC discussed management's process for reviewing and testing goodwill for impairment allowance and those process relating to the performance of the cash generating units ("CGUs") and the selection of EBITDA multiples for each of the CGUs. The EBITDA multiple is calculated based on the median of comparable companies in the relevant countries after adjustment for differences in risk and growth. The management has prepared detailed calculations setting out the assumptions made and the judgements applied. The ARC reviewed the calculations made and management's judgement on the inputs to support the view that there is no impairment on goodwill. After due challenge the ARC was satisfied with the assumptions and the judgements applied by management.

For the adequacy of the impairment allowance on trade receivables, the ARC receives regular reports throughout the year on the performance of customers, the concentration of customers, amount of sales to them, the amounts due, and for the overdue amounts the reasons for the delays in collections and the steps taken to effect collection. The ARC has reviewed the follow up procedures applied (which includes analysis of the age of these receivables, credit worthiness of the customers and future collectability) and the judgements made in this area by management. After due challenge the ARC was satisfied with the assumptions made and the judgements applied. The ARC concurred with management's judgements on the amounts to be recognised as impairment allowance.

The ARC considered the analytical and assurance work by management that supports the significant judgements and estimates in the financial statements. The ARC recommended that the Directors confirm that the projections relating to the moulds, goodwill and trade receivables have a reasonable expectation of achievement.

Principle 11: Risk management and internal controls

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

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

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

CORPORATE GOVERNANCE REPORT

For the financial year under review, the CEO and the CFO have provided assurance to the Board that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risk and 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.

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

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

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters.

Principle 15: Communication with shareholders

Disclosure of information on a timely basis

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

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

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

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of shareholders meetings

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

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

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

DEALING IN SECURITIES

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

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

INTERESTED PERSON TRANSACTIONS

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

MATERIAL CONTRACTS

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

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sunningdale Tech Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Koh Boon Hwee	(Non-Executive Chairman, Non-Executive Director)
Khoo Boo Hor	(Chief Executive Officer, Executive Director)
Wong Chi Hung	(Non-Executive Director)
Steven Uhlmann	(Non-Executive Director)
Steven Tan Chee Chuan	(Independent Director)
Gabriel Teo Chen Thye	(Independent Director)
Kaka Singh	(Independent Director)
Ong Sim Ho	(Independent Director)

In accordance with Regulation 91 of the Company's Constitution, Steven Uhlmann, Ong Sim Ho and Wong Chi Hung retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

Name of Director	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Sunningdale Tech Ltd (Ordinary shares)				
Koh Boon Hwee	15,070,858	15,949,058	22,008	22,008
Khoo Boo Hor	2,797,882	3,357,882	–	–
Wong Chi Hung	110,000	110,000	1,330,936	1,330,936
Steven Uhlmann	13,698,378	12,998,378	–	–
Steven Tan Chee Chuan	2,000,000	2,000,000	–	–
Gabriel Teo Chen Thye	427,932	427,932	–	–
Kaka Singh	79,254	79,254	–	–
Ong Sim Ho	–	150,000	–	–

There was no other change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

Share plans

Restricted Share Plan and Performance Share Plan

The Sunningdale Tech Ltd Restricted Share Plan (the "RSP") and Sunningdale Tech Ltd Performance Share Plan (the "PSP") were approved by the members of the Company at an Extraordinary General Meeting held on 29 October 2004 for the Circular dated 13 October 2004 and on 29 April 2014 for the Circular dated 11 April 2014. Details of the RSP and PSP were set out in the Circulars.

The Remuneration Committee ("RC") administering the RSP and PSP comprise three directors, Steven Tan Chee Chuan (Chairman), Steven Uhlmann and Ong Sim Ho. The RC administers the RSP and PSP in accordance with its objectives and rules thereof and to determine participation eligibility, grant of share awards and any other matters as may be required.

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

DIRECTORS' STATEMENT

Share plans (cont'd)

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

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

No. of participants	Date of grant	Market price of share awards at date of grant (\$)	Share awards granted during financial year	Aggregate share awards granted since commencement of the RSP to end of financial year	Aggregate share awards forfeited since date of grant to end of financial year	Aggregate share awards released since date of grant to end of financial year	Aggregate share awards outstanding as at end of financial year
Under Circular dated 13 October 2004							
57	12 December 2011	0.465	–	1,504,000	(205,000)	(1,299,000)	–
53	20 November 2013	0.680	–	1,422,800	(75,200)	(1,347,600)	–
Under Circular dated 11 April 2014							
32	19 December 2014	0.845	–	1,334,000	(168,000)	–	1,166,000
32	13 October 2015	0.850	–	1,441,500	–	–	1,441,500
34	9 December 2016	1.10	1,350,000	–	–	–	1,350,000

Shares granted under RSP

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

Name of Director	As at beginning of financial year	Share awards granted during the financial year	Share awards released during the financial year	As at end of financial year
Under Circular dated 13 October 2004				
Khoo Boo Hor	260,000	–	(260,000)	–
Under Circular dated 11 April 2014				
Khoo Boo Hor	560,000	300,000	–	860,000

DIRECTORS' STATEMENT

Share plans (cont'd)

Shares granted under RSP (cont'd)

The share awards granted to participants who received five percent or more RSP during the financial year under review are as follows:

Name of Participant	As at beginning of financial year	Share awards granted during the financial year	Share awards released during the financial year	As at end of financial year
Under Circular dated 13 October 2004				
Chan Whye Mun	72,000	–	(72,000)	–
Under Circular dated 11 April 2014				
Chan Whye Mun	159,000	69,000	–	228,000

The share awards granted from 2011 to 2016 were subject to the following conditions:

- (i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;
- (ii) all the share awards shall be delivered only on the third anniversary of the date of grant;
- (iii) that in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular to Shareholders dated 13 October 2004 for RSP granted prior to 11 April 2014 and the Circular dated 11 April 2014 for RSP granted thereafter;
- (iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;
- (v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;
- (vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor;
- (vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any Sunningdale Tech Group of Companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

DIRECTORS' STATEMENT

Share plans (cont'd)

Shares granted under RSP (cont'd)

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

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

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

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

The market price of each share as at 31 December 2016 under the above share award is \$1.10 (2015: \$0.935).

Audit & Risk Committee

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

- Reviewed the audit plans and scope of audit examination of the external and internal auditors;
- Reviewed with the external auditors their report on the financial statements and the assistance given by the Company's management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

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

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

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

DIRECTORS' STATEMENT

Auditor

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

On behalf of the board of directors,

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

Khoo Boo Hor
Chief Executive Officer & Executive Director

Singapore
16 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Report on the audit of the financial statements

We have audited the financial statements of Sunningdale Tech Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, 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.

Opinion

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 2016 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Revenue recognition

As disclosed in Note 3.1 and Note 2.23(b), the Group recognises revenue from mould fabrication work by reference to the stage of completion at the reporting date, when the outcome of the contract can be estimated reliably. For the current financial year, the Group had recognised revenue amounting to \$117,579,000 for mould fabrication work. Determining the stage of completion and budgeted total contract costs require management to exercise judgement. Further, the subjectivity involved in assessing the stage of completion means that the percentage of completion calculations may have a significant impact on the results of the Group. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Revenue recognition (cont'd)

To address this, as part of our audit procedures, we selected a sample of the ongoing projects, we examined the project documentation and discussed the status of these projects with the management, finance and project managers. We tested the actual project costs incurred by tracing them to external documents such as supplier's invoices and delivery orders. We also reviewed management's estimation of the projects' budgeted costs by comparing the actual costs incurred to date and the remaining costs to be incurred to costs incurred on similar projects completed in the recent past.

For a sample of ongoing projects, we discussed with management and assessed whether any foreseeable losses might be required to be recognised and evaluated management's assumptions relating to the future profitability of those contracts by reference to supporting evidence such as management's plans, the Group's history of turning around loss making contracts, discussions with project managers and the Group's correspondence with customers where appropriate.

We evaluated the disclosures and presentation for mould fabrication contracts as disclosed in Note 2.23(b) and Note 19 to the financial statements.

Impairment assessment of goodwill

The audit of management's annual impairment test was significant to our audit because the impairment assessment process involved significant management judgement, and was based on assumptions that are affected by expected future market and economic conditions.

As disclosed in Note 14, the Group's goodwill is allocated to 3 cash generating units (CGU). Management determines the recoverable amount of each CGU based on its fair value less costs of disposal which is determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation (EBITDA).

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

We also assessed the adequacy of the note disclosures concerning the key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on goodwill, key assumptions and sensitivities are included in Note 14.

Recoverability of trade receivables

Trade receivable balances were significant to the Group as they represent 28% of the total assets on the consolidated balance sheet as at the reporting date. Trade receivables impairment assessment required significant management judgement hence we determined that this is a key audit matter.

We obtained an understanding of the Group's processes and internal controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We also performed other audit procedures that included, sending and obtaining trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of receipts subsequent to the year end. We also had discussions with management on the recoverability of long outstanding debts and analysed the Group's past trend of collections for long outstanding and material trade debtors. We also selected samples to test that the related revenue and trade receivables are recorded in the correct period through a review of the related contracts and invoices. 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 Notes 32(c) and 32(d). As discussed in Note 20, based on management's assessment, \$1,256,000 of impairment charges on trade receivables were recognised for the financial year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
16 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
	Note	2016 \$'000	2015 \$'000
Revenue	4	684,457	674,464
Cost of sales		(590,122)	(583,622)
Gross profit		94,335	90,842
Other items of income			
Interest income	5	498	655
Other income	6	19,190	17,296
Other items of expense			
Marketing and distribution expenses		(14,295)	(15,203)
Administrative expenses		(40,240)	(42,817)
Other operating expenses	7	(9,675)	(4,824)
Finance costs	8	(3,525)	(4,016)
Share of results of joint venture		942	897
Profit before tax	9	47,230	42,830
Income tax expense	10	(8,159)	(726)
Profit for the year		39,071	42,104
Attributable to:			
Owners of the Company			
Profit for the year		39,071	42,104
		39,071	42,104
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	20.91	22.68
Diluted	11	20.49	22.20

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$'000	\$'000
Profit for the year	39,071	42,104
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(9,802)	(10,379)
Share of other comprehensive income of a joint venture	(133)	213
Other comprehensive income for the year, net of tax	(9,935)	(10,166)
Total comprehensive income for the year	<u>29,136</u>	<u>31,938</u>
Attributable to:		
Owners of the Company		
Total comprehensive income for the year	<u>29,136</u>	<u>31,938</u>

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	191,608	186,860	9,841	7,122
Intangible assets	14	17,444	18,877	–	–
Other investments	15	8	8	–	–
Investment in subsidiaries	16	–	–	335,950	335,296
Investment in a joint venture	17	5,269	5,535	–	–
Investment in an associate	18	–	–	–	–
Prepayments		301	383	301	383
Deferred tax assets	25	1,598	1,531	–	–
		216,228	213,194	346,092	342,801
Current assets					
Inventories	19	114,937	106,215	3,661	4,175
Prepayments		4,947	4,356	455	208
Trade and other receivables	20	197,145	168,050	84,192	88,042
Cash and short-term deposits	21	115,255	121,113	7,824	7,639
		432,284	399,734	96,132	100,064
Total assets		648,512	612,928	442,224	442,865

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	22	109,069	87,631	70,443	66,057
Excess of progress billings over work-in-progress	19	14,410	10,344	4,013	3,673
Other liabilities	23	60,392	52,518	6,122	4,782
Loans and borrowings	24	64,564	74,043	35,262	38,039
Tax payable		3,933	2,250	–	–
		252,368	226,786	115,840	112,551
Net current assets/(liabilities)		179,916	172,948	(19,708)	(12,487)
Non-current liabilities					
Other liabilities	23	1,571	2,072	–	–
Loans and borrowings	24	35,194	45,957	29,827	39,467
Deferred tax liabilities	25	8,062	7,507	–	–
		44,827	55,536	29,827	39,467
Total liabilities		297,195	282,322	145,667	152,018
NET ASSETS		351,317	330,606	296,557	290,847
Equity attributable to owners of the Company					
Share capital	26	300,146	299,350	300,146	299,350
Reserves		51,171	31,256	(3,589)	(8,503)
Total equity		351,317	330,606	296,557	290,847
Total equity and liabilities		648,512	612,928	442,224	442,865

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 2016

2016 Group	Attributable to owners of the Company				
	Share capital (Note 26)	Retained earnings	Foreign currency translation reserve (Note 27)	Other reserves (Note 27)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2016	299,350	33,423	(14,138)	11,971	330,606
Profit for the year	–	39,071	–	–	39,071
<u>Other comprehensive income</u>					
Foreign currency translation	–	–	(9,217)	(585)	(9,802)
Share of other comprehensive income of a joint venture	–	–	(133)	–	(133)
Other comprehensive income for the year, net of tax	–	–	(9,350)	(585)	(9,935)
Total comprehensive income for the year	–	39,071	(9,350)	(585)	29,136
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled share awards to employees	–	–	–	910	910
Issue of shares under share awards (Note 26)	796	–	–	(796)	–
Dividends paid (Note 12)	–	(9,335)	–	–	(9,335)
Total contributions by and distributions to owners	796	(9,335)	–	114	(8,425)
Total transactions with owners in their capacity as owners	796	(9,335)	–	114	(8,425)
<u>Others</u>					
Transfer to statutory reserve	–	(1,232)	–	1,232	–
Total others	–	(1,232)	–	1,232	–
Closing balance at 31 December 2016	300,146	61,927	(23,488)	12,732	351,317

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 2016

2015 Group	Attributable to owners of the Company				
	Share capital (Note 26)	Retained earnings	Foreign currency translation reserve (Note 27)	Other reserves (Note 27)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2015	298,716	163	(3,887)	10,282	305,274
Profit for the year	–	42,104	–	–	42,104
<u>Other comprehensive income</u>					
Foreign currency translation	–	–	(10,464)	85	(10,379)
Share of other comprehensive income of a joint venture	–	–	213	–	213
Other comprehensive income for the year, net of tax	–	–	(10,251)	85	(10,166)
Total comprehensive income for the year	–	42,104	(10,251)	85	31,938
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled share awards to employees	–	–	–	812	812
Issue of shares under share awards (Note 26)	634	–	–	(634)	–
Dividends paid (Note 12)	–	(7,418)	–	–	(7,418)
Total contributions by and distributions to owners	634	(7,418)	–	178	(6,606)
Total transactions with owners in their capacity as owners	634	(7,418)	–	178	(6,606)
<u>Others</u>					
Transfer to statutory reserve	–	(1,426)	–	1,426	–
Total others	–	(1,426)	–	1,426	–
Closing balance at 31 December 2015	299,350	33,423	(14,138)	11,971	330,606

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 2016

2016 Company	Share capital (Note 26) \$'000	Retained earnings \$'000	Other reserves (Note 27) \$'000	Total equity \$'000
Opening balance at 1 January 2016	299,350	(9,451)	948	290,847
Profit for the year	–	14,135	–	14,135
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	14,135	–	14,135
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share awards to employees	–	–	910	910
Issue of shares under share awards (Note 26)	796	–	(796)	–
Dividends paid (Note 12)	–	(9,335)	–	(9,335)
Total contributions by and distributions to owners	796	(9,335)	114	(8,425)
Total transactions with owners in their capacity as owners	796	(9,335)	114	(8,425)
Closing balance at 31 December 2016	300,146	(4,651)	1,062	296,557
2015 Company				
Opening balance at 1 January 2015	298,716	(14,240)	770	285,246
Profit for the year	–	12,207	–	12,207
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	12,207	–	12,207
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share awards to employees	–	–	812	812
Issue of shares under share awards (Note 26)	634	–	(634)	–
Dividends paid (Note 12)	–	(7,418)	–	(7,418)
Total contributions by and distributions to owners	634	(7,418)	178	(6,606)
Total transactions with owners in their capacity as owners	634	(7,418)	178	(6,606)
Closing balance at 31 December 2015	299,350	(9,451)	948	290,847

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$'000	\$'000
Cash flows from operating activities:		
Profit before tax	47,230	42,830
Adjustments for:		
Depreciation of property, plant and equipment (Note 13)	29,563	32,146
Allowance for impairment on property, plant and equipment, net (Note 13)	–	1,030
Property, plant and equipment written off (Note 7)	106	395
Loss on disposal of a subsidiary (Note 16)	–	25
Net (gain)/loss on disposal of property, plant and equipment (Note 6,7)	(4,984)	104
Amortisation of intangible assets (Note 14)	1,553	1,667
Utilisation of provision for onerous contract (Note 23)	(333)	(357)
Provision for retrenchment costs (Note 23)	6,526	–
Allowance for doubtful debts, net (Note 9)	1,256	388
Bad debts written off (Note 9)	588	3
Allowance for inventories obsolescence/foreseeable loss, net (Note 9)	746	2,345
Employee share award expenses (Note 30)	910	812
Share of results of a joint venture	(942)	(897)
Interest expense (Note 8)	3,525	4,016
Interest income (Note 5)	(498)	(655)
Currency realignment	(5,877)	(7,430)
Operating cash flows before changes in working capital	79,369	76,422
Increase in trade and other receivables	(30,849)	(9,669)
(Increase)/decrease in prepayments	(509)	784
(Increase)/decrease in inventories	(9,468)	1,759
Increase in trade and other payables	18,158	4,508
Increase/(decrease) in other liabilities	10,100	(526)
Cash flows from operations	66,801	73,278
Interest paid	(3,525)	(4,016)
Interest received	498	655
Income tax paid	(6,184)	(2,516)
Retrenchment costs paid	(4,766)	–
Net cash flows from operating activities	52,824	67,401

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$'000	\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(36,031)	(24,064)
Net proceeds from disposal of property, plant and equipment	7,272	115
Net proceeds from disposal of a subsidiary	–	2
Dividend income from a joint venture	1,075	761
Acquisition of subsidiaries, net of cash acquired (Note 16)	–	(1,172)
Net cash flows used in investing activities	(27,684)	(24,358)
Cash flows from financing activities:		
Proceeds from loans and borrowings	9,639	19,564
Repayment of loans and borrowings	(30,817)	(37,891)
Decrease in bank balance pledged	4,381	618
Dividends paid on ordinary shares (Note 12)	(9,335)	(7,418)
Net cash flows used in financing activities	(26,132)	(25,127)
Net (decrease)/increase in cash and cash equivalents	(992)	17,916
Cash and cash equivalents at beginning of year	114,811	96,193
Effects of exchange rate changes on cash and cash equivalents	(795)	702
Cash and cash equivalents at end of year (Note 21)	113,024	114,811

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 2016

1. Corporate Information

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

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

The principal activities of the Company consist of manufacturing and sale of dies, tools, jigs, fixtures, high precision steel moulds and plastic products. The principal activities of the subsidiaries are outlined in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Stock Exchange shall apply a new financial reporting framework identical to the International Finance Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

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 period beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 112: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2017
- Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 & FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, 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 FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, 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 will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in the business of manufacturing and sale of moulds and plastic products. The Group expects the following impact upon adoption of FRS 115:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.3 *Standards issued but not yet effective (cont'd)*

FRS 115 *Revenue from Contracts with Customers* (cont'd)

(a) Allocating transaction price to performance obligations

The Group enters into bundle contracts with the customers. Under FRS 115, the Group has to allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. The Group does not expect the application of the new methodology to have a material impact on the Group's financial performance upon adoption of FRS 115.

(b) Variable consideration

The Group has some contracts with customers which provide volume rebates. FRS 115 requires such variable consideration to be estimated at contract inception and the estimated variable consideration has to be constrained to prevent over-recognition of revenue. The Group does not expect the application of the new methodology to have a material impact on the Group's financial performance upon adoption of FRS 115.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.
- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
 - identifying the satisfied and unsatisfied performance obligations;
 - determining the transaction price; and
 - allocating the transaction price to the satisfied and unsatisfied performance obligations.
- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.3 *Standards issued but not yet effective (cont'd)*

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 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 exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

(a) *Basis of consolidation (cont'd)*

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) *Business combinations and goodwill*

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.5 *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.

2.6 *Foreign currency*

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

(a) *Transactions and balances*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.6 *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 weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Property, plant and equipment*

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

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

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

Leasehold land and buildings	-	20 to 60 years
Leasehold improvements	-	1 to 30 years
Motor vehicles	-	3 to 10 years
Machinery and equipment	-	1 to 10 years
Office equipment and furniture	-	2 to 10 years

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

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

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

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

2.8 *Intangible assets*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.8 *Intangible assets (cont'd)*

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

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

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

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

2.9 *Impairment of non-financial assets*

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

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

Impairment losses 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.10 *Subsidiaries*

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

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

2.11 *Joint venture and associate*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 *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) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

(iii) *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.

(iv) *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.

De-recognition

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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

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

De-recognition

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 *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.

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets 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 assets 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 the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

(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.

(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. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

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 financial 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.

2.14 *Cash and cash equivalents*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.15 *Inventories*

(a) *Plastic products*

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

- Raw materials – purchase costs on a first-in first-out basis;
- Finished goods – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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.

(b) *Mould fabrication contracts*

Work in progress from mould fabrication contracts are stated at cost plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

Excess of progress billings over work in progress from mould fabrication contracts are stated at cost plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which for progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.16 *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.

A provision for sales returns is recognised for all products sold as at end of the reporting period based on past experience of the level of returns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.16 *Provisions (cont'd)*

Restructuring provision

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The Group has to raise a valid expectation in those affected that the restructuring is being carried out or announcing its main features to those affected by it.

2.17 *Government grants*

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

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

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants relating to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 *Financial guarantee*

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

Financial guarantees are recognised as a liability initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are 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.

2.19 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.20 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (CPF) 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.

(b) *Employee leave entitlement*

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

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

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share plans and awards ('equity-settled transactions').

The cost of equity-settled share-based payment transactions with employees is measured by reference to the fair value at the date on which the share awards are granted which takes into account market conditions and non-vesting conditions. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the Restricted Share Plan reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as an acceleration of vesting on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it was a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.20 *Employee benefits (cont'd)*

(d) *Termination benefits*

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

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

2.21 *Leases*

(a) *As lessee*

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. The accounting policy for rental income is set out in Note 2.23(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.23 *Revenue recognition*

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.

(a) *Sale of goods*

Revenue from the 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) *Revenue from mould fabrication work*

Revenue from mould fabrication work is recognised on the percentage of completion method, measured by reference to the stages of mould manufacturing processes surveyed by project engineers. Losses are provided for as they become known. Where the outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(e) *Rental income*

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

2.24 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.24 Taxes (cont'd)

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, 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, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.24 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) *Goods and services tax*

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

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services 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 goods and services tax included.

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

2.25 *Derivative financial instruments*

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss for the year.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.27 Contingencies (cont'd)

- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

Mould fabrication work

The Group recognises revenue from mould fabrication work by reference to the stage of completion at the reporting date, when the outcome of the contract can be estimated reliably. All losses are recorded when they become known. The Group had recognised revenue amounting to \$117,579,000 (2015: \$136,731,000) for mould fabrication work. Management estimates that based on past experience and knowledge of the project engineers with similar work, the percentage of completion used in recognising revenue is appropriate. As at 31 December 2016, management has also determined that any provision made for foreseeable losses is adequate.

3.2 Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) *Impairment of goodwill and investment in subsidiaries*

Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Recoverable amount of the cash-generating units is the higher of its fair value less costs of disposal or its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There was no impairment charge for the financial year ended 31 December 2016 (2015: nil) recognised in the income statement. More details are given in Note 14. The carrying amount of the goodwill at 31 December 2016 was \$12,704,000 (2015: \$12,704,000).

The Company assesses whether there is any indication of impairment of its investment in subsidiaries at each reporting date. Investment in subsidiaries is tested for impairment when there are indicators that the carrying amount may not be recoverable. Management estimates the recoverable amount based on the value in use. This requires the management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of the cash flows. There was an impairment charge of \$44,000 in the previous financial year. The carrying amount of the Company's investment in subsidiaries at 31 December 2016 was \$335,950,000 (2015: \$335,296,000).

(b) *Impairment of property, plant and equipment*

The carrying values of property, plant and equipment are tested for impairment when there are indicators of impairment. Management estimates the recoverable amount based on the value in use. This requires the management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of the cash flows. Except as disclosed in Note 13, there are no other indications of impairment as at 31 December 2016.

(c) *Depreciation of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated useful lives. Management estimates the useful lives of these property, plant and equipment as discussed in Note 2.7. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 31 December 2016 was \$191,608,000 (2015: \$186,860,000).

(d) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 20 to the financial statements.

(e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Management recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax, deferred tax assets and deferred tax liabilities in the period in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax assets and deferred tax liabilities at 31 December 2016 were \$3,933,000 (2015: \$2,250,000), \$1,598,000 (2015: \$1,531,000) and \$8,062,000 (2015: \$7,507,000) respectively.

4. Revenue

Revenue represents net invoiced value of goods supplied and percentage of work completed for sale of moulds, and it is shown net of related sales taxes, estimated returns, discounts and volume rebates.

5. Interest income

	Group	
	2016	2015
	\$'000	\$'000
Interest income from:		
– Loans and receivables	427	549
– Loans to a joint venture	71	106
	498	655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Other income

	Group	
	2016	2015
	\$'000	\$'000
Income from disposal of scrap materials	1,208	1,393
Government grant	342	162
Net gain on disposal of property, plant and equipment	4,984	–
Net foreign exchange gain	8,952	12,849
Reimbursement from customers and suppliers	1,423	1,196
Rental income	944	271
Commission income	172	165
Miscellaneous income	1,165	1,260
	<u>19,190</u>	<u>17,296</u>

7. Other operating expenses

	Group	
	2016	2015
	\$'000	\$'000
Property, plant and equipment written off	(106)	(395)
Amortisation of intangible assets (Note 14)	(1,553)	(1,667)
Net impairment loss on property, plant and equipment (Note 13)	–	(1,030)
Net loss on disposal of property, plant and equipment	–	(104)
Retrenchment costs	(6,526)	–
Loss on disposal of a subsidiary (Note 16)	–	(25)
Miscellaneous expenses	(1,490)	(1,603)
	<u>(9,675)</u>	<u>(4,824)</u>

8. Finance costs

	Group	
	2016	2015
	\$'000	\$'000
Interest expense:		
– Bank overdraft	(28)	–
– Bank loans	(3,493)	(4,014)
– Bills payable	(4)	(2)
	<u>(3,525)</u>	<u>(4,016)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Profit before tax

	Group	
	2016	2015
	\$'000	\$'000
Profit before tax is stated after (charging)/crediting:		
Cost of inventories sold	(590,122)	(583,622)
Depreciation of property, plant and equipment (Note 13)	(29,563)	(32,146)
Allowance for doubtful debts, net	(1,256)	(388)
Bad debt written off	(588)	(3)
Audit fees:		
– Auditors of the Company	(280)	(233)
– Other auditors	(843)	(805)
Non-audit fees:		
– Auditors of the Company	(6)	(37)
– Other auditors	(106)	(835)
Employee benefits expense (Note 30)	(153,677)	(151,628)
Allowance for inventories obsolescence/foreseeable losses, net	(746)	(2,345)

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	\$'000	\$'000
Current taxation		
Current year	(8,311)	(6,964)
Overprovision in respect of previous years	1,065	7,089
	(7,246)	125
Withholding tax	(702)	(188)
Deferred taxation (Note 25)		
Origination and reversal of temporary differences	(2,147)	(2,298)
Overprovision in respect of previous years	1,936	1,635
	(211)	(663)
Income tax expense recognised in profit or loss	(8,159)	(726)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between the tax expenses and accounting profit before income tax multiplied by the applicable corporate tax rates for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Accounting profit before tax	47,230	42,830
Tax at the domestic rates applicable to profit in the countries where the Group operates	11,253	10,765
Adjustments:		
Non-deductible expenses	2,345	3,744
Income not subject to taxation	(1,802)	(1,878)
Benefits from previously unrecognised deferred tax assets	(1,888)	(3,240)
Deferred tax assets not recognised	1,837	1,124
Income taxed at concessionary rate	(1,285)	(1,213)
Overprovision in respect of previous years	(3,001)	(8,724)
Withholding tax	702	188
Others	(2)	(40)
Income tax expense recognised in profit or loss	8,159	726

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

In 2015, the overprovision in respect of previous years arose from provisions no longer required due to the resolution and finalisation of prior year open tax issues with the relevant tax authority.

The nature of income not subject to taxation for the previous financial year mainly include gain on disposal of non-current assets held for sale and provisional negative goodwill.

The Company and its subsidiaries in Singapore are taxed at the corporate tax rate of 17% (2015: 17%).

The overseas subsidiary companies are taxed at the domestic corporate tax rate of each respective country except for two subsidiaries in the People's Republic of China ("PRC"), which are entitled to tax exemption of 10% in accordance with the "Income Tax Law of the PRC for high-tech enterprises", and are taxed at a concessionary rate of 15%. The tax exemption for one of the subsidiaries has been granted up to 30 November 2019.

11. Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Earnings per share (cont'd)

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2016 and 2015:

	Group	
	2016	2015
	\$'000	\$'000
Profit attributable to owners of the Company for basic and diluted earnings per share	39,071	42,104
	Number of shares	
	'000	'000
Weighted average number of ordinary shares on issue applicable to basic earnings per share	186,864	185,611
Effect of dilutive potential share		
– Restricted share plan	3,810	4,042
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	190,674	189,653

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

12. Dividends

	Group and Company	
	2016	2015
	\$'000	\$'000
(a) Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
2014 final exempt (one-tier) dividend of \$0.008 per share*	–	7,418
2015 final exempt (one-tier) dividend of \$0.05 per share#	9,335	–
(b) Proposed but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
2015 final exempt (one-tier) dividend of \$0.05 per share#	–	9,335
2016 final exempt (one-tier) dividend of \$0.06 per share#	11,283	–

* Before share consolidation

After share consolidation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Property, plant and equipment

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Motor vehicles \$'000	Machinery and equipment \$'000	Office equipment and furniture \$'000	Construction- in-progress \$'000	Total \$'000
2016									
Cost									
At 1 January 2016	3,553	19,796	85,608	57,932	4,043	452,112	40,569	779	664,392
Additions	–	190	29	1,487	205	12,057	3,857	21,360	39,185
Reclassification	(1,085)	–	2,035	(624)	–	1,577	69	(1,972)	–
Disposals	–	–	(5,222)	(660)	(245)	(5,975)	(475)	–	(12,577)
Written off	–	–	–	(659)	–	(8,046)	(6,778)	–	(15,483)
Currency realignment	(56)	413	(1,886)	(1,000)	(71)	(7,430)	(804)	(62)	(10,896)
At 31 December 2016	2,412	20,399	80,564	56,476	3,932	444,295	36,438	20,105	664,621
Accumulated depreciation and impairment loss									
At 1 January 2016	369	262	32,721	45,236	3,039	363,855	32,020	30	477,532
Charge for the year	–	55	3,819	3,698	274	18,796	2,921	–	29,563
Reclassification	(364)	–	1,021	(657)	–	–	–	–	–
Disposals	–	–	(3,966)	(459)	(201)	(5,237)	(426)	–	(10,289)
Written off	–	–	–	(625)	–	(8,004)	(6,748)	–	(15,377)
Currency realignment	(5)	(9)	(798)	(848)	(73)	(6,081)	(602)	–	(8,416)
At 31 December 2016	–	308	32,797	46,345	3,039	363,329	27,165	30	473,013
Net carrying amount									
At 31 December 2016	2,412	20,091	47,767	10,131	893	80,966	9,273	20,075	191,608

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Motor vehicles \$'000	Machinery and equipment \$'000	Office equipment and furniture \$'000	Construction- in-progress \$'000	Total \$'000
2015									
Cost									
At 1 January 2015	2,490	16,964	87,475	55,923	4,160	445,055	37,159	386	649,612
Acquisition of a subsidiary (Note 16)	1,447	-	-	-	9	5,141	987	21	7,605
Additions	-	1,887	280	3,904	331	13,544	3,791	3,012	26,749
Reclassification	-	-	703	836	-	933	137	(2,609)	-
Disposals	-	-	-	-	(277)	(1,886)	(382)	-	(2,545)
Written off	-	-	-	(299)	-	(2,986)	(877)	-	(4,162)
Currency realignment	(384)	945	(2,850)	(2,432)	(180)	(7,689)	(246)	(31)	(12,867)
At 31 December 2015	3,553	19,796	85,608	57,932	4,043	452,112	40,569	779	664,392
Accumulated depreciation and impairment loss									
At 1 January 2015	-	222	29,705	42,898	3,180	349,805	30,154	30	455,994
Acquisition of a subsidiary (Note 16)	368	-	-	-	3	1,723	842	-	2,936
Charge for the year	14	42	3,986	4,185	264	21,269	2,386	-	32,146
Reclassification	-	-	-	(6)	-	6	-	-	-
Disposals	-	-	-	-	(267)	(1,700)	(359)	-	(2,326)
Allowance for/(reversal of) impairment, net	-	-	-	6	-	1,029	(5)	-	1,030
Written off	-	-	-	(299)	-	(2,650)	(818)	-	(3,767)
Currency realignment	(13)	(2)	(970)	(1,548)	(141)	(5,627)	(180)	-	(8,481)
At 31 December 2015	369	262	32,721	45,236	3,039	363,855	32,020	30	477,532
Net carrying amount									
At 31 December 2015	3,184	19,534	52,887	12,696	1,004	88,257	8,549	749	186,860

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Company	Buildings \$'000	Leasehold improvements \$'000	Machinery and equipment \$'000	Office equipment and furniture \$'000	Motor Vehicle \$'000	Construction- in-progress \$'000	Total \$'000
2016							
Cost							
At 1 January 2016	4,732	5,953	12,903	4,397	15	28	28,028
Additions	–	390	1,387	2,487	30	9	4,303
Written off	–	(315)	(4,918)	(695)	–	–	(5,928)
At 31 December 2016	4,732	6,028	9,372	6,189	45	37	26,403
Accumulated depreciation and impairment loss							
At 1 January 2016	1,525	5,168	11,437	2,744	6	26	20,906
Charge for the year	79	271	335	891	8	–	1,584
Written off	–	(315)	(4,918)	(695)	–	–	(5,928)
At 31 December 2016	1,604	5,124	6,854	2,940	14	26	16,562
Net carrying amount							
At 31 December 2016	3,128	904	2,518	3,249	31	11	9,841
2015							
Cost							
At 1 January 2015	4,732	5,399	12,301	2,819	15	28	25,294
Additions	–	554	853	1,717	–	–	3,124
Disposals	–	–	(251)	(28)	–	–	(279)
Written off	–	–	–	(111)	–	–	(111)
At 31 December 2015	4,732	5,953	12,903	4,397	15	28	28,028
Accumulated depreciation and impairment loss							
At 1 January 2015	1,446	4,972	11,404	2,668	3	26	20,519
Charge for the year	79	196	283	215	3	–	776
Disposals	–	–	(250)	(28)	–	–	(278)
Written off	–	–	–	(111)	–	–	(111)
At 31 December 2015	1,525	5,168	11,437	2,744	6	26	20,906
Net carrying amount							
At 31 December 2015	3,207	785	1,466	1,653	9	2	7,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Reversal/Impairment of assets

During the financial year, management carried out a review on the recoverable amount of plant and equipment based on their working conditions. The recoverable amount was based on its value in use. In 2015, an impairment loss of \$1,030,000, representing the write-down of these plant and equipment to the recoverable amount was recognised in "Other operating expenses" (Note 7).

Assets pledged as security

As at 31 December 2016, property, plant and equipment of the Group amounting to \$7,434 (2015: \$6,000) were pledged to secure the bank loans.

14. Intangible assets

	Group			
	Goodwill	Customer relationships	Club membership	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Cost:				
At 1 January 2016	19,704	9,435	71	29,210
Currency realignment	-	245	-	245
At 31 December 2016	19,704	9,680	71	29,455
Accumulated amortisation and impairment:				
At 1 January 2016	7,000	3,262	71	10,333
Amortisation	-	1,553	-	1,553
Currency realignment	-	125	-	125
At 31 December 2016	7,000	4,940	71	12,011
Net carrying amount:				
At 31 December 2016	12,704	4,740	-	17,444

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Intangible assets (cont'd)

	Group			
	Goodwill	Customer relationships	Club membership	Total
	\$'000	\$'000	\$'000	\$'000
2015				
Cost:				
At 1 January 2015	19,678	8,971	71	28,720
Acquisition of a subsidiary (Note 16)	26	–	–	26
Currency realignment	–	464	–	464
At 31 December 2015	19,704	9,435	71	29,210
Accumulated amortisation and impairment:				
At 1 January 2015	7,000	1,554	71	8,625
Amortisation	–	1,667	–	1,667
Currency realignment	–	41	–	41
At 31 December 2015	7,000	3,262	71	10,333
Net carrying amount:				
At 31 December 2015	12,704	6,173	–	18,877

Customer relationships

Customer relationships were acquired in business combinations. The useful life of the customer relationships were determined to be 5 years. The assets were amortised on a straight-line basis over the remaining useful life of 3 years (2015: 4 years).

The amortisation for customer relationships is included in the line "Other operating expenses" in profit or loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Intangible assets (cont'd)

Impairment testing of goodwill

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

- Sunningdale Tech Ltd ("STL"), Omni Mold Ltd ("Omni"), Sunningdale Tech (Malaysia) ("STM") Group, SDP Manufacturing ("SDP") and Sunningdale Tech Ind CGUs ("CGU 1");
- AS Sunningdale Tech (Latvia) ("ST Latvia") and SIA Sunningdale Tech (Riga) ("ST Riga") CGUs ("CGU 6"); and
- SIA Skan-Tooling ("Skan") CGU ("CGU 8")

(*) On 31 August 2016, Sunningdale Singapore Holdings Pte Ltd, Sunningdale First Eng Holdings Pte Ltd and First Engineering Limited ("FEL"), had completed a short-form amalgamation pursuant to section 215D of the Singapore Companies Act, Chapter 50. Following the amalgamation, FEL continues as the surviving amalgamated entity.

CGU 1 and CGU 6

The recoverable amounts of CGU 1 and CGU 6 have been determined based on fair value less costs of disposal ("FVLCD"). To calculate this value, an appropriate multiple was applied to the maintainable operating earnings of the CGUs.

Carrying amounts of goodwill allocated to the CGUs are as follows:

	Group	
	2016	2015
	\$'000	\$'000
CGU 1	6,808	6,808
CGU 6	5,870	5,870
CGU 8	26	26
Total	12,704	12,704

Key assumptions used in calculations of fair value less costs of disposal of the CGUs 1 and 6

The FVLCD of the CGUs was determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation ("EBITDA"), where management believes is sustainable in view of the current and anticipated business conditions.

The FVLCD of CGU 1 and CGU 6 was based on current EBITDAs and market multiple of 3.5 (2015: 3.5) and 4.5 (2015: 4.5) respectively. The market multiple is calculated based on the median of comparable companies' indications, after adjustment for differences in risk and growth.

Management believes that any reasonably possible change of the key assumptions of which the CGUs recoverable amounts are based would not cause the CGUs carrying amounts to exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Other investments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Quoted shares, at market value	8	8	–	–
Total available-for-sale financial assets	8	8	–	–

16. Investment in subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted shares at cost	515,966	515,312
Impairment losses	(180,016)	(180,016)
Carrying amount of investments	335,950	335,296

In the previous financial year, an impairment charge of \$44,000 was recognised as the carrying value was lower than the recoverable amount. The impairment loss provided on subsidiaries represents the write-down of subsidiaries to recoverable amounts based on the economic performance of the subsidiary group.

Details of significant investment in subsidiaries are as follows:

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016 %	2015 %
<i>Held by the Company</i>			
Chi Wo Plastic Moulds Fty. Limited ⁽²⁾ (Hong Kong)	Manufacturing and sale of mould and plastic injection products, trading of car audio equipment and investment holding (Hong Kong)	100	100
Omni Mold Ltd ⁽¹⁾ (Singapore)	Design, manufacturing, marketing and export of high precision steel moulds (Singapore)	100	100
Sunningdale Tech (Malaysia) Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturer of plastic products in video front panels, office automation products and sub-assembly of paper feeders for printers and computer components (Malaysia)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016 %	2015 %
<i>Held by the Company (cont'd)</i>			
Sunningdale Precision Industries Ltd ⁽¹⁾ (Singapore)	Precision mould making, injection moulding of precision engineering plastic components, as well as contract manufacturing of assembled plastic products (Singapore)	100	100
Sunningdale Tech Investment Holding Pte Ltd (formerly known as Sunningdale Tech (Europe) Holding Pte Ltd) ⁽¹⁾ (Singapore)	Investment holding (Singapore)	100	100
Sunningdale Technologies S.A. de C.V. ⁽²⁾ (Mexico)	Manufacturing and sale of precision plastic injection moulding products (Mexico)	100*	100*
UFE Pte Ltd ⁽¹⁾ (Singapore)	Designing and manufacturing of moulds and plastic injection moulding plastics products (Singapore)	100	100
PT Sunningdale Tech Batam ⁽²⁾ (Indonesia)	Manufacturing of precision plastic injection moulding products (Indonesia)	100**	100**
First Engineering Limited ⁽¹⁾ (Singapore)	Design, fabrication, manufacture and sale of high precision moulds for plastic gears and investment holding (Singapore)	100	100
Sunningdale Tech (Thailand) Co., Ltd ⁽⁴⁾ (Thailand)	Manufacturing and sale of precision plastic injection moulding products (Thailand)	100***	100***
Sunningdale Tech (Penang) Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturing of precision plastic injection moulding products (Malaysia)	100 [#]	-
Sunningdale Tech Inc ⁽⁵⁾ (USA)	Support Office (USA)	100 [#]	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

The other significant subsidiaries of the Group not held directly by the Company are:

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016 %	2015 %
<i>Held through Chi Wo Plastic Moulds Fty. Limited</i>			
Zhongshan Zhihe Electrical Equipment Co., Ltd ^[2] (People’s Republic of China)	Manufacturing and sale of mould and plastic injection products (People’s Republic of China)	100	100
<i>Held through Sunningdale Precision Industries Ltd</i>			
SDP Manufacturing Sdn Bhd ^[2] (Malaysia)	Manufacturing of plastic and metal parts of machinery and equipment (Malaysia)	100	100
Sunningdale Precision Industries (Shanghai) Co., Ltd ^[2] (People’s Republic of China)	Manufacturing of precision plastic injection moulding products (People’s Republic of China)	100	100
Sunningdale Precision Mold Industries (Tianjin) Co., Ltd ^[2] (People’s Republic of China)	Manufacturing of precision moulds and provision of technical consulting services (People’s Republic of China)	100	100
Sunningdale Technologies S.A. de C. V. ^[2] (Mexico)	Manufacturing of precision plastic injection moulding products (Mexico)	100*	100*
Sunningdale Plastic Technology (Tianjin) Co., Ltd ^[3] (People’s Republic of China)	Manufacturing of precision plastic injection moulding products (People’s Republic of China)	100	100
Sunningdale Precision Technology (Shanghai) Co., Ltd ^[2] (People’s Republic of China)	Designing and manufacturing of precision moulds and precision engineering plastic components (People’s Republic of China)	100	100
Sunningdale Innovative Technology (Tianjin) Co., Ltd ^[2] (People’s Republic of China)	Manufacturing of precision plastic injection moulding products (People’s Republic of China)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016 %	2015 %
<i>Held through Sunningdale Precision Industries Ltd (cont'd)</i>			
PT Sunningdale Tech Batam ⁽²⁾ (Indonesia)	Manufacturing of precision plastic injection moulding products (Indonesia)	100**	100**
Sunningdale Precision Tech (Chuzhou) Co., Ltd ⁽²⁾ (People's Republic of China)	Manufacturing of precision plastic injection moulding products (People's Republic of China)	100	100
<i>Held through Sunningdale Plastics Sdn Bhd</i>			
Sunningdale Tech Plásticos (Brasil) Ltda ⁽⁵⁾ (Brazil)	Manufacturing of precision plastic injection moulding products (Brazil)	100****	100****
<i>Held through Omni Mold Ltd</i>			
SIA Skan-Tooling ⁽²⁾ (Latvia)	Designing manufacturing, marketing and export of high precision steel moulds (Latvia)	100	100
<i>Held through Omni Mold Investment Holding Pte Ltd</i>			
Omni Tech (Suzhou) Co., Ltd ⁽²⁾ (People's Republic of China)	Product design and development, tooling and moulding (People's Republic of China)	100	100
<i>Held through Sunningdale Tech Investment Holding Pte Ltd (formerly known as Sunningdale Tech (Europe) Holding Pte Ltd)</i>			
AS Sunningdale Tech (Latvia) ⁽²⁾ (Latvia)	Manufacture, production and sale of plastic products (Latvia)	100	100
SIA Sunningdale Tech (Riga) ⁽²⁾ (Latvia)	Manufacture, production and sale of plastic products (Latvia)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016 %	2015 %
<i>Held through First Engineering Limited</i>			
First Engineering (Guangzhou) Co., Ltd. ⁽²⁾ (People’s Republic of China)	Manufacturing and sale of precision moulds and precision engineering components (People’s Republic of China)	100	100
First Engineering (Shanghai) Co., Ltd ⁽²⁾ (People’s Republic of China)	Manufacturing and sale of precision moulds and precision engineering components (People’s Republic of China)	100	100
First Engineering (Suzhou) Co., Ltd ⁽²⁾ (People’s Republic of China)	Manufacturing and sale of precision moulds and precision engineering components (People’s Republic of China)	100	100
First Engineering Plastics (Malaysia) Sdn Bhd ⁽²⁾ (Malaysia)	Manufacturing and sale of precision moulds and precision engineering components (Malaysia)	100	100
First Engineering Plastics India Private Limited ⁽²⁾ (India)	Manufacturing and sale of precision moulds and precision engineering components (India)	100	100
First Engineering Decorative (Suzhou) Co., Ltd ⁽²⁾ (People’s Republic of China)	Manufacturing and sale of painted and laser etched plastic parts (People’s Republic of China)	100	100

(1) Audited by Ernst & Young LLP, Singapore

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

(3) Audited by Tianjin Guangxin Certified Public Accountants Co., Ltd

(4) Audited by Veritas Partnership (Thailand) Co., Ltd

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

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

** 70.0% of equity held by the Company and 30.0% of equity held by Sunningdale Precision Industries Ltd

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

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

Newly incorporated during the year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary

SIA Skan-Tooling

On 17 September 2015 (the "acquisition date"), the Group acquired 100% equity interest in SIA Skan-Tooling ("Skan"). Skan is principally involved in the business of designing, manufacturing, marketing and export of high precision steel moulds.

The Group was of the view that the existing business of Skan would be synergistic to the Group's mould fabrication business to serve the existing customers in Europe as well as expanding the Group's customer base and capabilities into Europe.

The allocation of purchase price to the identifiable assets and liabilities was completed in the current financial year and there were no changes to the fair values recognised on the acquisition in 2015.

	Fair value recognised on acquisition \$'000
Property, plant and equipment	4,669
Other investments	3
Deferred tax assets	58
Inventories	1,133
Trade and other receivables	314
Prepayments	39
Cash and short term deposits	26
	<u>6,242</u>
Trade and other payables	850
Other liabilities	1,079
Deferred income	907
Loans and borrowings	1,825
Amount due to a shareholder	409
	<u>5,070</u>
Total identifiable net assets at fair value	1,172
Goodwill	26
	<u><u>1,198</u></u>
<u>Consideration transferred for the acquisition</u>	
Cash paid	1,607
Loans transferred from previous owner of Skan	(409)
	<u>1,198</u>
Total consideration transferred	<u><u>1,198</u></u>
<u>Effect of the acquisition on cash flows</u>	
Consideration settled in cash	1,198
Less: Cash and cash equivalents of subsidiary acquired	(26)
Net cash outflow on acquisition	<u><u>1,172</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

SIA Skan-Tooling (cont'd)

Transaction costs

Transaction costs related to the acquisition of \$145,000 had been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

Impact of the acquisition on profit or loss

From the acquisition date, Skan had contributed revenues of \$326,000 and \$3,000 to the Group's profit in 2015. If the business combination had taken place at the beginning of 2015, the Group's revenue would have been \$676,066,000 and the Group's profit for the year, net of tax would have been \$41,775,000 in 2015.

Disposal of a subsidiary

In the previous financial year, the Group entered into a sale agreement to dispose 100% of its equity interest in its wholly-owned subsidiary, ATEC of Sweden AB ("AOS"), for a total consideration of \$49,000. The disposal consideration was fully settled in cash and the disposal was completed on 13 January 2015.

The value of assets and liabilities of AOS, recorded in the consolidated financial statements as at 13 January 2015, and the effects of the disposal were as follows:

	2015 \$'000
Other receivables	57
Cash at bank	47
	<u>104</u>
Other payables	(18)
Other liabilities	(10)
	<u>76</u>
Carrying value of net assets disposed	76
Cash consideration	49
Less: Cash and cash equivalents of the subsidiary	(47)
Net cash inflow on disposal of a subsidiary	<u>2</u>
<u>Loss on disposal</u>	
Cash received	49
Net assets derecognised	(76)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	2
Loss on disposal	<u>(25)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investment in a joint venture

	Group	
	2016	2015
	\$'000	\$'000
Unquoted shares at cost	4,876	4,876
Share of post-acquisition reserves	139	272
Currency realignment	254	387
Balance at the end of the financial period	5,269	5,535

In 2016, dividends of \$1,075,000 (2015: \$761,000) were received from the joint venture.

Information on the joint venture for the year ended 31 December 2016 and 2015 are as follows:

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
		2016	2015
		%	%
<i>Held through First Engineering Limited</i>			
First Engineering-Erwin Quarder Pte Ltd ⁽¹⁾ (Singapore)	Design, fabrication, manufacturing, assembly and sale of moulded plastic products and investment holding. (Singapore)	50	50
<i>Held through First Engineering-Erwin Quarder Pte Ltd</i>			
FEQ Automotive System (Shanghai) Co., Ltd ⁽²⁾ (People's Republic of China)	Design, fabrication, manufacturing, assembly and sale of moulded plastic products and investment holding. (People's Republic of China)	50	50

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Shanghai Roedl & Partner

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investment in a joint venture (cont'd)

The aggregate amounts of total assets and total liabilities, income and expenses, and other comprehensive income related to the Group's interests in the joint venture are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Assets and liabilities:		
Total assets	10,705	9,901
Total liabilities	5,648	4,154
Income and expenses:		
Income	10,752	9,104
Expenses	9,810	8,207
Other comprehensive income	(133)	213

18. Investment in an associate

Details of the Group's associate are:

Name of company (Country of incorporation and business)	Principal activities	Proportion of ownership interest	
		2016	2015
		%	%
Held through subsidiary			
Synergy MFG Pte Ltd (Singapore)*	Moulding	20	20

* The company is dormant as at 31 December 2016 and 2015 and the financial statements are not required to be audited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. Inventories

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance sheet:				
Plastic products:				
- Finished goods	49,014	43,328	2,630	2,797
- Raw materials	27,905	25,650	490	447
Mould fabrication:				
- Work-in-progress	38,018	37,237	541	931
	114,937	106,215	3,661	4,175

Income statement:

Inventories recognised as an expense in cost of sales inclusive of the following charge/ (credit):

- Inventories written down	4,386	5,127	514	125
- Reversal of write-down of inventories	(3,640)	(2,782)	(100)	(95)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amount.

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Analysis of mould fabrication contracts:				
Costs incurred to date	74,145	66,891	7,227	7,012
Recognised profits less recognised losses to date	6,747	6,948	206	734
	80,892	73,839	7,433	7,746
Less: Progress billings	(55,483)	(45,239)	(10,464)	(10,488)
Allowance for foreseeable losses	(1,801)	(1,707)	(441)	-
	23,608	26,893	(3,472)	(2,742)
Presented as:				
Work-in-progress	38,018	37,237	541	931
Excess of progress billings over work-in-progress	(14,410)	(10,344)	(4,013)	(3,673)
	23,608	26,893	(3,472)	(2,742)

The revenue from mould fabrication work recognised in profit or loss of the Group for the year was \$117,579,000 (2015: \$136,731,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Trade and other receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	183,462	154,668	14,338	12,306
Amounts due from subsidiaries				
- trade	-	-	1,114	12,182
- non-trade	-	-	23,715	18,716
- loans	-	-	34,410	35,461
- dividends	-	-	10,000	8,156
Amounts due from a joint venture				
- trade	588	284	-	-
- non-trade	87	352	-	-
- loans	1,671	1,741	-	-
Other receivables	8,142	7,622	527	1,128
Notes receivables	1,180	897	-	-
Staff advances	159	174	-	1
Deposits	1,856	2,312	88	92
Total trade and other receivables	197,145	168,050	84,192	88,042
Add: Cash and short-term deposits (Note 21)	115,255	121,113	7,824	7,639
Total loans and receivables	312,400	289,163	92,016	95,681

Trade receivables

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

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollar	93,532	69,137	10,312	9,117
Euro	14,924	12,877	143	21

Amounts due from subsidiaries

All amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

All amounts with subsidiaries are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Trade and other receivables (cont'd)

Amounts due from a joint venture

The trade and non-trade amounts due from a joint venture are unsecured, interest-free and repayable on demand. The loans to joint venture are unsecured, repayable on demand and bear an interest 4.35% (2015: 4.35% to 6.00%) per annum.

All amounts due from a joint venture are to be settled in cash.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to \$38,227,000 (2015: \$32,703,000) and \$2,578,000 (2015: \$3,590,000) respectively, that are past due at end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at end of the reporting period is as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables past due but not impaired:				
Less than 30 days	25,671	21,644	1,847	2,852
30 to 60 days	7,234	6,482	602	340
61 to 90 days	2,219	1,415	129	4
91 to 150 days	2,078	1,635	–	288
More than 150 days	1,025	1,527	–	106
	38,227	32,703	2,578	3,590

Receivables that are impaired

The Group's and Company's trade receivables that are impaired at end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired	Individually impaired	Individually impaired	Individually impaired
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables – nominal amounts	2,393	1,297	19	–
Less: Allowance for impairment	(2,144)	(1,174)	(19)	–
	249	123	–	–
Movements in allowance accounts:				
At 1 January	1,174	784	–	–
Charge for the year	1,368	650	19	–
Written off	(293)	–	–	–
Written back	(112)	(262)	–	–
Currency realignment	7	2	–	–
At 31 December	2,144	1,174	19	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at end of the reporting period 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.

21. Cash and short-term deposits

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	112,370	110,212	7,824	7,639
Short-term deposits	2,885	10,901	–	–
Cash and short-term deposits	115,255	121,113	7,824	7,639

Short-term deposits

Short-term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earning interest at the respective short-term deposit rates, ranging from 3.05% to 4.35% per annum (2015: 1.35% to 8.50% per annum).

As at 31 December 2016, the Group and Company had undrawn borrowing facilities of \$153,990,000 (2015: \$134,790,000) and \$65,716,000 (2015: \$58,854,000) respectively, in which all conditions precedent had been met.

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
United States Dollar	57,357	40,236	6,259	2,223
Euro	4,806	2,462	305	194

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	Group	
	2016	2015
	\$'000	\$'000
Cash at banks and on hand	112,370	110,212
Short-term deposits	2,885	10,901
Cash and short-term deposits	115,255	121,113
Bank overdraft (Note 24)	(562)	–
Restricted cash (Note 24)	(1,669)	(6,302)
Cash and cash equivalents	113,024	114,811

22. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade payables	82,032	64,053	1,805	2,098
Amounts due to subsidiaries				
– trade	–	–	60,081	56,476
– non-trade	–	–	2,522	5,083
– loans	–	–	3,028	378
Other payables	27,037	23,578	3,007	2,022
Total trade and other payables	109,069	87,631	70,443	66,057
Add:				
– Other liabilities (Note 23)	58,122	52,086	6,122	4,782
– Loans and borrowings (Note 24)	99,758	120,000	65,089	77,506
Total financial liabilities carried at amortised cost	266,949	259,717	141,654	148,345

Trade payables/other payables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Trade and other payables (cont'd)

Amounts due to subsidiaries

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Purchases from subsidiaries are made at terms equivalent to those prevailing in arm's length transactions with third parties.

All amounts with subsidiaries are to be settled in cash.

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
United States Dollar	28,166	22,353	776	1,175
Euro	2,790	803	35	2

23. Other liabilities

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current:				
Trade accrual	12,218	12,196	133	44
Accrued other operating expenses	22,079	15,388	2,501	1,590
Accrued directors' fees payable	695	695	695	695
Accrued staff and related costs	19,304	18,944	2,532	2,047
Accrual for VAT	3,470	4,364	–	–
Accrued interest payable	356	499	261	406
	58,122	52,086	6,122	4,782
Provisions	2,108	338	–	–
Deferred government grant	162	94	–	–
	60,392	52,518	6,122	4,782
Non-current:				
Provisions	668	985	–	–
Deferred government grant	903	1,087	–	–
	1,571	2,072	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. Other liabilities (cont'd)

	Onerous Contract	Group Retrench- ment costs	Total
	\$'000	\$'000	\$'000
Movement in provision:			
At 1 January 2016	1,323	–	1,323
Arose during the financial year	–	6,526	6,526
Utilised	(333)	(4,766)	(5,099)
Currency alignment	26	–	26
At 31 December 2016	1,016	1,760	2,776
Current	348	1,760	2,108
Non-current	668	–	668
	1,016	1,760	2,776

Provision for an onerous contract

Onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The onerous contract was valued using the Discounted Cash Flow method.

Provision for retrenchment costs

During the financial year, the Group carried out restructuring and relocation exercises in People's Republic of China. Accordingly, provision for retrenchment costs amounting to \$6,526,000 was recognised during the financial year. These exercises are expected to be completed in 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Loans and borrowings

	Interest rates (Per annum)	Maturities	Group		Company	
			2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current						
Unsecured short-term loans ^(a)	1.98% – 4.94% (2015: 2.03% – 3.37%)	2017	48,835	53,418	25,555	28,336
Secured short-term loans ^{(b),(c)}	0.00% – 4.35% (2015: 0.00%-4.85%)	2017	1,669	6,302	–	–
Unsecured bank loans ^(a)	2.85% – 5.92% (2015: 3.17% – 5.90%)	2017	12,426	12,015	9,640	9,640
Secured bank loans ^(c)	3.42% – 3.49% (2015: 3.45% – 3.49%)	2017	4	3	–	–
Unsecured bankers acceptance ^(a)	2.79% – 2.99% (2015: 2.25% – 2.34%)	2017	1,068	2,305	67	63
Bank overdraft ^(c)	11.85%	on demand	562	–	–	–
			64,564	74,043	35,262	38,039
Non-current						
Unsecured bank loans ^(a)	2.85% – 5.92% (2015: 3.17% – 5.90%)	2018 – 2020	35,190	45,957	29,827	39,467
Secured bank loans ^(c)	3.42% – 3.49%	2018	4	–	–	–
			35,194	45,957	29,827	39,467
Total loans and borrowings			99,758	120,000	65,089	77,506

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

(b) These loans are secured by pledged fixed deposits of subsidiaries of \$1,669,000 (2015: \$6,302,000);

(c) These loans are secured by certain fixed assets of the subsidiaries.

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollar	<u>18,552</u>	<u>21,373</u>	<u>7,322</u>	<u>7,036</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Deferred taxation

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

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	1,598	1,531			-	-
Deferred tax liabilities	(8,062)	(7,507)			-	-
Net deferred tax	(6,464)	(5,976)			-	-
Deferred tax assets						
Unabsorbed capital allowances	-	281			-	-
Unutilised reinvestment allowance	-	2,008			-	-
Unutilised tax losses	170	447			-	-
Provisions	1,428	577			-	-
Others	-	251			-	-
	1,598	3,564	267	1,045	-	-
Deferred tax liabilities						
Differences in depreciation	(1,120)	(3,987)			-	-
Fair value adjustment on acquisition of a subsidiary	(4,664)	(4,975)			-	-
Others	(2,278)	(578)			-	-
	(8,062)	(9,540)	(56)	(382)	-	-
Net deferred tax	(6,464)	(5,976)			-	-
Net deferred tax expense			211	663		

The Group has estimated tax losses, reinvestment allowance and allowance for increased export of approximately \$14,580,000 (2015: \$19,432,000), \$414,000 (2015: \$2,008,000) and \$264,000 (2015: nil) respectively that are available for offset against future taxable profits of the Group of which no deferred tax asset is recognised due to uncertainty of its recoverability. As at 31 December 2016, the Group has no unabsorbed capital allowance (2015: \$979,000). The utilisation of these amounts is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The deferred tax assets are recognised in view of the foreseeable future taxable profit based on management forecast. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Deferred taxation (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2015: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Company is able to control the dividend policy of the subsidiaries.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statement in respect of 2016 and 2015 (Note 12).

26. Share capital

	Group and Company			
	2016		2015	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Issued and fully paid ordinary shares:				
At 1 January	186,706	299,350	927,324	298,716
Share consolidation	–	–	(741,859)	–
Total shares after consolidation	186,706	299,350	185,465*	298,716
Issued for RSP (Note 30)	1,350	796	1,241	634
At 31 December	188,056	300,146	186,706	299,350

* On 2 October 2015, the Company completed the share consolidation of every five existing issued shares into one ordinary share in the capital of the Company. As a result of the exercise, the total issued share capital of the Company comprised 185,465,000 consolidated shares.

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

The Company has employee share award plans under which shares would be issued to employees of the Group upon certain conditions being met. The details of these conditions are included in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Other reserves

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Statutory reserve ^(a)	11,628	10,981	–	–
Foreign currency translation reserve ^(b)	(23,488)	(14,138)	–	–
Restricted Share Plan reserve ^(c)	1,062	948	1,062	948
Reserve on consolidation ^(d)	42	42	–	–
	(10,756)	(2,167)	1,062	948

(a) Statutory reserve

	Group	
	2016	2015
	\$'000	\$'000
At 1 January	10,981	9,470
Transfer from revenue reserve	1,232	1,426
Currency realignment	(585)	85
At 31 December	11,628	10,981

In accordance with the Foreign Enterprise Law applicable to the companies in the People's Republic of China (PRC), the subsidiaries/joint venture's subsidiary in PRC are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the respective entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the respective entity. The SRF is not available for dividend distribution to shareholders.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2016	2015
	\$'000	\$'000
At 1 January	(14,138)	(3,887)
Net effect of exchange differences	(9,350)	(10,251)
At 31 December	(23,488)	(14,138)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Other reserves (cont'd)

(c) *Restricted Share Plan reserve*

Restricted Share Plan reserve represents the equity-settled share awards granted to employees (Note 30). This reserve is made up of cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the expiry or release of such shares.

	Group and Company	
	2016	2015
	\$'000	\$'000
At 1 January	948	770
Grant of equity-settled share awards	910	812
Issue of shares (RSP)	(796)	(634)
At 31 December	<u>1,062</u>	<u>948</u>

(d) *Reserve on consolidation*

	Group	
	2016	2015
	\$'000	\$'000
At 1 January and 31 December	<u>42</u>	<u>42</u>

The reserve on consolidation was related to the acquisition of additional 13% equity interest in Plasolux Pte Ltd (formerly known as Sunningdale Tech (Ind) Pte Ltd) in 2007.

28. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at end of the reporting period but not recognised in the financial statements:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Commitments in respect of purchase of:				
– plant and machinery	2,815	1,580	286	359
– office equipment	171	890	34	801
– leasehold improvement	32	112	12	112
– buildings	657	13,452	–	–
– leasehold land	1,591	–	–	–
	<u>5,266</u>	<u>16,034</u>	<u>332</u>	<u>1,272</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Commitments (cont'd)

(b) *Operating lease commitments – As lessee*

The Group and the Company have entered into commercial leases principally for land rent, office, production floor and warehouse and equipment with lease terms of between 1 to 50 years. Operating lease expenses recognised for the year are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Operating lease expenses	10,945	9,832	1,492	561

No contingent rent (2015: nil) was paid during the year.

Future minimum rentals under non-cancellable operating leases are as follows:

Within one year	9,258	9,208	1,346	1,056
After one year but not more than five years	13,740	9,764	1,523	1,503
More than five years	696	393	291	283
	23,694	19,365	3,160	2,842

The above operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or entering into other leasing agreement.

Certain leases include renewal options for additional lease period of 1 year to 5 years at rental rates to be based on negotiations.

(c) *Operating lease commitments – As lessor*

The Group has entered into commercial leases principally for rental of building.

At end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2016	2015
	\$'000	\$'000
Within one year	1,263	859
After one year but not more than five years	2,122	2,728
	3,385	3,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Contingent liabilities

Corporate Guarantees

The Company has provided the following guarantees at the end of the reporting period:-

- (i) Banking facilities for Sunningdale Tech (Malaysia) Sdn Bhd, up to a limit of \$810,000 (2015: \$820,000). At 31 December 2016, \$729,000 (2015: \$806,000) had been drawn down under the facilities for issuance of banker guarantee.
- (ii) Unlimited corporate guarantee for Chi Wo Plastic Moulds Fty. Limited's banking facilities. These facilities have not been drawn down as at 31 December 2016 and 2015.
- (iii) Banking facilities for SDP Manufacturing Sdn Bhd, up to a limit of \$12,220,000 (2015: \$13,899,000). At 31 December 2016, \$3,091,000 (2015: \$2,972,000) had been drawn down under the facilities, of which \$905,000 (2015: \$1,015,000) and \$1,031,000 (2015: \$1,957,000) are reflected in the consolidated balance sheet in current and non-current loans and borrowings respectively.
- (iv) Banking facilities for Sunningdale Precision Industries Ltd, up to a limit of \$67,000,000 (2015: \$67,000,000). At 31 December 2016, \$16,248,000 (2015: \$18,001,000) had been drawn down under the facilities, of which \$16,248,000 (2015: \$18,001,000) is reflected in the consolidated balance sheet in current loans and borrowings.
- (v) Banking facilities for Skan Tooling SIA, up to a limit of \$3,786,000 (2015: nil). At 31 December 2016, \$1,363,000 (2015: nil) had been drawn down under the facilities, of which \$303,000 (2015: nil) and \$1,060,000 (2015: nil) is reflected in the consolidated balance sheet in current and non-current loans and borrowings.
- (vi) Banking facilities for First Engineering Plastics (Malaysia) Sdn Bhd, up to a limit of \$15,961,000 (2015: nil). At 31 December 2016, \$2,452,000 (2015: nil) had been drawn down under the facilities, of which \$2,452,000 (2015: nil) is reflected in the consolidated balance sheet in current loans and borrowings.
- (vii) Banking facilities for First Engineering Plastics India Private Limited, up to a limit of \$3,621,000 (2015: nil). At 31 December 2016, \$879,000 (2015: nil) had been drawn down under the facilities, of which \$780,000 (2015: nil) and \$99,000 (2015: nil) is reflected in the consolidated balance sheet in current and non-current loans and borrowings.
- (viii) Banking facilities for Sunningdale Precision Technology (Shanghai) Co Ltd, First Engineering (Shanghai) Co Ltd and First Engineering (Suzhou) Co Ltd, up to a limit of \$2,177,000 (2015: nil). At 31 December 2016, \$1,226,000 (2015: nil) had been drawn down under the facilities for issuance of banker guarantee.
- (ix) Banking facilities for Sunningdale Precision Industries (Shanghai) Co Ltd, Sunningdale Precision Technology (Shanghai) Co Ltd, and Omni Tech (Suzhou) Co Ltd, up to a limit of \$3,627,000 (2015: nil). These facilities have not been drawn down as at 31 December 2016.
- (x) In 2015, corporate guarantee amounting to \$720,000 was given to a supplier of subsidiaries for machine purchased at cost. There were none in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Employee benefits expense

	Group	
	2016	2015
	\$'000	\$'000
Salaries	125,911	131,863
CPF/pension contribution	20,330	18,953
Share-based payments	910	812
Retrenchment costs	6,526	-
	<u>153,677</u>	<u>151,628</u>

Restricted Share Plan ("RSP")

The following table illustrates the number of, and movements in, RSP during the year.

	2016	2015 ⁽¹⁾
	Number	Number
	'000	'000
Outstanding at beginning of year	3,969	3,958
Granted during the year	1,350	1,441
Cancelled during the year	(12)	(189)
Released during the year	(1,350)	(1,241)
Outstanding at end of year	<u>3,957</u>	<u>3,969</u>

Terms of outstanding RSP at end of the reporting period are as follows:

Grant date		
12 December 2011	-	2
20 November 2013	-	1,360
19 December 2014	1,166	1,166
13 October 2015	1,441	1,441
9 December 2016	1,350	-
	<u>3,957</u>	<u>3,969</u>

- (1) On 2 October 2015, the Company completed the share consolidation of every five existing issued ordinary shares into one ordinary share in the capital of the Company. The number of outstanding share awards as at 31 December 2015 has been adjusted for the effect of the share consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Employee benefits expense (cont'd)

Restricted Share Plan ("RSP") (cont'd)

The share awards granted from 2011 to 2016 were subject to the following conditions:

- (i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;
- (ii) all the share awards shall be delivered only on the third anniversary of the date of grant;
- (iii) that in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular to Shareholders dated 13 October 2004 for RSP granted prior to 11 April 2014 and the Circular dated 11 April 2014 for RSP granted thereafter;
- (iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;
- (v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;
- (vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor;
- (vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any Sunningdale Tech Group of Companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

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

The weighted average fair value of the RSP granted was estimated in-house by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis.

The weighted average fair value of RSP as at the dates of grant was \$0.94 (2015: \$0.75). The inputs to the model used are shown below.

	2016	2015
Dividend yield (\$)	0.055	0.035
Risk-free interest rate (%)	1.22 – 1.81	1.07 – 1.81
Expected life of RSP (months)	36	36
Last traded share price (\$)		
13 October 2015	–	0.85
9 December 2016	1.10	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Employee benefits expense (cont'd)

Restricted Share Plan ("RSP") (cont'd)

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share awards grant were incorporated into the measurement of fair value.

The expenses recognised for the RSP for the Group for the financial year amounted to \$910,000 (2015: \$812,000). The carrying amount of the Group's employee share awards reserve relating to the above equity-settled RSP is \$1,062,000 (2015: \$948,000).

31. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) *Sale and purchase of goods and services*

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2016	2015
	\$'000	\$'000
Rental income from a joint venture	787	242
Commission income from a joint venture	172	165

(b) *Compensation of key management personnel*

	Group	
	2016	2015
	\$'000	\$'000
Short-term employee compensation	3,108	2,964
CPF/pension contribution	113	92
Share-based payments	393	336
Total compensation paid/payable to key management personnel	3,614	3,392
Comprise amounts paid/payable to:		
Directors of the Company	1,661	1,592
Other key management personnel	1,953	1,800
	3,614	3,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Related party transactions (cont'd)

(b) *Compensation of key management personnel (cont'd)*

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of each individual key management personnel and market trends.

During the year, 300,000 (2015: 300,000) restricted shares were granted to 1 (2015: 1) executive director of the Company but have yet to be released as at 31 December 2016. Similarly, 288,000 (2015: 348,000) numbers of restricted shares were also granted to 6 (2015: 6) key management personnel, other than directors of the Company, in 2016 but were not released as at 31 December 2016. 270,000 restricted shares granted in 2013 were released to the key management personnel in 2016.

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The financial instruments comprise bank loans and overdrafts, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The key financial risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's short term loans and borrowings are contracted at intervals of less than 6 months.

The Group's policy in managing the interest cost is using floating rate debts. To manage this, the Group enters into short term loans and borrowings for working capital purposes which allow the interest rate to be repriced at interval not more than 6 months.

Sensitivity analysis for interest rate risk

In respect of 2016, if interest rates had been 10 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been increased/reduced by \$731,000, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. In respect of 2015, if interest rates had been 10 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been increased/reduced by \$950,000, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk (cont'd)*

The following tables set out the carrying amounts, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

2016	Within 1 year \$'000	1 - 2 Years \$'000	2 - 3 years \$'000	Over 3 years \$'000	Total \$'000
Group					
<i>Fixed rate</i>					
Cash assets	3,051	–	–	–	3,051
Bank loans	(1,669)	–	(10,000)	–	(11,669)
<i>Floating rate</i>					
Cash assets	79,652	–	–	–	79,652
Bank overdraft	(562)	–	–	–	(562)
Bankers' acceptance	(1,001)	–	–	–	(1,001)
Bank loans	(62,328)	(11,880)	(11,251)	(1,000)	(86,459)
Company					
<i>Fixed rate</i>					
Bank loans	–	–	(10,000)	–	(10,000)
<i>Floating rate</i>					
Cash assets	373	–	–	–	373
Bank loans	(35,195)	(9,640)	(9,640)	(547)	(55,022)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk (cont'd)*

2015	Within 1 year \$'000	1 - 2 Years \$'000	2 - 3 years \$'000	Over 3 years \$'000	Total \$'000
Group					
<i>Fixed rate</i>					
Cash assets	10,901	–	–	–	10,901
Bank loans	(6,302)	–	–	–	(6,302)
<i>Floating rate</i>					
Cash assets	61,515	–	–	–	61,515
Bankers' acceptance	(2,242)	–	–	–	(2,242)
Bank loans	(65,436)	(21,917)	(11,789)	(12,251)	(111,393)
Company					
<i>Floating rate</i>					
Cash assets	976	–	–	–	976
Bank loans	(37,976)	(19,640)	(9,640)	(10,187)	(77,443)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risk. The interest rates are disclosed in the relevant notes for the financial instruments.

(b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), Malaysian Ringgit (MYR), Renminbi (RMB), Hong Kong Dollar (HKD), Mexican Pesos (MXP) and Euro (EUR). The foreign currency in which these transactions are mainly denominated in is US Dollar (USD). Approximately 50% (2015: 52%) of the Group's sales are denominated in foreign currencies. The Group's trade receivable and trade payable balances at end of the reporting period have similar exposures (Note 20 and Note 22).

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes (Note 21).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Thailand, Indonesia, India, People's Republic of China ("PRC"), Mexico, Brazil and Europe. The Group does not hedge its net investments in foreign operations as these are considered to be long term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk (cont'd)*

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.

In addition to management's efforts to mitigate risk by way of natural hedging through the Group's foreign currency borrowings, the Group had also entered into forward currency contracts during the year.

Sensitivity analysis of foreign currency risk

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

		Group	
		Profit net of tax 2016 \$'000	Profit net of tax 2015 \$'000
		Increase/(decrease)	
USD/SGD	- strengthened 2% (2015: 2%)	1,144	635
	- weakened 2% (2015: 2%)	(1,144)	(635)
USD/RMB	- strengthened 2% (2015: 2%)	482	454
	- weakened 2% (2015: 2%)	(482)	(454)
EUR/SGD	- strengthened 2% (2015: 2%)	189	241
	- weakened 2% (2015: 2%)	(189)	(241)
HKD/SGD	- strengthened 2% (2015: 2%)	93	201
	- weakened 2% (2015: 2%)	(93)	(201)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and short-term deposits, trade and other receivables (including related parties balances) and investments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on cash balances is limited because the counter-parties are banks with acceptable credit ratings.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at end of the reporting period is as follows:

	Group			
	2016		2015	
	\$'000	%	\$'000	%
Asia Pacific	62,008	34	54,182	35
People's Republic of China	79,079	43	60,905	39
Europe	21,766	12	21,280	14
USA	6,852	4	8,198	5
Other countries	13,757	7	10,103	7
	183,462	100	154,668	100
Automotive	79,978	43	68,373	44
Consumer/IT	91,111	50	72,214	47
Healthcare	12,373	7	14,081	9
	183,462	100	154,668	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk (cont'd)*

Credit risk concentration profile (cont'd)

There is concentration of credit risk with respect to trade receivables as the Group has approximately 35% (2015: 31%) due from 5 major customer groups who are established multi-national companies. Except where specifically identified as impaired, these debtors are creditworthy and have reasonable payment record with the Group.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits 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. Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(d) *Liquidity risk*

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

The Group's and the Company's liquidity risk management policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. Undrawn facilities are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

The table below summaries 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:

	2016				2015			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
Financial assets:								
Trade and other receivables	197,145	–	–	197,145	168,050	–	–	168,050
Cash and short-term deposits	115,255	–	–	115,255	121,113	–	–	121,113
Total undiscounted financial assets	312,400	–	–	312,400	289,163	–	–	289,163
Financial liabilities:								
Trade and other payables	109,069	–	–	109,069	87,631	–	–	87,631
Other liabilities	58,122	–	–	58,122	52,086	–	–	52,086
Loans and borrowings	65,717	37,218	–	102,935	75,915	49,549	–	125,464
Total undiscounted financial liabilities	232,908	37,218	–	270,126	215,632	49,549	–	265,181
Total net undiscounted financial assets/ (liabilities)	79,492	(37,218)	–	42,274	73,531	(49,549)	–	23,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

	2016			2015		
	1 year or less \$'000	1 to 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
Company						
Financial assets:						
Trade and other receivables	84,192	–	84,192	88,042	–	88,042
Cash and short-term deposits	7,824	–	7,824	7,639	–	7,639
Total undiscounted financial assets	92,016	–	92,016	95,681	–	95,681
Financial liabilities:						
Trade and other payables	70,443	–	70,443	66,057	–	66,057
Other liabilities	6,122	–	6,122	4,782	–	4,782
Loans and borrowings	36,049	31,599	67,648	39,441	42,652	82,093
Total undiscounted financial liabilities	112,614	31,599	144,213	110,280	42,652	152,932
Total net undiscounted financial liabilities	(20,598)	(31,599)	(52,197)	(14,599)	(42,652)	(57,251)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the corporate guarantees is allocated to the earliest period in which the guarantee could be called.

	2016				2015			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Company								
Corporate guarantees	23,797	2,190	–	25,987	21,497	2,196	–	23,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Fair value of financial instruments

A. Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, and
- 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)

As at 31 December 2016, the Group's financial instruments carried at fair value include an available-for-sale financial asset amounting to \$8,000 (2015: \$8,000) (Note 15) which is classified under Level 1. The Group does not have any financial instruments carried at fair value classified under Level 2 and Level 3.

Determination of fair value

Available-for-sale financial asset (Note 15): Fair value is determined directly by reference to their published market bid price at the financial position date.

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 and payables (Note 20 and 22), current and non-current other liabilities (Note 23), current and non-current loans and borrowings at floating rate (Note 24).

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.

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Group and Company do not have any financial assets that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares.

The management manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the management may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

As disclosed in Note 27(a), the subsidiaries of the Group in PRC are required by the laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2016 and 2015.

The management monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 40% (2015: 40%). The Group includes within net debts, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less intangible assets.

	Group	
	2016	2015
	\$'000	\$'000
Loans and borrowings (Note 24)	99,758	120,000
Trade and other payables (Note 22)	109,069	87,631
Less: Cash and short-term deposits (Note 21)	(115,255)	(121,113)
Net debt	93,572	86,518
Equity attributable to the owners	351,317	330,606
Less: Intangible assets (Note 14)	(17,444)	(18,877)
Total capital	333,873	311,729
Capital and net debt	427,445	398,247
Gearing ratio	21.9%	21.7%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Segment information

For management purposes and as used by the chief decision maker, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- i. The Automotive segment produces mainly the faceplates for automotive audio systems and climate controls, speedometers/clusters, steering switches and exterior antenna covers, etc.
- ii. The Healthcare segment produces mainly scoops, caps, drug delivery and diagnostic devices.
- iii. The Consumer/IT segment produces mainly IT, consumer and telecommunication products including point-of-sale terminals, water filtration products, grooming products and inkjet cartridges, etc.
- iv. The Mould Fabrication segment designs and manufactures the moulds used in the manufacturing of plastic injection parts.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

	Automotive	Consumer/ IT	Healthcare	Mould fabrication	Adjustment	Notes	Per consolidated financial statements
	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
2016							
Revenue	245,446	272,980	48,452	117,579	-		684,457
Results:							
Depreciation	(10,601)	(11,791)	(2,093)	(5,078)	-		(29,563)
Amortisation of intangible assets	(838)	(445)	(134)	(136)	-		(1,553)
Interest income	184	190	1	123	-		498
Property, plant and equipment written off	(38)	(43)	(7)	(18)	-		(106)
Retrenchment costs	(896)	(1,289)	(12)	(4,329)	-		(6,526)
Share of results of joint venture	942	-	-	-	-		942
Other non-cash expenses	(1,914)	(244)	(61)	(1,281)	-	A	(3,500)
Segment profit	14,120	36,495	1,019	(879)	(3,525)	B	47,230
Segment profit (excluding retrenchment costs)	15,016	37,784	1,031	3,450	(3,525)		53,756

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Segment information (cont'd)

	Automotive \$'000	Consumer/ IT \$'000	Healthcare \$'000	Mould fabrication \$'000	Adjustment \$'000	Notes	Per consolidated financial statements \$'000
2015							
Revenue	219,126	268,832	49,775	136,731	-		674,464
Results:							
Depreciation	(10,444)	(12,813)	(2,372)	(6,517)	-		(32,146)
Amortisation of intangible assets	(839)	(543)	(130)	(155)	-		(1,667)
Interest income	351	146	-	158	-		655
Property, plant and equipment written off	(128)	(158)	(29)	(80)	-		(395)
(Allowance for)/reversal of impairment on property, plant and equipment, net	(253)	(187)	6	(596)	-		(1,030)
Share of results of joint venture	897	-	-	-	-		897
Other non-cash expenses	(740)	(1,239)	(38)	(1,531)	-	A	(3,548)
Segment profit	10,142	31,742	2,474	2,648	(4,176)	B	42,830

- A. Other non-cash expenses consist of share based payments, inventories written down, and impairment of financial assets as presented in the respective notes to the financial statements.
- B. The following items are deducted from segment profit to arrive at profit before tax presented in the consolidated income statement:

	2016 \$'000	2015 \$'000
Finance cost	(3,525)	(4,016)
Pre-operating expenses	-	(160)
	(3,525)	(4,176)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Segment information (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Singapore	85,485	110,660	22,487	20,449
Malaysia	74,235	51,493	28,347	31,041
China and Hong Kong	243,459	236,996	119,744	116,247
Americas	106,319	112,082	3,999	2,280
Europe	95,178	87,825	11,418	11,411
Others	79,781	75,408	11,183	11,350
	684,457	674,464	197,178	192,778

Non-current assets information presented above relates to property, plant and equipment, investment in a joint venture and prepayment as presented in the balance sheet.

Information about major customers

Revenue from two major customers amount to \$145,318,000 (2015: \$149,140,000), arising from sales by the Automotive, Consumer/IT and Mould Fabrication segments.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 16 March 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 2 MARCH 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	95	2.10	3,905	0.00
100 - 1,000	1,269	28.11	684,834	0.36
1,001 - 10,000	2,208	48.90	9,947,633	5.29
10,001 - 1,000,000	921	20.40	51,935,821	27.62
1,000,001 AND ABOVE	22	0.49	125,483,143	66.73
TOTAL	4,515	100.00	188,055,336	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MERRILL LYNCH (SINGAPORE) PTE LTD	17,947,253	9.54
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	17,197,581	9.14
3	KOH BOON HWEE	15,949,058	8.48
4	GOI SENG HUI	15,301,600	8.14
5	CITIBANK NOMINEES SINGAPORE PTE LTD	12,389,025	6.59
6	DBS NOMINEES (PRIVATE) LIMITED	11,822,792	6.29
7	LIAW HIN HAO	4,931,100	2.62
8	KHOO BOO HOR	3,220,482	1.71
9	RAFFLES NOMINEES (PTE) LIMITED	3,086,093	1.64
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,044,543	1.62
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,953,844	1.57
12	PHILLIP SECURITIES PTE LTD	2,719,637	1.45
13	HSBC (SINGAPORE) NOMINEES PTE LTD	2,029,000	1.08
14	STEVEN TAN CHEE CHUAN	2,000,000	1.06
15	OCBC SECURITIES PRIVATE LIMITED	1,925,317	1.02
16	UOB KAY HIAN PRIVATE LIMITED	1,545,600	0.82
17	TEO SOK HUN	1,473,620	0.78
18	ASSET CONCEPT INVESTMENTS LIMITED	1,330,936	0.71
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,243,714	0.66
20	NG HAK HONG	1,171,300	0.62
TOTAL		123,282,495	65.54

The percentage of shareholdings in the hands of the public is 64.36%. Therefore, Rule 723 of the Listing Manual has been complied with.

SUBSTANTIAL SHAREHOLDERS

AS AT 2 MARCH 2017

Name	No. of Ordinary Shares					
	Direct Interest	%	Deemed Interest	%	Total Interest	%
Steven Uhlmann	12,998,378	6.91	0	0	12,998,378	6.91
Koh Boon Hwee	15,949,058	8.48	22,008	0.01	15,971,066	8.49
Goi Seng Hui	15,301,600	8.14	0	0	15,301,600	8.14
Yarwood Engineering & Trading Limited*	15,301,600	8.14	0	0	15,301,600	8.14

Note: *Yarwood Engineering & Trading Limited ("Yarwood") is 100% owned by Kong Siang Group Holdings Pte Ltd ("KSGH"). Both David Lee Eng Thong & Lee Eng Khian who are directors and having controlling interests in KSGH are deemed to be interested in the 15,301,600 shares held by Yarwood.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at Fairmont Singapore & Swissôtel The Stamford, Raffles City Convention Centre, Level 4 Bras Basah Room, 2 Stamford Road Singapore 178882 on Wednesday, 12 April 2017 at 9.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a Final Dividend of 6.0 cents per ordinary share (tax exempt one-tier) for the financial year ended 31 December 2016. (2015: 5.0 cents) **(Resolution 2)**
3. To approve the Directors' fees of S\$695,000/- for the financial year ended 31 December 2016. (2015: S\$695,000/-) **(Resolution 3)**
4. To re-elect the following Directors who retire by rotation under Regulation 91 of the Company's Constitution: -
 - (i) Mr Steven Uhlmann **(Resolution 4)**
[Subject to his re-election, Mr Steven Uhlmann shall remain as a member of the Nominating and Remuneration Committees.]
 - (ii) Mr Ong Sim Ho **(Resolution 5)**
[Subject to his re-election, Mr Ong Sim Ho shall remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Ltd ("SGX-ST").]
 - (iii) Mr Wong Chi Hung **(Resolution 6)**
[Subject to his re-election, Mr Wong Chi Hung shall remain as a Non-Executive Director.]
5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modifications, the following resolutions as Ordinary Resolutions:

6. **Authority to issue Shares up to 50 per centum (50%) of the issued shares in the Capital of the Company**
 - (a) THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:
 - (i) issue shares and convertible securities 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,

NOTICE OF ANNUAL GENERAL MEETING

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) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) 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) 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 and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of the Instruments or any convertible securities that have been issued pursuant to any previous shareholders' approval and which are outstanding as at the date of the passing of this Resolution;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (iii) 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 Manual 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 general meeting, such authority conferred by this Resolution shall continue in force (i) 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 the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 8)**

7. **Authority to allot, issue and deliver shares pursuant to Sunningdale Restricted Share Plan 2014 ("STL RSP 2014") and Sunningdale Performance Share Plan 2014 ("STL PSP 2014")**

That:-

- (a) approval be and is hereby given to the Directors to grant share awards in accordance with the provisions of the STL RSP 2014 and/or the STL PSP 2014; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot, issue and deliver or otherwise dispose of shares in the Company as may be required to be allotted, issued, delivered or disposed, in connection with such number of shares as may be required to be issued or allotted pursuant to the vesting of awards under the STL RSP 2014 and/or the STL PSP 2014.

Provided that the aggregate number of shares to be allotted, issued and delivered pursuant to the STL RSP 2014 and the STL PSP 2014 shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company from time to time. **(Resolution 9)**

8. Renewal of Mandate for Share Purchase

That:

- (1) for the purposes of Sections 76C and 76E of the Companies Act, Cap 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (a) market purchase(s) on the SGX-ST; and/or
- (b) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (a) the date on which the next Annual General Meeting of the Company is held; and
- (b) the date by which the next Annual General Meeting of the Company is required by law to be held;

- (3) In this Resolution:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five days period;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **(Resolution 10)**

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

Dorothy Ho
Company Secretary
Dated: 28 March 2017

NOTES:

1. A member of the Company (other than a member who is a relevant intermediary as defined in Note 2 below) shall not be entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting on his behalf. A member of the Company which is a corporation is entitled to appoint its authorized representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) 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;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) 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.

A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney; and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorized officer on behalf of the corporation.
4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the **Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916** not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

- (1) Resolution 8 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting to issue shares and convertible securities in the Company, without seeking any further approval from the shareholders at a general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider in the interests of the Company. This proposed Resolution, if passed, will authorise and empower the Directors of the Company to issue shares, up to a number not exceeding, in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.
- (2) Resolution 9 proposed in item 7 above, is to empower the Directors to allot, issue and deliver shares pursuant to the vesting of the awards under STL RSP 2014 and STL PSP 2014, provided that the aggregate number of shares to be issued under the STL RSP 2014 and STL PSP 2014 does not exceed fifteen per cent (15%) of the total number of issued shares of the Company from time to time.
- (3) Resolution 10 proposed in item 8 above, is to renew the mandate to empower Directors of the Company to make purchases or otherwise acquire the Company's issued ordinary shares from time to time subject to and in accordance with the guidelines set out in Appendix I in the Annual Report of the Company for the year ended 31 December 2016, accompanying this Notice. This authority will expire at the conclusion of the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Sunningdale Tech Ltd ("the Company") will be closed on 19 April 2017 for the purpose of determining Members' entitlements to the Dividend to be proposed at the Annual General Meeting of the Company to be held on 12 April 2017.

Duly completed registrable transfer of shares in the Company (the "Shares") received up to the close of business at 5.00 p.m. on 18 April 2017 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, will be registered to determine Members' entitlements to such Dividend. Subject to the aforesaid, Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with the Shares as at 5.00 p.m. on 18 April 2017 will be entitled to such proposed Dividend.

The proposed Dividend, if approved at the Annual General Meeting, will be paid on 2 May 2017.

BY ORDER OF THE BOARD

Dorothy Ho
Company Secretary
Dated: 28 March 2017

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APPENDIX DATED 28TH MARCH 2017

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold your ordinary shares in the Company, you should immediately forward this Appendix and the Proxy Form attached to the Annual Report to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.



Sunningdale Tech

SUNNINGDALE TECH LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199508621R)

APPENDIX I IN RELATION TO DETAILS OF THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

This Appendix I is circulated to Shareholders of Sunningdale Tech Ltd (the “Company”) together with the Company’s Annual Report. Its purpose is to provide Shareholders with the relevant information relating to and to seek Shareholders’ approval for, the renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held on 12th April 2017 at 9.30 a.m. at Fairmont Singapore & Swissotel The Stamford, Raffles City Convention Centre, Level 4, Bras Basah Road, Singapore 178882.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained / referred to, or opinions expressed in this Appendix.

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PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Appendix.

1. INTRODUCTION

On 18th April 2016, the Company obtained shareholders’ approval at the Annual General Meeting of the Company (“2016 AGM”) to authorize the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued shares in the capital of the Company (the “Shares”) (“Share Purchase Mandate”) on the terms of the Share Purchase Mandate which has taken effect from the date of the 2016 AGM until the date of the forthcoming AGM to be held on 12th April 2017 or until it is varied or revoked by an ordinary resolution of shareholders in the general meeting, if so varied or revoked prior to the forthcoming AGM (“2017 AGM”).

Since the approval of the renewal of the Share Purchase Mandate at the 2016 AGM, the Company has not purchased or acquired any Shares under the Share Purchase Mandate. Accordingly, the Directors are proposing to seek the approval of shareholders at the 2017 AGM for the renewal of the Share Purchase Mandate.

2. DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

“Award”	:	A contingent award of Shares granted under the RSP and/or the PSP.
“CDP”	:	The Central Depository (Pte) Limited.
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore or as amended from time to time.
“Company”	:	Sunningdale Tech Ltd.
“Controlling Shareholder”	:	A person who: - (a) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company.
“Council”	:	The Securities Industry Council of Singapore.
“Directors”	:	The Directors of the Company for the time being.
“EPS”	:	Earnings per share.
“FY 2016”	:	Financial year ended 31 December 2016.

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“Latest Practicable Date”	:	9 th March 2017 being the latest practicable date prior to the printing of this Annexure.
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
“Market Day”	:	A day on which the SGX-ST is open for trading in securities.
“New Shares”	:	The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards granted under the STL RSP and/or the STL PSP.
“NTA”	:	Net tangible assets of the Company.
“NTA per Share”	:	Net tangible assets of the Company divided by the number of issued Shares.
“Regulations”	:	The Regulations of the Constitution.
“Securities Account”	:	Securities accounts maintained by Depositor with CDP, but not including securities sub-accounts maintained with a Depository Agent.
“SGX-ST” or “Singapore Exchange”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Account are credited with the Shares.
“Share Plans”	:	Sunningdale Restricted Share Plan 2014 or STL RSP and Sunningdale Performance Share Plan 2014 or STL PSP.
“Share Purchases”	:	The purchases or acquisitions of Shares pursuant to the Share Purchase Mandate.
“Shares”	:	Ordinary shares in the share capital of the Company.
“STL PSP”	:	Sunningdale Performance Share Plan 2014, as modified or altered from time to time.
“STL RSP”	:	Sunningdale Restricted Share Plan 2014, as modified or altered from time to time.
“STL” or the “Company”	:	Sunningdale Tech Ltd.
“STL Group” or the “Group”	:	The Company and its subsidiaries.
“Substantial Shareholder”	:	A person who holds, directly or indirectly, 5% or more of the total issued share capital of the Company.
“S\$”, “\$” or the “cents”	:	Singapore dollars and cents respectively.

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“Takeover Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time.
“%” or the “per cent.”	:	Per centum or percentage.

The terms “Depositor”, “Depository Registry” and “Depository Agent” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals therefore are due to rounding.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for Share Purchase Mandate.

The renewal of the Share Purchase Mandate will provide the Company the flexibility to undertake share purchases, when and if the circumstances permit, subject to market conditions, during the period when the Share Purchase Mandate is in force. A Share Purchase at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

The rationale for the Company to undertake the purchase of its issued Shares as previously stated in the Company’s Appendix 1 in the 2016 Annual Report is as follows:-

- (a) In managing the business of the Group, management strives to increase Shareholders’ value by improving, inter alia, the return on equity of the Group. Share Purchases at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.
- (b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash, which is in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, inter alia, the Company’s share capital structure and its dividend policy.
- (c) Share repurchase programmes help buffer short-term share price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.
- (d) To the extent allowed by law, the Share Purchase Mandate may be used to purchase existing Shares to satisfy Awards granted under the Sunningdale Tech Restricted Share Plan and/or the Sunningdale Tech Performance Share Plan.

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While the Share Purchase Mandate would authorize a purchase of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorized and no purchase or acquisition of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group.

The Share Purchase Mandate will also enable the Company to undertake purchases of Shares and to hold such purchased Shares in Treasury. Treasury shares may be used in the manner prescribed by the Companies Act. Details on the use of treasury shares are provided in paragraphs 3.4 below.

3.2 Authority and Limits on the Share Purchase Mandate.

The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2017 AGM, are substantially the same as previously approved by the Shareholders at the previous AGMs. For the benefit of the Shareholders, the authority and limits on the Share Purchase Mandate are as follows: -

3.2.1 Maximum Number of Shares

As at the Latest Practicable Date, the share capital of the Company comprise 188,055,336 issued Shares. The Company will only purchase or acquire Shares which are issued and fully paid-up. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of total issued Shares as at the date on which the Share Purchase Mandate is approved at the 2017 AGM. Any of the Shares held by the Company as Treasury shares shall be disregarded for purpose of computing the 10% limit.

Purely for illustrative purposes, on the basis of 188,055,336 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2017 AGM, not more than 18,805,533 Shares (representing 10% of the total issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

3.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved up to:

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the Share Purchases have been carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in general meeting.

whichever is the earlier.

3.2.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**") through one or more duly licensed dealers appointed by the Company for the purpose; and/or

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- (b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, effected pursuant to an equal access scheme or schemes for the purchase of Shares from the Shareholders in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances; and
- (iii) the information required under Rule 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.2.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses ("**Related Expenses**")) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares must not exceed:

- (a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
 - (b) in the case of an Off-Market Purchase, 120 per cent of the Average Closing Price of the Shares,
- in either case, excluding Related Expenses of the purchase or acquisition (the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period; and

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“**Date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis (excluding Related Expenses of the purchase or acquisition) for each Share) and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 Status of Purchased Shares.

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to the Share will expire on cancellation unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are not held as treasury shares.

3.4 Treasury Shares Held by the Company.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarized below:-

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares and the Company shall be entered in the Register of Members as the member holding those Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:-

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any employees' share option or award scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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3.5 Source of Funds.

The Company will use its internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected.

3.6 No Shares Purchased In the Previous 12 Months.

The Company did not purchase any Shares in the twelve (12) months preceding the Latest Practicable Date.

3.7 Financial Effects.

3.7.1 General

If the purchased Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. If, on the other hand, the purchased Shares are not cancelled but held in treasury, then there will be no change in the Company's issued share capital. Where the consideration paid by the Company for the Share Purchase is out of profits, such consideration (excluding Related Expenses) will correspondingly reduce the amount available for the distribution of cash dividend by the Company. Where the consideration paid by the Company for the Share Purchase is out of capital, the amount available for the distribution of cash dividends will not be reduced.

The financial effects on the Company and the Group arising from Share Purchases will depend, inter alia, on the number of Shares purchased or acquired, the price paid for such Shares, the manner in which the purchase or acquisition is funded and whether the Shares are cancelled or held in treasury. It is, therefore, not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS.

The Directors do not propose to exercise the Share Purchase Mandate to the extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected. The Directors will be prudent in exercising the Share Purchase Mandate only to such extent which the Directors believe will enhance shareholders' value giving consideration to the prevailing market conditions, the financial position of the Group and other relevant factors.

3.7.2 Number of Shares that may be Acquired or Purchased

Based on 188,055,336 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2017 AGM, not more than 18,805,533 Shares (representing 10% of the total issued Shares as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

3.7.3 Maximum Price that may be paid for Shares Acquired or Purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 18,805,533 Shares at the Maximum Price of \$1.4858 for each Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 18,805,533 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately \$27,941,000.

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In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 18,805,533 Shares at the Maximum Price of \$1.6980 for each Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 18,805,533 Shares excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately \$31,932,000.

3.7.4 Illustrative Financial Effects

For illustrative purposes only, on the basis of the assumptions set out in paragraphs 3.7.2 and 3.7.3 above, and assuming that the Share Purchases are financed entirely out of the Company's distributable profit, the financial effects of:-

- (a) the purchase of 18,805,533 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and held as treasury shares; and
- (b) the purchase of 18,805,533 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and cancelled;

on the audited consolidated financial statements of the Company and the Group for FY2016 are set out below :-

(a) Share Purchases made entirely out of capital and held as treasury shares

	Group			Company		
	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off- Market Purchase	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off- Market Purchase
(\$'000)						
Shareholders' fund	351,317	323,376	319,385	296,557	268,616	264,625
NTA ⁽¹⁾	333,873	305,932	301,941	296,557	268,616	264,625
Current assets	432,284	404,343	400,352	96,132	96,132	96,132
Current liabilities	252,368	252,368	252,368	115,840	115,840	115,840
Working capital	179,916	151,975	147,984	(19,708)	(19,708)	(19,708)
Total borrowings	99,758	99,758	99,758	65,089	93,030	97,021
Cash and short term deposits	115,255	87,314	83,323	7,824	7,824	7,824
Number of Shares ⁽⁴⁾	188,055,336	188,055,336	188,055,336	188,055,336	188,055,336	188,055,336
Financial Ratios						
NTA per Share (\$)	1.78	1.63	1.61	1.58	1.43	1.41
EPS (cents)	20.78	20.78	20.78	7.52	7.52	7.52
Gearing ratio (times) ⁽²⁾	0.28	0.31	0.31	0.22	0.35	0.37
Current ratio (times) ⁽³⁾	1.71	1.60	1.59	0.83	0.83	0.83

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Notes:

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals current assets divided by current liabilities,
- (4) Based on 188,055,336 Shares in issue as at the Latest Practicable Date.

(b) Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off- Market Purchase	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off- Market Purchase
(\$'000)						
Shareholders' fund	351,317	323,376	319,385	296,557	268,616	264,625
NTA ⁽¹⁾	333,873	305,932	301,941	296,557	268,616	264,625
Current assets	432,284	404,343	400,352	96,132	96,132	96,132
Current liabilities	252,368	252,368	252,368	115,840	115,840	115,840
Working capital	179,916	151,975	147,984	(19,708)	(19,708)	(19,708)
Total borrowings	99,758	99,758	99,758	65,089	93,030	97,021
Cash and short term deposits	115,255	87,314	83,323	7,824	7,824	7,824
Number of Shares ⁽⁴⁾	188,055,336	169,249,803	169,249,803	188,055,336	169,249,803	169,249,803

Financial Ratios

NTA per Share (\$)	1.78	1.81	1.78	1.58	1.59	1.56
EPS (cents)	20.78	23.08	23.08	7.52	8.35	8.35
Gearing ratio (times) ⁽²⁾	0.28	0.31	0.31	0.22	0.35	0.37
Current ratio (times) ⁽³⁾	1.71	1.60	1.59	0.83	0.83	0.83

Notes :

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (3) Current ratio equals current assets divided by current liabilities,
- (4) Based on 188,055,336 Shares in issue as at the Latest Practicable Date.

Shareholders should be aware that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the respective aforementioned assumptions, and historical FY2016 numbers, and are not necessarily representative of future financial performance. In addition, the actual impact will depend on the actual number and price of Shares to be acquired or purchased by the Company, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares to be acquired or purchased are cancelled or held in treasury.

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Although the Share Purchase Mandate would authorize the Company to purchase or acquire up to 10% of the total issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased in treasury.

The Company may take into account both financial and non-financial factors (for example, stock market condition and the performance of the Shares) in assessing the relative impact of a Share Purchase before execution.

3.8 Taxation

Shareholders who are in doubt as to their respective tax provisions or any tax implications arising from the Share Purchase Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

3.9 Requirements in the Listing Manual

- (a) The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.: (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase on an equal access scheme, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the Listing Manual.
- (b) The Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time(s). However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:
 - (i) at any time any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and
 - (ii) in the case of all Purchases, during the period commencing one month immediately before the announcement of the Company’s half-year or full-year results, as the case may be, and (if applicable) the period of two weeks before the announcement of the Company’s other interim results, as the case may be.
- (c) The Listing Manual requires a company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed are held by public Shareholders. The “public”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, there are approximately 121,026,688 Shares in the hands of the public, representing approximately 64.36% of the issued Shares. Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate, without adversely affecting the listing status of the Shares on the SGX-ST or cause market illiquidity or adversely affect the orderly trading of the shares.

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4. Certain Take-over Code Implications

4.1 Obligations to Make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("Rule 14"). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company's total issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

4.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (i) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, and any company whose associated companies include any of the aforesaid companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company;
- (ii) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (iii) A company with any of its pension funds and employee share schemes;
- (iv) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (v) A financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;
- (vi) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (vii) Partners;
- (viii) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons; and
- (ix) Any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

4.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorizing the proposed Share Purchase Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant of proposed Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the proposed Share Purchase Mandate is in force.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional adviser and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders as at the latest Practicable Date, the Directors are not aware of any Substantial Shareholders or Directors who would become obliged to make a general offer under Rule 14 and Appendix 2 of the Take-over Code in the event that the Company should, pursuant to the Share Purchase Mandate, purchase or acquire up to 10% of its issued shares.

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5. Directors' and Substantial Shareholder's Interests

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date, the shareholdings of the Directors and of the Substantial Shareholders in the Company before and after the purchase of Shares pursuant to the proposed Share Purchase Mandate, assuming (i) the Company purchases the maximum amount of 10% of the issued ordinary share capital of the Company, and (ii) there is no change in the number of Shares held by the Directors and Substantial Shareholders or which they are deemed to be interested in, will be as follow:-

Name of Director	Before Share Purchase (Number of Shares)			Before Share Purchase	After Share Purchase
	Direct Interest	Deemed Interest	Total Interest	% ⁽¹⁾	% ⁽²⁾
Koh Boon Hwee	15,949,058	22,008	15,971,066	8.49	9.44
Wong Chi Hung	110,000	1,330,936	1,440,936	0.77	0.85
Steven Uhlmann	12,998,378	–	12,998,378	6.91	7.68
Steven Tan Chee Chuan	2,000,000	–	2,000,000	1.06	1.18
Kaka Singh	79,254	–	79,254	0.04	0.05
Gabriel Teo Chen Thye	427,932	–	427,932	0.23	0.25
Ong Sim Ho	150,000	–	150,000	0.08	0.09
Khoo Boo Hor	3,357,882	–	3,357,882	1.79	1.98
Name of Substantial Shareholders					
Steven Uhlmann	12,998,378	–	12,998,378	6.91	7.68
Koh Boon Hwee	15,949,058	22,008	15,971,066	8.49	9.44
Goi Seng Hui	15,301,600	–	15,301,600	8.14	9.04
Yarwood Engineering & Trading Limited*	15,301,600	–	15,301,600	8.14	9.04

*Yarwood Engineering & Trading Limited ("Yarwood") is 100% owned by Kong Siang Group Holdings Pte Ltd ("KSGH"). Both David Lee Eng Thong & Lee Eng Khian who are directors and having controlling interests in KSGH, are deemed to be interested in the 15,301,600 shares held by Yarwood.

Notes:-

- (1) As a percentage of the total number of issued ordinary shares of the Company as at the Latest Practicable Date comprising 188,055,336 shares.
- (2) As a percentage of the total number of issued ordinary shares of the Company comprising 169,249,803 shares (assuming that the Company purchases the maximum number of shares under the Share Purchase Mandate and not held in treasury).

6. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 10, being the Ordinary Resolution relating to the Renewal of the Share Purchase Mandate.

APPENDIX I

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any fact the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

8. APPROVALS AND RESOLUTIONS

Your approval for the proposed renewal of the Share Purchase Mandate is sought at the Company's AGM to be held on 12th April 2017 at 9.30 a.m. at Fairmont Singapore & Swissôtel The Stamford, Raffles City Convention Centre, Level 4, Bras Basah Room, 2 Stamford Road, Singapore 178882.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a shareholder will not prevent him from attending and voting at the AGM if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the AGM.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on weekday (public holiday excepted) up to and including the date of the AGM: -

- (a) The Constitution of the Company; and
- (b) The Annual Report of the Company for the financial year ended 31 December 2016.

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SUNNINGDALE TECH LTD

(Company Registration No. 199508621R)
(Incorporated in the Republic of Singapore)

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to personal data privacy terms set out in the notice of Annual General Meeting dated 28 March 2017.

PROXY FORM

I/We, _____ (Name)

of _____ (Address)

being a member/members of Sunningdale Tech Ltd hereby appoint :

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the 22nd Annual General Meeting of the Company, to be held at Fairmont Singapore & Swissôtel The Stamford, Raffles City Convention Centre, Level 4 Bras Basah Room, 2 Stamford Road Singapore 178882 on **Wednesday, 12 April 2017 at 9.30 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to	Number of Votes For	Number of Vote Against
1.	Adoption of Directors' Statement and Audited Financial Statements		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr Steven Uhlmann		
5.	Re-election of Mr Ong Sim Ho		
6.	Re-election of Mr Wong Chi Hung		
7.	Re-appointment of Auditors		
8.	Authority to Issue Shares		
9.	Authority to allot, issue and deliver shares pursuant to Sunningdale Restricted Share Plan 2014 and Sunningdale Performance Share Plan 2014		
10.	Renewal of Mandate for Share Purchase		

Dated this _____ day of _____ 2017

	Total Number of Shares Held
In CDP Register	
In Register of Members	

Signature(s) of Member(s)/Common Seal

Important : Please read notes overleaf

Notes :

1. A member of the Company (other than a member who is a relevant intermediary as defined in the Section 181 (6) of the Companies Act, Cap 50) shall not be entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting on his behalf.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (and defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have ordinary shares registered in your name in the Register of Members of the Company, you should insert that number. If you have ordinary shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the **Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916** not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be given under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives, in accordance with its Constitution and Section 179 of the Companies Act, Cap. 50 of Singapore, to attend and vote for and on behalf of such body corporate.
8. Where an instrument appointing a proxy is signed on behalf of the appointor or by an attorney the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. The Company shall be entitled to reject the instrument appointing a proxy and proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instruments of appointor specified in the instrument appointing a proxy or proxies.
10. In the case of members 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 the shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.



Sunningdale Tech
SUNNINGDALE TECH LTD

ROC No. 199508621R
51 Joo Koon Circle, Singapore 629069
T 65 6861 1161
F 65 6863 4173
www.sdaletech.com