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CEO'S
MESSAGE

TAN CHU EN IAN
CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders,

The Year 2017 in Summary

The year 2017 proved to be a challenging year for many businesses operating within the personal computer (PC) and hard disk drive (HDD) industries, as worldwide demand for new personal computers and data storage devices remained stagnant, and global product shipment numbers continued to be weak throughout the year. We also saw industry consolidation and capacity rationalization taking place throughout the supply chain.

Ongoing market weakness and underutilized capacity among the component suppliers also resulted in intensified price pressure, in addition to periodic cost discounts being called for by the end customers.

Perhaps the only silver lining in the HDD industry remains in the form of “Enterprise” storage, with the increasing popularity of on the go “cloud” storage solution demanded by users of mobile phones and personal digital devices, who are looking for higher definition and quality in their video recordings and photo resolutions. This segment of the data storage industry, while currently accounting for perhaps less than 15% of total market, is seeing rising potential with ever increasing speed and dropping cost of internet access. This method of data storage, which uses “enterprise grade” storage servers, with very large storage capacity, and high speed, utilizing multiple units of enterprise grade hard disk drives within each server, may continue to see growing demand.

With the shifting industry trends and changing end user demands, businesses operating within HDD industry will need to adapt to changes in customer requirements, in order to remain relevant and ensure business survival. Amid facing a competitive landscape of ever intensifying price pressure from not just peers, but also from alternative storage medium like flash memory, suppliers need to continue to upgrade product quality and capabilities to remain competitive and relevant.

The changing supply chain landscape also sees drive manufacturers and component manufacturers increasingly relocating their production facilities from China, which is facing fast rising costs, to South East Asian countries like Thailand and Malaysia.

As the relocation trend picks up pace, AEI plans to tap on potential opportunities presented, as the customers will be nearer to us, giving us the proximity advantage as they re-evaluate their supplier base.

AEI's successful track record and reputation as a high quality precision aluminium extrusion supplier to the HDD and Electronics market, will present us as a favourable choice. We intend to take full advantage of this new regionalization drive and gain new share of this important market.

The Group's Performance in 2017

For the financial year just ended, the Group registered total business turnover of \$8.2 million, a decrease of 32.8% compared to last year, following lower sales contribution from its core Electronic and Precision Engineering customer segment, amid ongoing weakness in the global PC and HDD markets.

Overall, the Group reported a loss after tax of \$9.5 million, after taking into account other operating expenses including fair value assessment loss on buildings.

You can refer to the Operations Review section of this annual report for a detailed review of the Group's financial results in FY2017.

Receipt Of Approval-In-Principle From SGX-ST (i) Entry into S\$50,000,000 Subscription Agreement - The Proposed Allotment And Issuance Of Up To 62,500,000 Shares At An Issue Price Of S\$0.80 Per Share (ii) Proposed Bonus Issue Of Up to 27,119,659 Free Warrants

On 10 November 2017, the Group announced that it had obtained in-principle-approval from the Singapore Exchange Regulation Pte Ltd (SGX-ST) for the allotment and issuance of:

- (i) up to 62,500,000 shares at an issue price of S\$0.80 each.
- (ii) up to 27,119,659 free warrants with each carrying the right to subscribe for one new share at an exercise price of S\$1.00 for each warrant share, and on the basis of one free warrant for every existing share.

Extraordinary General Meeting (EGM) is scheduled on 27 March 2018.

Going Forward

Industry analysts remained subdued in their forecasts for PC and HDD industries for the upcoming financial year. The Group continues to make active efforts to increase market share in this important customer segment, and to take part in qualifying for new customer programs. At the same time, we continue to upgrade product quality and capability so that we may strengthen our leadership position and keep pace with the latest technological development and product trends. The Group also undertakes further steps in cost monitoring, against a backdrop of rising raw material and energy prices, and works on greater operational efficiency and productivity. These efforts have been instrumental in helping the Group remaining a major player in this market.

Producing extrusions for the HDD industry has been the core business for the Group. Over the years, the Group has faced weaker customer orders and intensifying competition, which resulted in escalating price pressures and lower profitability. In view of the challenging demands by customers of the Group's core business, the Group believes that it is important to review other business opportunities and strategies to generate additional revenue streams, reduce reliance on existing business and to enhance shareholders' value. On 8 August 2017, we announced a subscription agreement. We believe, if the proposed subscription is passed at the EGM, the new Shareholder, New Impetus Strategy Fund (NISF) will bring AEI Corp into another dimension by investing in infrastructure businesses (more information can be found in the circular to shareholders) and hopefully become a bigger, diversified and profitable company. If the proposed subscription is passed at the EGM, and NISF completes Tranche 1 (see circular to shareholders), shareholders will be rewarded with Bonus Warrants for their continued participation in and support for the Company by providing them an opportunity to increase their equity participation in the Company and future growth of the Company.

Appreciation

On behalf of the team at AEI Corp, I would like to express my heartfelt appreciation to all our customers, suppliers, business associates, shareholders and board members for all their generous support and I look forward to our continued partnership for the exciting years ahead.

BOARD OF DIRECTORS

YEUNG KOON SANG ALIAS DAVID YEUNG

is the Non-executive Chairman and Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 26 April 2016 as an Independent Director. He is the Audit Committee Chairman and a member of the Nominating and Remuneration Committees. He is currently a public accountant with Kreston David Yeung PAC which he founded in 1987.

Mr Yeung has over 30 years' experience in public accountancy and had worked previously with Deloitte & Touche, UK and Ernst & Young, Singapore.

He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr Yeung holds a Master of Social Science (Accounting) from the University of Birmingham, England. He is also a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

Mr Yeung also holds directorships in other Singapore-listed companies, namely, Citic Envirotech Limited (formerly known as United Envirotech Limited), Ace Achieve Infocom Limited, Southern Packaging Group Limited, Mary Chia Holdings Limited and CNA Group Limited. Mr Yeung's past directorships was with China Flexible Packaging Holdings Limited and Shanghai Turbo Enterprises Ltd.

TAN CHU EN IAN

is the CEO of our Group. He first joined the Group on 1 January 1995 as a Director of product and market research and oversees the review and implementation of the corporate structure, management systems and policies. He was appointed as a Director of the Board on 22 September 2003 and was subsequently appointed as our CEO on 1 October 2003. He was last re-elected on 26 April 2016. He is primarily responsible for the overall management, business strategies and expansion of the Group. He has a Bachelor of Engineering (Honours) from the University of Manchester, Institute of Science and Technology.

From left to right:

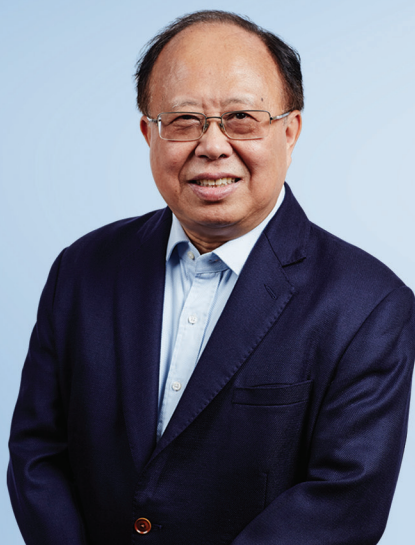
YEUNG KOON SANG ALIAS DAVID YEUNG

TAN CHU EN IAN

SINTA MUHTAR

TENG CHEONG KWEE

DR VASOO SUSHILAN



SINTA MUCHTAR

is our Executive Director and was first appointed as a Director on 9 May 1989 and was last re-elected on 27 April 2017. She is in charge of the general administration, finance and human resource matters of the Group. She is also a shareholder and Executive Director of Lauw & Sons. She has a Bachelor of Business Administration from the University of Hawaii, USA. She has wealth of experience ranging from real estate development, to travel, leisure, and management of hotels and a fast-food chain in Singapore, Taiwan, Malaysia, Indonesia and Australia.

TENG CHEONG KWEE

is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 27 April 2017 as an Independent Director. He is the Nominating Committee Chairman and a member of the Audit and Remuneration Committees. Mr Teng started his career in the Singapore Government Administrative Service, and subsequently served as Assistant Director and Deputy Director in the Monetary Authority of Singapore, and as Secretary of the Securities Industry Council. From 1989 to 1999, he was Executive Vice President of the Stock Exchange

of Singapore. From 1999 to 2000, Mr Teng was with the Singapore Exchange as Executive Vice President and Head, Risk Management and Regulatory Division. Mr Teng graduated from the University of Newcastle, Australia, in Bachelor of Engineering (Industrial) with First Class Honours, and Bachelor of Commerce in 1977.

Mr Teng also serves as an Independent Director in other Singapore-listed companies, namely, Techcomp (Holdings) Limited, Memtech International Limited, First Resources Limited and AVIC International Maritime Holdings Limited. He is also a director of several unlisted companies.

DR VASOO SUSHILAN

is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-appointed on 26 April 2016. He is the Remuneration Committee Chairman and a member of the Audit and Nominating Committees. He is currently an Associate Professional Fellow (Department of Social Work) with the National University of Singapore and Director, Taurx Pharmaceuticals Ltd. Dr Vasoo serves as an advisor to a number of social and community organisations.



OPERATIONS REVIEW

Recap of Financial Year ended 31 December 2017

Ongoing weakness in worldwide demand for personal computer and hard disk drive products continued to weigh on the Group's business turnover in financial year ended 31 December 2017. The Group's core Electronics & Precision Engineering customer segment registered lower customer order level during the financial year. Consequently, segment results also decreased following lower contribution from weak sales.

For FY2017, the Group recorded total business turnover of \$8.2 million, a decrease of 32.8% compared to \$12.2 million reported in the previous financial year. For FY2017, the Group recorded a gross loss of \$1.0 million, compared with gross profit of \$0.2 million achieved in the previous year, due to low sales and fixed overheads which included additional depreciation of the newly completed Tuas South factory.

Other major items include increase in other operating expenses, including a \$5.6 million fair value assessment loss in relation to the Group's buildings at Penjuru and Tuas South, which was partially offset by Asset Revaluation Reserve (for details please refer to Statement of Financial Position and relevant notes), as well as increase in administrative expenses by 47.7% to \$5.8 million from \$3.9 million in FY2016, mainly due to an exchange loss of \$1.6 million arising partly from products and purchases transacted in United States Dollar currency and partly from translation of United States Dollar currency balances to Singapore Dollar currency for financial reporting purposes.

At the pre-tax level, the Group's continuing operations reported a loss of \$10.5 million, compared with a loss of \$2.5 million in FY2016.

Electronics & Precision Engineering

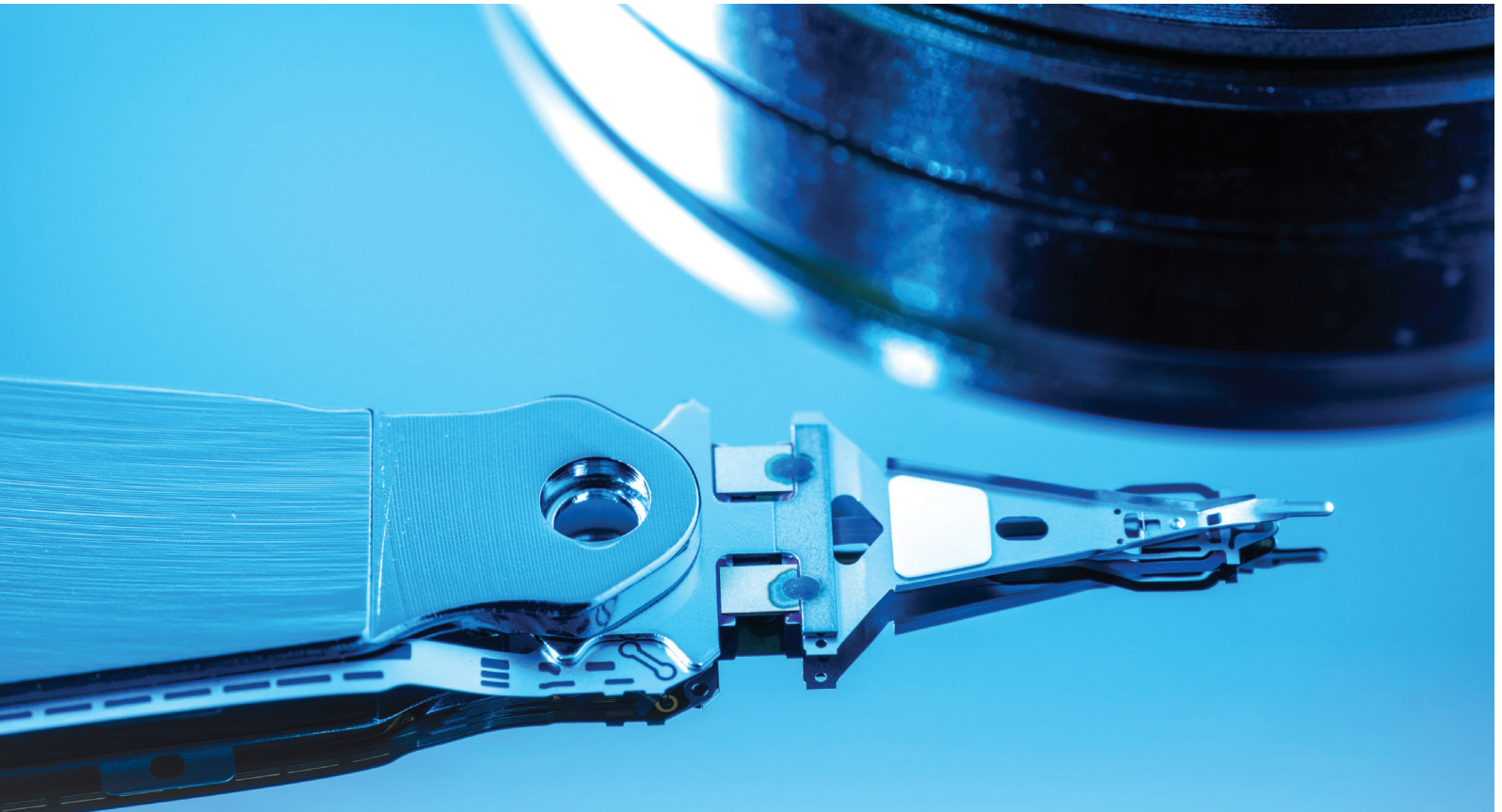
This segment comprises mainly of component manufacturers for the Electronics, Personal Computers, Hard Disk Drive and Consumer Products industries.

Revenue from this segment decreased by 34.1% to \$7.5 million for the year ended 31 December 2017. The Group recorded lower total sales orders from this segment due to ongoing weakness in worldwide personal computer and hard disk drive shipment. Segment results also decreased due to lower contribution from weak sales.

Construction & Infrastructure

This segment comprises mainly of fabricators, contractors and stockists who serve the construction, civil engineering and infrastructure building industries.

Revenue from this segment decreased by 16.0% to \$0.7 million during the year. In FY2017, the Group continued to face intense price competition in this segment. The lower segment sales, coupled with rising raw material cost, resulted in lower contribution margin hence lower segment results.



Others Segment

Revenue from this segment relates to service fee income from associated company.

Segment loss in FY2017 mainly relates to share of operating loss of the associated company.

Discontinued Operation

The \$1.8 million segment loss arose from the de-consolidation of disposed subsidiaries in FY2016. There was none in FY2017.

Aluminium Price

LME Aluminium price started the year at a low level of US\$1,702.00, and had been on a consistent uptrend to reach a high price point of \$2,246.00 on 28 December 2017, near the close of the year. Premiums charged by our suppliers for conversion of aluminium to billet had also risen during the year, in line with higher commodity and raw material prices.

Ongoing aluminium price will depend on industry demand and supply situations, ongoing global economic conditions and geopolitical developments, as well as energy prices. Fluctuations in aluminium price and billet premiums will continue to have significant impact on the Group's operating margin and financial results.

STATEMENT OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has adopted the corporate governance practices contained in the Code of Corporate Governance (“**Code**”) so as to ensure greater transparency and protection of shareholders’ interests.

This report outlines the Company’s corporate governance practices with reference to the revised Code of Corporate Governance 2012.

BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

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

The present Board comprises five members. Of the five Board members, two are Executive and three are Independent Directors.

Name of director	Board appointments		Board committees		
	Executive Director	Independent Director	Audit Committee	Nominating Committee	Remuneration Committee
Mr Yeung Koon Sang alias David Yeung		Board Chairman	Chairman	Member	Member
Mr Tan Chu En Ian	*				
Ms Sinta Muchtar	*				
Dr Vasoo Sushilan		*	Member	Member	Chairman
Mr Teng Cheong Kwee		*	Member	Chairman	Member

Guideline 1.1

Board’s Role

The Board’s primary role is not only to protect but also to enhance long-term shareholder value. It provides entrepreneurial leadership, sets the overall strategy for the Company and supervises the management. To fulfill this role, the Board is responsible for the overall corporate governance of the Company, including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board also recommends workable and sustainable policies and procedures.

The Board sets the Company’s values and standards to ensure that obligations to shareholders and other stakeholders are understood and met. The Group also strives to strike a balance between its business sustainability and the need of the society and the environment in which the Group operates. In accordance with the listing rules of SGX-ST, the Group will issue its sustainability report by end of 2018 and will upload the full Sustainability Report in its website, www.aei.com.sg.

STATEMENT OF CORPORATE GOVERNANCE

Guideline 1.2

Directors' Duties and Responsibilities

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the management to make objective decisions as fiduciaries in the interest of the Group.

Guideline 1.3

Delegation of Authority to Board Committees

To ensure efficient discharge of its responsibilities and to provide independent oversight of management, the Board has established the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC"), and Executive Committee.

The various Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Committee is also constantly reviewed by the Board.

To facilitate operational and management efficiency, the Board has delegated certain of its powers and authority to the management. Subject to such delegation of authority, certain matters, such as major acquisitions, investments and disposals, and funding decisions require the approval of the Board.

Guideline 1.4

Meetings of Board and Board Committees

The Board meets regularly and as warranted by particular circumstances or as deemed appropriate by the Board members. The Company Secretary is present at such meetings to record the proceedings.

The Company's Constitution allows the Board meetings to be conducted by way of telephonic or video conference meetings.

The table below sets out the number of Board and Board Committee meetings which were convened during FY2017:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	2	2	1	1
Name of Directors	Number of meetings attended			
Mr Yeung Koon Sang @ David Yeung	2	2	1	1
Mr Tan Chu En Ian	2	2 ¹	NA	NA
Ms Sinta Muchtar	2	2 ¹	NA	NA
Dr Vasoo Sushilan	2	2	1	1
Mr Teng Cheong Kwee	2	2	1	1

¹ Attended meetings as invitee.

N.A. – Not applicable, as the Directors are non-members of the Board Committees.

Besides formal meetings, Board members also had informal meetings to discuss specific issues related to the Company's development. While the Board considers Directors' attendance at Board meetings to be important, it does not consider that to be the only criterion to measure their contributions. Other than participating in these meetings, Board members also rendered guidance and advice on various matters relating to the Group and convened discussions when needed.

Guideline 1.5

Internal Guidelines on Matters Requiring Board Approval

While the Committees assist the Board in carrying out and discharging its duties and responsibilities, there are certain matters which are specifically reserved for the Board's approval:

- half-yearly and year-end results announcement;
- annual operating plan and budget;
- annual reports and accounts;
- strategic policies of the Group;
- share issuances, dividends and other returns to shareholders;
- convening of shareholder's meetings;
- taking steps for audit control;
- material acquisitions and disposal of assets; and
- major investments, key human resource matters and funding.

Guideline 1.6

Continuous Training and Development of Directors

Incoming Directors joining the Board will be given briefing by the management, the Company Secretary and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organization structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

The Directors are continually and regularly updated on the Group's business and governance practices, as well as changes to the accounting standards and regulatory requirements. The Company Secretary circulates to the Board articles, reports and press releases to keep the Directors updated on current industry trends and issues. Our Directors are also encouraged to become members of the Singapore Institute of Directors (SID) and participate in courses and seminars offered by SID. In FY2017, the Directors had received various briefings, updates and training, including:

- Briefings given by the external auditors to the AC members at each AC meeting on developments in accounting and auditing standards, and governance requirements;
- Briefings given by the Company Secretary to the Board on changes to the requirements in the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual ("Listing Manual"), the Code of Corporate Governance and relevant legislation, including amendments to the Companies Act;

STATEMENT OF CORPORATE GOVERNANCE

- Briefings and updates given by the Chief Executive Officer (“**CEO**”) to the Board at each meeting on business and strategic developments, as well as updates given by Management on salient issues, including risk management considerations and industry developments; and;
- Appropriate courses, conferences and seminars, including those organized by the Singapore Exchange and the Singapore Institute of Directors attended by the Directors.

Guideline 1.7

Formal letter setting out Directors’ Duties

No new Director was appointed to the Board in FY2017. A new incoming independent Director will be issued a formal letter of appointment setting out his duties and obligations and, where appropriate, incorporating processes to deal with possible conflicts of interest that may arise.

BOARD COMPOSITION AND GUIDANCE

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

Guidelines 2.1 and 2.2

Strong and independent element on the board

The Board of Directors currently comprises five Directors, three of whom are Independent Directors. As at the date of this Report, the Board members are:

Mr Yeung Koon Sang alias David Yeung	(Non-executive Chairman and Independent Director)
Mr Tan Chu En Ian	(Executive Director and CEO)
Ms Sinta Muchtar	(Executive Director)
Dr Vasoo Sushilan	(Independent Director)
Mr Teng Cheong Kwee	(Independent Director)

The Board has a strong independent element with Independent Directors forming a majority of the Board. Independent Directors make up more than half the Board.

Guidelines 2.3 and 2.4

Independence of Directors

The criterion for independence is based on the definition given in the Code. The Code has defined an “Independent” Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the company.

Annual Review of Directors' Independence in 2017

Each of the Independent Directors, namely Dr Vasoo Sushilan, Mr David Yeung and Mr Teng Cheong Kwee, has confirmed his independence. Dr Vasoo, Mr Yeung and Mr Teng have confirmed that they have no association with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. The NC reviews the independence of each Director annually. Taking into consideration the declaration provided by each Director and his conduct and exercise of judgment at the Board and Committee meetings, the NC considers Dr Vasoo, Mr Yeung and Mr Teng to be independent.

Dr Vasoo, Mr Yeung and Mr Teng have each served on the Board as Independent directors for more than nine years. Taking into account the views of the NC, the Board concurs with the NC that a Director's independence and his ability and effectiveness in his exercise of independent judgement as an Independent Director should not be affected by the length of his service as a Director. The NC and the Board consider it more appropriate to have regard to the Director's contribution and conduct in the exercise of his duties as an independent director, specifically in terms of the director's display of professionalism, integrity and objectivity in his deliberations and exercise of judgment. The Board is of the view that the Independent Directors have over the years developed significant insights into the Group's business and operations, and continue to provide significant and valuable contribution objectively to the Board as a whole.

Towards this end, the Board has conducted a rigorous review of the independence of the Directors who have served beyond nine years. The review includes critical examination of any conflicts of interest, the directors' comments, opinions and suggestions rendered in connection with their review and scrutiny of matters and proposals put before the Board, and their oversight of the board and management decisions, ensuring that there is proper check and balance.

Dr Vasoo, Mr Yeung and Mr Teng have each abstained from the NC's and Board's deliberation on the matter pertaining to their individual position.

Guideline 2.5 and 2.6

Composition and Competency of the Board

The current Board members comprise persons who, as a group, possess diverse skills and experience, and core competencies such as finance and accounting, business management, industry knowledge and strategic planning. On an annual basis, the NC would review the composition of the Board with a view to considering if it has the appropriate mix of expertise and experience and if, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making.

The NC is of the view that the Board's current size is appropriate for effective decision making, taking into account the nature, size and scope of the Company's operations.

Key information regarding the Board member and their appointments on various Board Committees are presented under the profile of the Board of Directors in the annual report.

STATEMENT OF CORPORATE GOVERNANCE

Guideline 2.7

Role of Non-Executive Directors

At Board meetings as well as at informal meetings held in the course of the year, the Non-Executive Independent Directors reviewed and discussed business strategies and proposals put forward by management. The Non-Executive Directors reviewed the business and industry developments, provided comments, raised questions and sought clarifications on the bases and assumptions, as well as raising modified or alternative scenarios or approaches for consideration and debate. The Non-Executive Directors served as a constructive sounding board to the Management's ideas and proposals. As part of the Board, they help monitor Management's progress in implementing agreed business strategies.

Guideline 2.8

Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Independent Directors held discussions among themselves without the presence of Management to consider specific issues, including business strategy and operational developments. Management has ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Guidelines 3.1 and 3.2

- Separate role of Chairman and CEO

- Role of the Chairman

Since the Company's listing in 2004, Mr David Yeung has been serving as the Non-Executive Chairman of the Board, while Mr Tan Chu En lan has been the CEO. Mr David Yeung and Mr Tan Chu En lan are not related to each other.

The role of the Chairman and CEO are separate and distinct, each having his own areas of responsibilities. The Board believes that a distinctive separation of responsibilities between the Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. As the Company's CEO, Mr Tan Chu En, lan heads the management and is responsible for the day-to-day management and business affairs of the Group. Mr Tan Chu En lan reports to the Board and is responsible for ensuring that policies and strategies adopted by the Board are implemented.

The Non-Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Non-Executive Chairman and the CEO ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully apprised of the affairs of the Company and to make informed judgment on matters tabled before the Board. Board papers incorporating sufficient information from the management are forwarded to the Board members in advance of a Board Meeting to enable each member to be adequately prepared.

In discharging his roles and responsibilities, Mr David Yeung consults with the other Board members, AC, NC and RC on major issues. The Board believes that there are adequate safeguards in place against any concentration of power and authority in a single individual or in a few individuals acting in concert.

Executive Committee (“EXCO”)

The EXCO was constituted on 17 December 2004 and has three members, comprising the following:

Mr Tan Chu En Ian	(Executive Director and Chief Executive Officer)
Ms Sinta Muchtar	(Executive Director)
Mr Ngiam Zee Moey	(Company Secretary) resigned on 16 Jan 2018
Ms Lum Soh Ping	(Chief Financial Officer/Company Secretary) Appointed as Company Secretary on 16 Jan 2018

The EXCO’s role is to execute strategies approved by the Board, oversee the execution of all operational matters for the attainment of targets and action plans set out in the Annual Plan and Budget and to look into new business ventures that have the prospect to create value for the Group and the shareholders.

Guidelines 3.3 and 3.4

Lead Independent Director

Given that our Chairman is Independent and non-executive, the Board does not consider it necessary to appoint a Lead Independent Director. The Independent Directors, including the Non-Executive Chairman, and the Executive Directors individually and collectively are available as channels of communication between shareholders and the Board or Management. Thus far, there has been no situation where these channels of communication have been shown to be inadequate.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and reappointment of Directors to the Board.

Guideline 4.1

Nominating Committee

The NC comprises three members, all of whom, including the Chairman, are independent. The members of the NC are:

Chairman	Mr Teng Cheong Kwee	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)

STATEMENT OF CORPORATE GOVERNANCE

Guideline 4.2

NC Responsibilities

The NC operates in accordance with its terms of reference, which sets out the key functions of the NC as follows:

- (a) review and recommend the nomination or re-nomination of Directors (including Independent Directors of the Company);
- (b) determine annually whether a Director is independent, in accordance with the guidelines contained in the Code;
- (c) review board succession plans for Directors, in particular, the Chairman and the CEO;
- (d) develop a process for evaluation of the performance of the Board, its committees and directors, and undertake assessment of the effectiveness of the Board, Board Committees and individual directors, including reviewing multiple board representations of Directors;
- (e) review the training and professional development programs for the Directors;
- (f) review the composition of the Board to consider if the Board possesses the appropriate mix of expertise and experience, and whether, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making. Where appropriate, the NC will consider new appointments or Board renewal as part of its review of board succession plans for Directors. The NC will also review succession planning for the CEO.

Succession planning

The NC will review board succession plans for Directors, and will seek to refresh the Board membership in an orderly manner where it deems applicable. The NC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC considers that there is adequate contingency arrangements to ensure smooth transition to a full operational management team in the event of any unexpected incapacitation of the CEO or any of the top management personnel.

Guideline 4.3

Determining Directors' Independence

The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and taking into consideration their participation, conduct and exercise of judgment in the discharge of their duties as Directors, has ascertained that they are independent. The Board concurred with this assessment.

Guideline 4.4

Multiple Board Representations

In assessing a Director's commitment to devote sufficient time and attention to the affairs of the Company in discharge of his duties, the Board is of the view that it would not be appropriate to set a limit on the number of listed company Board representations that a Director may hold. Each Director should personally determine the demands of his competing directorships and obligations and ensure that sufficient time and attention is given to the affairs of the Group. The Board is of the view that it is more appropriate to consider the time and attention devoted by and contribution made by each Director to the affairs of the Company. In this respect, the Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The NC would continue to review from time to time the Board representations and other principal commitments of each Director to ensure that the Directors continue to meet the commitment of time, attention and diligence required from each director in the discharge of their duties as a Director of the Board.

Guideline 4.5**Alternative Directors**

There are currently no Alternative Directors on the Board.

Guideline 4.6**Process for the Selection, Appointment of New Directors**

When it is required to source and appoint a new Director to the Board, the NC would, in consultation with the Board and management, identify the core competencies in terms of the skills and experience that such a candidate should possess. The Company would then source for candidates who would meet the established criteria through a network of contacts. Where necessary, external consultants would be engaged. The NC will review the candidates' curriculum vitae and background, including references, and conduct interviews with short-listed candidates to assess their suitability and capacity to contribute to the needs of the Board. Selected candidate will be nominated to the Board for consideration and approval for appointment as a Director.

The Constitution of the Company requires one-third of the Board to retire from office at the Annual General Meeting ("**AGM**"). Accordingly, a Director will retire, and may submit himself for re-nomination and re-election at least once every three years.

Mr Tan Chu Ian Ian will retire by rotation pursuant to Article 104 of the Constitution of the Company at the forthcoming AGM. Being eligible, he has offered himself for re-election. The NC has reviewed and recommended his nomination for re-election, taking into consideration his contribution and performance. The Board approved the NC's recommendation. Mr Tan Chu En Ian abstained from the Board's deliberation in respect of his nomination for re-election.

Guideline 4.7**Key Information on Directors**

Key information regarding the Directors is given in the profile of the Board of Directors in the annual report.

BOARD PERFORMANCE

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

Guidelines 5.1**Conduct of Board Performance**

The NC carried out an evaluation exercise to assess the performance of the Board and Board Committees as well as the contributions of each Director to the effectiveness of the Board.

The Board has adopted a process for assessment of the effectiveness of the Board and of the performance of each Board Committee as well as the contribution of each Director to the effectiveness of the Board.

STATEMENT OF CORPORATE GOVERNANCE

This process entailed having each Director complete a performance evaluation form to assess the overall effectiveness of the Board and Board Committee, as well as a self-assessment of his own performance as a Director. The Company Secretary compiles the evaluation into a consolidated report which was submitted to the NC. The NC, with the participation of the Executive Directors reviewed and discussed the results of the evaluation of Board and Committee performance, as well as individual Director's self-assessment. The NC and the Board also discussed areas where enhancements could be considered.

Guideline 5.2

Performance Criteria for Board Evaluation

The performance criteria cover various aspects of Board performance, including Board's level of governance, effective delegation to the Board committees, leadership and accountability, conduct of meetings, Board decision making, Board training and development, involvement in strategy formulation, risk management and internal controls, and communication with stakeholders.

Guideline 5.3

Evaluation of Individual Director

The individual Director is assessed on his knowledge of the Group's business and operations, business acumen, knowledge of corporate governance, contribution and engagement, communication and integrity. The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his duties as a Director of the Company. For the current year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Board members 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.

Guidelines 6.1 and 6.2

Board's Access to information

All Directors are, from time to time and when necessary, furnished with information concerning the Company and its affairs and on matters to be put before the Board and its Committees to enable them to be appraised of the decisions and actions of the Company's executive management and of major developments in the Group. The Board has unrestricted access to the Company's records and information.

Senior members of the management staff are available to provide further information and details via informal briefings to the Directors or formal presentations at Board meetings. Where external consultants are engaged on specific projects, arrangements will be made for the consultants to provide briefings to the Board, and to address any questions and issues that the Board members may have.

Guidelines 6.3**Board's Access to Company Secretary**

The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Group at all times in carrying out their duties.

The Company Secretaries attend all meetings of the Board and Board Committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board and Committees' meetings are circulated to the Board.

Guideline 6.4**Appointment and Removal of Company Secretary**

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Guideline 6.5**Board's Access to Independent Professional Advice**

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill his duties and responsibilities as Director.

REMUNERATION MATTERS

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

Guideline 7.1**Remuneration Committee**

The RC comprises three members, all of whom are independent.

Chairman	Dr Vasoo Sushilan	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)

STATEMENT OF CORPORATE GOVERNANCE

Guideline 7.2

Remuneration Framework

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

- (a) review and recommend to the Board a framework for remuneration for the directors and key executives of the Company.
- (b) review and recommend Directors' fees for approval at the AGM.
- (c) determine specific remuneration packages for each Executive Director as well as key management personnel.
- (d) 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.
- (e) review the remuneration of employees who are immediate family members of a director or the CEO to ensure that the remuneration of each such employee is commensurate with his or her duties and responsibilities, and no preferential treatment is given to him or her.

The RC has recommended to the Board a framework for the Directors' and Executive Officers' remunerations, and determined specific remuneration package for each Executive Director. The RC's recommendations would be submitted for endorsement by the Board.

During the year, the RC reviewed and recommended the remunerations of the Executive Directors. The remunerations included, but are not limited to Director's fee, salaries, allowances, bonus, ex-gratia payments, options and benefits in kind. The RC's recommendations were submitted for endorsement by the Board. No member of the RC or any Director was involved in the deliberations and decision in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

Guideline 7.3

RC's Access to Advice on Remuneration Matters

The RC is provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such service shall be borne by the Company.

Guideline 7.4

Termination Clauses in Service Contract

Each of the Executive Directors and key management personnel have a service agreement or employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on a long term basis and no onerous removal clauses are contained in the service agreement or employment contract.

LEVEL AND MIX OF REMUNERATION

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

Guideline 8.1**Remuneration of Executive Directors and Key Management Personnel**

The Executive Directors have service agreements. The service agreements cover the terms of employment, salaries and a variable bonus which is tied to the level of the group profits, and other benefits. The Non-Executive Directors have no service contract, other than letters of appointment as non-Executive Directors. In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The Company submits the proposed quantum of Directors' fee each year to the shareholders for approval at each AGM.

Guideline 8.2**Long-term Incentive Scheme**

The RC considers that the level and structure of remuneration of the Executive Directors is aligned with the long-term interest and risk policies of the company, and is appropriate to attract, retain and motivate the key management personnel to successfully manage the company.

Guideline 8.3**Remuneration of Non-Executive Directors**

The RC has reviewed the fee structure for the directors taking into account their responsibilities and work commitments. The proposed directors' fee for Financial Year 2017 will be subject to shareholders' approval at the Company's forthcoming annual general meeting.

Guideline 8.4**Contractual Provisions**

The Company does not have any contractual provisions in the service agreements or employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the operating unit performance (and not on forward-looking results) as well as individual performance, "claw-back" provisions in the service agreements may not be relevant or appropriate.

DISCLOSURE ON REMUNERATION

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

STATEMENT OF CORPORATE GOVERNANCE

Guidelines 9.1, 9.2 and 9.3 Remuneration Report

Remuneration of Directors and the CEO

The remuneration paid to or accrued to each individual Director and the CEO for FY2017 is as follows:

	Fee	Salary	Bonus	Other benefits	Total
	%	%	%	%	%
\$500,000 to \$750,000					
Mr Tan Chu En Ian (also CEO)	8.02	86.72	5.26	0.00	100.00
\$250,000 to \$500,000					
Ms Sinta Muchtar	8.59	86.27	5.14	0.00	100.00
Below \$250,000					
Mr Yeung Koon Sang @ David Yeung	100.00	0.00	0.00	0.00	100.00
Dr Vasoo Sushilan	100.00	0.00	0.00	0.00	100.00
Mr Teng Cheong Kwee	100.00	0.00	0.00	0.00	100.00

Remuneration of Key Management Personnel (who are not Directors or CEO)

Remuneration of key executives (who are not directors or the CEO) for the financial year ended 31 December 2017 are set out in bands of \$250,000.

	Fee	Salary	Bonus	Other benefits & allowances	Total
	%	%	%	%	%
\$250,000 - \$500,000					
Employee 1	0.00	93.80	6.20	0.00	100.00
Below \$250,000					
Employee 2	0.00	94.20	5.80	0.00	100.00
Employee 3	0.00	79.47	5.55	14.98	100.00
Employee 4	0.00	79.00	5.71	15.29	100.00
Employee 5	0.00	82.95	5.27	11.78	100.00

The aggregate remuneration including basic/fixed salary, variable bonuses, benefit-in-kinds, allowances, CPF etc. paid to the top five key management personnel (who are not Directors or the CEO) for the year ended 31 December 2017 were \$819,210.

Given the keen competition for labour in the industry, coupled with sensitivity of remuneration matters, the Company has only disclosed the remuneration mix and remuneration band of each individual Director on a named basis and, in the case of the key management staff, on an unnamed basis. The manpower landscape of the electronic industry in Singapore and the region has become more competitive in the recent years and as such any information on remuneration for key management staff could be used by competitors to poach talents which are critical for efficient manufacturing operation of the electronic end products.

The Board is of the view that the information disclosed would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice. The Board believes that the disclosure provided is in the interest of the Company.

Guideline 9.4***Remuneration of Immediate Family Member of Directors or the CEO***

Save for Mr Tan Chu En lan and Ms Sinta Muchtar who are spouses, there are no other employee of the Group who is an immediate family member of the Directors or Substantial Shareholders and whose remuneration exceeds \$50,000 during FY2017.

Guideline 9.5***Employee Share Scheme*****AEI Performance Share Plan**

The Company has adopted the AEI Performance Share Plan ("APSP") which will serve as a means to incentivize staff to achieve higher performance goals and to recognize exceptional achievement as well as to reward, retain and motivate employees. The APSP was approved by the shareholders at the Extraordinary General Meeting held on 28 April 2014. To date, no shares have been granted to under the APSP.

Guideline 9.6***Link between Remuneration and Performance***

A significant and appropriate proportion of Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. The Executive Directors are paid a basic salary and a performance-related profit sharing bonus pursuant to their respective service agreements. Key management personnel are paid a variable bonus which is determined annually based firstly on the Company's performance and secondly on the performance of the personnel which contributes to the Company's performance. Such performance-related remuneration is aligned with the interests of shareholders and promotes the long-term success of the company.

STATEMENT OF CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

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

Guideline 10.1

Accountability for Company's Performance, Position and Prospects

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely, adequate and reliable information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual report will be announced or issued within legally prescribed periods.

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

Guideline 10.2

Compliance with Legislative and Regulatory Requirements

The Board is mindful of its obligations to ensure compliance with the Listing Rules of the SGX-ST. The Directors have each signed the respective undertaking in the form set out in Appendix 7.7 of the Listing Manual to use their best endeavours to comply with the Listing Rules and to procure that the Company shall so comply. The Directors have also procured a similar undertaking by the Chief Financial Officer ("CFO") and in-house Company Secretary in their capacity as Executive Officers.

Guideline 10.3

Management Accounts

The Management currently provides the Board with management accounts which presents a balanced and understandable assessment of the Group's performance, position and prospects on a half yearly basis and as and when deemed necessary.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guidelines 11.1 and 11.2**Risk Management and Internal Controls System**

The Board and the AC are responsible for ensuring that proper systems of internal controls and risk management are in place to safeguard assets, manage risks and ensure the integrity of financial reporting. Risk-based internal audits are carried out with the primary objectives of:

- (a) assessing if adequate systems of internal controls are in place to protect the funds and assets of the Company and to control commitment and disbursement of expenditure and other outlay;
- (b) assess if operations of the business processes under review are conducted efficiently and effectively, and in compliance with the Company's internal procedures and controls; and
- (c) identify internal control improvement opportunities.

Guideline 11.3**Board's Comment on Adequacy and Effectiveness of Internal Controls**

Based on the review of the key risks identified, and the internal controls established and information maintained by the Group, statutory audit review by the external auditors, the assurances from the CEO and the CFO, providing assurance on the effectiveness of the Group's risk management and internal control system, and that the financial records have been properly maintained and the financial statements give true and fair view of the Group's operations and finances, and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, including financial, operational, information technology and compliance controls, addressing financial, operational and compliance risks as at 31 December 2017 were adequate and effective.

Guideline 11.4**Risk Committee**

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

AUDIT COMMITTEE

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

STATEMENT OF CORPORATE GOVERNANCE

Guideline 12.1 **AC Membership**

The AC comprises the following three independent directors:

Chairman	Mr Yeung Koon Sang alias David Yeung	(Non-Executive Chairman and Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)

Guideline 12.2 **Expertise of AC Members**

The AC members bring with them invaluable professional expertise in the accounting and financial management domains. The Chairman of the AC, Mr David Yeung, has over 20 years of experience in public accountancy and had worked previously with Deloitte & Touche, UK and Ernst & Young, Singapore. The other members of the AC have many years of experience in business management and finance. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions. The experience and qualifications of the AC members are set out in the Directors' Profile section of the annual report.

Guidelines 12.3 and 12.4 **Roles, Responsibilities and Authorities of AC**

The AC functions under the terms of reference that sets out its responsibilities, which include:

- (a) reviewing with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;
- (b) reviewing with the internal auditor its internal audit plans and internal audit findings;
- (c) reviewing the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (d) reviewing the internal control and procedures and ensure co-ordination between the external auditors and the management, reviewing the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);
- (e) reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the management's response;

- (f) considering and recommending the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (g) reviewing interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (h) reviewing potential conflicts of interest, if any;
- (i) undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (j) generally undertaking such other functions and duties as may be required by the statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

The AC also reviewed the key audit matters (“KAM”) set out in the auditor’s report for FY2017 and wishes to provide its perspective on the KAM. The external auditor has identified valuation of buildings and improvements as a KAM and sets out the work it performs to ensure that the accounting impact of valuation of buildings and improvements by the Group is in accordance with accounting standards. The AC has considered the appropriateness of the external auditor’s work and findings and concurs with the external auditor.

The AC has the power to conduct or authorize investigations into any matters within the AC’s scope of responsibility. The AC is authorized to obtain independent professional advice if it deems it necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting on any resolutions in respect of matters he is interested in.

Guideline 12.5

Meeting with External and Internal Auditors without Presence of Management

The AC meets with the external auditors without the presence of the Management at least once a year.

Guideline 12.6

Independence of External Auditors

The AC is satisfied that the engagement of Ernst & Young LLP as the external auditors of the Company and of its subsidiaries and other suitable audit firms for its foreign subsidiaries is in compliance with Rules 712, 715 and 716 of the Listing Manual. The AC reviews the independence of the external auditors annually. During the year, the fees paid to the external auditors of the Company was approximately S\$111,000, of which non-audit fees amounted to approximately S\$30,000. Having reviewed the range and value of non-audit services performed by the Ernst & Young LLP, the AC was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. The AC has recommended that Ernst & Young LLP be nominated for re-appointment as Auditors at the forthcoming AGM.

STATEMENT OF CORPORATE GOVERNANCE

Guideline 12.7**Whistle-blowing**

The Company has in place a whistle-blowing procedure which allows staff of the Company to raise concerns about improprieties or potential improprieties to the AC Chairman on a confidential basis.

Employees are free to bring complaints to the attention of their supervisors or the Human Resources Department, as they would in any other workplace concern. The recipient of such complaints shall forward them promptly to the AC Chairman. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the AC Chairman shall report to the AC on recommended disciplinary or remedial action, if any. The AC shall review the matter and report to the Board on its finding and recommendation on the action to be taken by the Board or by appropriate members of senior management.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

Guideline 12.8**AC to Keep Abreast of Changes to Accounting Standards**

All the AC members keep up to date with changes in accounting standards and issues through updates from the external auditors and, where appropriate, through attendance of relevant training courses and seminars.

Guideline 12.9**Partners or Directors of the Company's Auditing Firm**

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

INTERNAL AUDIT

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

Guidelines 13.1, 13.2, 13.3 and 13.4**Internal Audit**

The Company outsourced internal audit function. The internal auditors report to the Chairman of the AC. There was no internal audit carried out in 2017 as the AC was of the opinion that the integrity of the internal control structure and system was not affected given the lower level of business transactions carried out during the period and the absence of significant and exceptional events during the period. The internal audit shall resume in year 2018.

Risks arising from the Group's financial operations are separately discussed in Note 32 to the Financial Statements on pages 95 to 103.

Guideline 13.5**Adequacy and Effectiveness of Internal Audit Function**

For the financial year ended 31 December 2017, the Board has received letters of assurance from the CEO and the CFO that the financial records had been properly maintained and that the financial statements gave a true and fair view of the Group's operations and finances, and regarding the effectiveness of the company's risk management systems and internal controls system.

In assessing the effectiveness of internal controls, the AC's key objectives are to check that material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The Audit Committee has reviewed the Company's internal control assessment and based on the external auditors' reports, the assurance from the CEO and CFO and the internal controls in place, it is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

SHAREHOLDER RIGHTS

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

Guidelines 14.1**Sufficient Information to Shareholders**

In line with the Company's obligations pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all major developments that have material impact on the Group.

Information is disseminated to shareholders on a timely basis through:

- a. SGXNET announcements and news release;
- b. Annual Report prepared and issued to all shareholders;
- c. Press release on major developments of the Group;
- d. Notice of and explanatory memorandum for AGM and extraordinary general meetings ("EGM"); and
- e. Company's website at www.aei.com.sg where shareholders can access information on the Group.

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Guideline 14.2**Providing Opportunity for Shareholders to Participate and Vote at General Meetings**

The Company's AGM, and Extraordinary General meeting ("EGM") when that is required to be held for specific purpose, are the principal forums for dialogues with shareholders.

Shareholders are encouraged to attend AGM / EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the meetings will be advertised in newspapers and announced on SGXNET at least 14 days before the meeting so that sufficient notice of meeting is given to shareholders to attend the meeting or appoint proxies to attend and vote in their stead.

Guideline 14.3**Proxies for Nominee Companies**

The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.

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

Guidelines 15.1 to 15.4**Timely information to and engagement with shareholders**

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, Annual Reports are distributed to shareholders at least 14 days before each annual general meeting.

In accordance with the Listing Rules of the SGX-ST, the Board's policy is to make timely public announcement of all major developments that may have a material impact on the Group. The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

The Company's annual general meeting is a forum for the shareholders to engage the Board to ask questions on the resolutions tabled at the annual general meeting and to express their views.

The Company will consider the use of other forums as set out in Guideline 15.4 of the Code such as analyst briefings as and when applicable.

Guideline 15.5**Dividends**

The details of dividend payment, if any, would be disclosed via the release of the announcements through SGXNET. The Company does not have a policy on payment of dividend. The Board will consider the Group's level of cash and retained earnings and projected capital expenditure and investments in proposing a dividend.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1**Effective Shareholders' Participation**

Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Guideline 16.2**Separate Resolutions at General Meetings**

The Company will have separate resolutions at general meetings on each distinct issue.

Guideline 16.3**Attendance of Chairman of the Board and Board Committees at General Meetings**

The Chairman of the AC, RC and NC as well as the external auditors are normally present at the AGM to address shareholders' queries, if any.

Guideline 16.4**Minutes of General Meetings**

The minutes of the general meetings are taken and are available to shareholders for their inspection upon request.

Guideline 16.5**Results of Resolutions by Poll**

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by shareholders.

STATEMENT OF CORPORATE GOVERNANCE

OTHER CORPORATE GOVERNANCE MATTERS

Interested Person Transactions

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis.

Name of Interested Person	Aggregate value of all interested person transactions conducted (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
NIL	NIL	NIL

DEALINGS IN SECURITIES

In line with SGX-ST Listing Rule 1207(19) on Dealings in Securities, the Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of one month before the announcement of the Company's half yearly and yearly financial statements. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term consideration and are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

The Company has complied with the best practice pursuant to Listing Rule 1207(19)(c) in not dealing in its own securities during the restricted trading periods.

MATERIAL CONTRACTS

The Company has not entered into any contract during the financial year that involved the interests of the Chief Executive Officer, a Director or the controlling shareholder.

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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of AEI Corporation 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 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

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

Yeung Koon Sang alias David Yeung
Tan Chu En Ian
Sinta Muchtar
Dr Vasoo Sushilan
Teng Cheong Kwee

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Director	Ordinary shares of the Company			
	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Tan Chu En Ian	320,000	320,000	3,709,207	3,709,207
Sinta Muchtar	–	–	8,177,130	8,177,130
Yeung Koon Sang alias David Yeung	10,000	10,000	–	–
Dr Vasoo Sushilan	10,000	10,000	–	–
Teng Cheong Kwee	10,000	10,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Tan Chu En Ian and Sinta Muchtar have employment relationships with the Company and have received remuneration in those capacities.

AEI PERFORMANCE SHARE PLAN

At an Extraordinary General Meeting held on 28 April 2014, shareholders approved the adoption of AEI Performance Share Plan ("Plan") as a compensation scheme that promotes higher performance goals and recognizes exceptional achievement. The Company believes the Plan will strengthen the overall effectiveness of the Group's remuneration and benefits to its employees.

The Plan will be administered by the Remuneration Committee and the Plan shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of up to ten years.

No share has been issued under the Plan.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

- Reviewed the audit plans of the external auditors of the Group and the Company
- Reviewed the quarterly and annual financial statements and the external auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

AUDITOR

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

On behalf of the board of directors:

Tan Chu En Ian
Director

Sinta Muchtar
Director

Singapore
26 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent auditor's report to the members of AEI Corporation Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Key audit matters (cont'd)

Valuation of buildings and improvements

We refer to Note 2.7 (Significant accounting policies), Note 3.2c (Significant accounting judgments and estimates) and Note 12 (Property, plant and equipment).

At 31 December 2017, buildings and improvements stated at fair valuation amounted to \$8.0 million. Management engaged an independent professional valuer ("External Appraiser") during the year to determine the fair value of the buildings and improvements. The External Appraiser determined the fair values based on the direct comparison approach, using sales and listing of similar properties in the vicinity as guides to value after relevant adjustments were made for differences in characteristics of the buildings and improvements such as location, land area, conditions of the buildings and improvements.

The valuation of the buildings and improvements was significant to the audit due to its magnitude, and it involved significant level of judgment and estimates made by the management and the External Appraiser. Hence, we consider this to be a key audit matter.

As part of our audit procedures, we evaluated the objectivity, independence and expertise of the External Appraisers. From the external valuation report obtained, we discussed with the external appraisers and further assessed the appropriateness of the basis and approach adopted for the valuation and the key assumptions, such as size adjustment factor and replacement cost rate, used by the external appraiser in determining its valuation for the buildings and improvements. We involved our internal valuation specialist to assist us in the evaluation of the appropriateness of the valuation model and certain key assumptions and estimates used. Furthermore, we assessed the appropriateness of the disclosures in Note 34 to the financial statements relating to the sensitivity of the key assumptions.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

- 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 Lim Siew Koon.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Continuing operations			
Revenue	4	8,187	12,188
Cost of sales		(9,176)	(11,977)
Gross (loss)/profit		(989)	211
Other operating income	5	1,383	3,455
Selling and distribution costs		(626)	(624)
General and administrative expenses		(5,755)	(3,896)
Other operating expenses		(4,362)	(1,612)
Loss from operating activities		(10,349)	(2,466)
Finance cost	7	(120)	–
Share of results of associate		(155)	(143)
Finance income	8	118	74
Loss before tax from continuing operations	6	(10,506)	(2,535)
Income tax benefit	9	967	132
Loss from continuing operations, net of tax		(9,539)	(2,403)
Discontinued operation			
Loss from discontinued operation, net of tax	10	–	(1,841)
Loss for the financial year		(9,539)	(4,244)
Loss for the financial year attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(9,539)	(2,403)
Loss from discontinued operation, net of tax		–	(1,832)
		(9,539)	(4,235)
Non-controlling interests			
Loss from discontinued operation, net of tax		–	(9)
		–	(9)
Basic and diluted loss per share from continuing operations attributable to owners of the Company (cents)	11a	(35.2)	(8.9)
Basic and diluted loss per share attributable to owners of the Company (cents)	11b	(35.2)	(15.6)

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 2017

	2017 \$'000	2016 \$'000
Loss for the financial year	(9,539)	(4,244)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Reversal of provision for deferred taxation	325	-
Revaluation loss on building	(1,621)	-
	(1,296)	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of foreign currency translation of associated company	-	(3)
	-	(3)
Other comprehensive income for the financial year, net of tax	(1,296)	(3)
Total comprehensive income for the financial year	(10,835)	(4,247)
Total comprehensive income attributable to:		
Owners of the Company	(10,835)	(4,238)
Non-controlling interests	-	(9)
	(10,835)	(4,247)
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	(10,835)	(2,406)
Total comprehensive income from discontinued operation, net of tax	-	(1,832)
	(10,835)	(4,238)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current assets					
Property, plant and equipment	12	10,825	17,599	2,000	5,227
Investment in subsidiaries	13	–	–	20,001	20,955
Investment in associate	14	2,086	2,241	–	–
Leasehold land	15	4,222	4,457	–	–
Deferred tax asset	24	223	–	–	–
		17,356	24,297	22,001	26,182
Current assets					
Loan receivable	16	–	–	–	–
Inventories	17	4,066	4,951	–	–
Prepaid operating expenses		35	44	6	13
Trade receivables	18	980	2,153	13	67
Other receivables	19	61	86	29	15
Amount due from subsidiaries	20	–	–	877	11,910
Receivable from associate	20	184	140	7	7
Loan to subsidiaries	20	–	–	–	2,194
Cash and cash equivalents	21	18,980	26,017	14,964	9,657
		24,306	33,391	15,896	23,863
Assets of disposal group classified as held for sale	10	–	–	–	–
		24,306	33,391	15,896	23,863
Total assets		41,662	57,688	37,897	50,045
Current liabilities					
Trade payables	22	667	652	3	–
Other payables	22	2,254	3,207	329	347
Amounts due to subsidiaries	20	–	–	–	3,606
Loans and borrowings	23	370	746	–	–
Income tax payable		78	98	78	98
		3,369	4,703	410	4,051
Liabilities directly associated with disposal group classified as held for sale	10	–	–	–	–
		3,369	4,703	410	4,051
Net current assets		20,937	28,688	15,486	19,812

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

BALANCE
SHEETS

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current liabilities					
Loans and borrowings	23	2,744	5,552	-	-
Deferred tax liability	24	195	1,244	195	772
		2,939	6,796	195	772
Total liabilities		6,308	11,499	605	4,823
Net assets		35,354	46,189	37,292	45,222
Equity attributable to owners of the Company					
Share capital	25	49,007	49,007	49,007	49,007
Treasury shares	26	(1,697)	(1,697)	(1,697)	(1,697)
Asset revaluation reserve	27	-	1,296	-	1,296
Foreign currency translation reserve	28	75	75	-	-
Retained earnings		(12,031)	(2,492)	(10,018)	(3,384)
Total equity		35,354	46,189	37,292	45,222
Total equity and liabilities		41,662	57,688	37,897	50,045

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company					
	Share capital (Note 25) \$'000	Treasury shares (Note 26) \$'000	Asset revaluation reserve (Note 27) \$'000	Foreign currency translation reserve (Note 28) \$'000	Retained earnings \$'000	Total equity \$'000
Group						
Opening balance at 1 January 2017	49,007	(1,697)	1,296	75	(2,492)	46,189
Loss for the financial year	-	-	-	-	(9,539)	(9,539)
<i>Other comprehensive income:</i>						
Reversal of provision for deferred taxation	-	-	325	-	-	325
Revaluation loss on building	-	-	(1,621)	-	-	(1,621)
Other comprehensive income for the financial year, net of tax	-	-	(1,296)	-	-	(1,296)
Total comprehensive income for the financial year	-	-	(1,296)	-	(9,539)	(10,835)
Closing balance at 31 December 2017	49,007	(1,697)	-	75	(12,031)	35,354

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Note	Share capital (Note 25) \$'000	Treasury shares (Note 26) \$'000	Asset revaluation reserve (Note 27) \$'000	Foreign currency translation reserve (Note 28) \$'000	Retained earnings \$'000	Total \$'000	Reserves of disposal group classified as held for sale \$'000	Non-controlling interests \$'000	Total equity \$'000
Group										
Opening balance at 1 January 2016		49,007	(1,697)	1,296	78	1,743	50,427	(139)	(702)	49,586
Loss for the financial year		-	-	-	-	(4,235)	(4,235)	-	(9)	(4,244)
<i>Other comprehensive income:</i>										
- Share of foreign currency translation of associated company		-	-	-	(3)	-	(3)	-	-	(3)
Other comprehensive income for the financial year, net of tax		-	-	-	(3)	-	(3)	-	-	(3)
Total comprehensive income for the financial year		-	-	-	(3)	(4,235)	(4,238)	-	(9)	(4,247)
Changes in ownership interests in subsidiaries										
Disposal of subsidiaries	10	-	-	-	-	-	-	139	711	850
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	139	711	850
Total transactions with owners in their capacity as owners		-	-	-	-	-	-	139	711	850
Closing balance at 31 December 2016		49,007	(1,697)	1,296	75	(2,492)	46,189	-	-	46,189

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital (Note 25) \$'000	Treasury shares (Note 26) \$'000	Asset revaluation reserve (Note 27) \$'000	Retained earnings \$'000	Total equity \$'000
Company					
Opening balance at 1 January 2016	49,007	(1,697)	1,296	(2,318)	46,288
Loss net of tax for the financial year, representing total comprehensive income for the financial year	–	–	–	(1,066)	(1,066)
Closing balance at 31 December 2016 and opening balance at 1 January 2017	49,007	(1,697)	1,296	(3,384)	45,222
Loss net of tax for the financial year, representing total comprehensive income for the financial year	–	–	–	(6,634)	(6,634)
Reversal of provision for deferred taxation	–	–	325	–	325
Revaluation loss on building	–	–	(1,621)	–	(1,621)
Closing balance at 31 December 2017	49,007	(1,697)	–	(10,018)	37,292

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 2017

	Note	2017 \$'000	2016 \$'000
Operating activities:			
Loss before tax from continuing operations		(10,506)	(2,535)
Loss before tax from discontinued operation	10	-	(1,841)
Loss before tax, total		(10,506)	(4,376)
Adjustments for:			
Depreciation of property, plant and equipment	12	1,416	1,159
Amortisation on leasehold land		235	-
Impairment loss on property, plant and equipment	12	4,014	1,612
Loss/(gain) on disposal of property, plant and equipment, net	6	29	(935)
Interest expense		120	2
Interest income	8	(118)	(74)
Foreign currency translation adjustments		-	3
Write-down of inventories, net	17	-	818
Share of results of associate		155	143
Loss on disposal of subsidiaries	10	-	641
Operating cash flows before changes in working capital		(4,655)	(1,007)
Decrease in receivables		1,177	619
Decrease in inventories		885	4,096
(Decrease)/increase in payables		(936)	287
Cash flows (used in)/generated from operations		(3,529)	3,995
Interest paid		(122)	(143)
Income tax refund		-	41
Interest received		139	95
Net cash flows (used in)/generated from operating activities		(3,512)	3,988
Investing activities:			
Proceeds from disposal of property, plant and equipment		47	1,652
Purchase of property, plant and equipment	12	(353)	(5,682)
Net cash flow from disposal of discontinued subsidiary	10	-	38
Loan to associate		(35)	(50)
Net cash flows used in investing activities		(341)	(4,042)
Financing activities:			
Proceeds from term loan		38	3,078
Repayment of term loans		(3,222)	(908)
Net cash flows (used in)/generated from financing activities		(3,184)	2,170
Net (decrease)/increase in cash and cash equivalents		(7,037)	2,116
Effect of exchange rate changes on cash and cash equivalents		-	(3)
Cash and cash equivalents at 1 January		26,017	23,904
Cash and cash equivalents at 31 December	21	18,980	26,017

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

AEI Corporation Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 15 Tuas South Street 13, Singapore 636936.

The principal activities of the Company are those of manufacturers, importers and exporters of aluminium extrusion sections, metal materials and other related products. There have been no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiaries and associate are disclosed in Note 13 and 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("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 are rounded to the nearest thousand (\$'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 December 2017 that for annual financial period beginning on or after 1 January 2018, Singapore incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. 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 2017

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40 <i>Transfer of Investment Property</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
FRS 116 <i>Leases</i>	1 January 2019
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 <i>Business Combinations</i>	1 January 2019
- Amendments to FRS 111 <i>Joint Arrangements</i>	1 January 2019
- Amendments to FRS 12 <i>Income Taxes</i>	1 January 2019
- Amendments to FRS 23 <i>Borrowing Costs</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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

Except for FRS 109 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 and FRS 116 are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all loans and trade receivables. Based on the Group's preliminary impact assessment of adopting FRS 109, it is expected that the application of expected credit loss model would not have a significant impact to the Group's financials. The Group plans to adopt the new standard on the required effective date without restating prior period's information.

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 exemptions 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 has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 may result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.4 *Basis of consolidation*

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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.

(b) *Consolidated financial statements*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.7 *Property, plant and equipment*

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

Buildings and improvements are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

- Buildings and improvements - the remaining lease periods of 18 to 25.5 years
- Plant and machinery - 10 to 20 years
- Renovation - 4 to 5 years
- Motor vehicles - 5 to 10 years
- Furniture and fittings - 3 to 10 years
- Office equipment - 3 to 10 years
- Dies and moulds - 6.7 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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.8 Leasehold land

Leasehold land is initially measured at cost. Following initial recognition, leasehold land is measured at cost less accumulated amortisation. The leasehold land is amortised on a straight-line basis over the lease term of 21.4 years.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.11 Associates

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

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

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

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

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

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. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates 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 2017

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

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.

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.

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

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.

2.13 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits in banks which are subject to an insignificant risk of changes in value.

2.15 Inventories

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

- Raw materials: purchase costs on a weighted average cost basis;
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost 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 estimated costs necessary to make the sale.

2.16 Provisions

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

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

2.17 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 2017

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

2.18 Employee benefits

Defined contribution plan

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

Employee leave entitlement

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

2.19 Leases

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

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

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

2.20 Assets held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

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

(b) *Rendering of services*

Revenue from the provision of anodising services and accounting services is recognised upon rendering of services.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *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 and are recorded as 'other operating income' in the financial statements.

2.22 Taxes

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.22 Taxes (cont'd)

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.22 Taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.23 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expense

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

2.25 Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Judgments 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:

Taxes

Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables was \$78,000 (2016: \$98,000), while the deferred tax assets and liabilities at 31 December 2017 were \$223,000 (2016: \$Nil) and \$195,000 (2016: \$1,244,000) respectively. The carrying amounts of the Company's tax payables and deferred tax liabilities at 31 December 2017 were \$78,000 (2016: \$98,000) and \$195,000 (2016: \$772,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

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

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on fair valuation of the assets less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(b) Valuation of raw materials

The valuation of the Group's raw materials is assessed based on the best available facts and circumstances at the end of each reporting period, including but not limited to, the inventories' own physical conditions, their expected market selling prices, external market data and estimated costs to be incurred for their sales. The value is re-evaluated and an impairment might be recorded, if additional information received affects the amount initially assessed. The carrying amount of the raw materials as at 31 December 2017 is \$3,298,000 (2016: \$3,388,000).

(c) Valuation of buildings and improvements

The Group carries its buildings and improvements at fair value, with changes in fair values being recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve. The Group engaged an independent professional valuer ("External Appraiser") to assess fair value as at 31 December 2017. The fair values of buildings and improvements are determined by an independent professional valuer using recognised valuation techniques. These techniques comprise the direct comparison approach. The key assumptions used to determine the fair value of the buildings and improvements and sensitivity analysis are provided in Note 34.

The carrying amount of the buildings and improvements carried at fair value as at 31 December 2017 is \$8,000,000 (2016: \$14,221,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. REVENUE

	Group	
	2017 \$'000	2016 \$'000
Sale of goods	8,169	12,178
Rendering of services	18	10
	8,187	12,188

5. OTHER OPERATING INCOME

	Group	
	2017 \$'000	2016 \$'000
Sale of aluminium scrap	1,204	1,705
Sale of metal scrap	28	35
Government grant income	72	146
(Loss)/gain on foreign exchange, net	(1)	506
Gain on disposal of property, plant and equipment	15	1,032
Sundry income	60	31
Bad debts recovered (trade)	5	–
	1,383	3,455

Government grant income relates to Wage Credit Scheme and Temporary Employment Credit grants received by the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at loss before tax from continuing operations:

	Note	Group	
		2017 \$'000	2016 \$'000
Audit fees paid to auditors of the Company		111	108
Non-audit fees paid to auditors of the Company		30	27
Depreciation of property, plant and equipment	12	1,416	1,159
Impairment loss on property, plant and equipment	12	4,014	1,612
Directors' emoluments			
- fees		212	235
- remuneration		896	992
Loss/(gain) on disposal of property, plant and equipment, net		29	(935)
Write down of inventories, net	17	-	818
Operating lease expense		543	473
Staff costs (excluding directors' remuneration)			
- defined contribution plans		319	389
- salaries, bonuses and other wages		3,440	4,155

7. FINANCE COST

	Group	
	2017 \$'000	2016 \$'000
Interest expense on term loan	120	146
Less: interest expense capitalised in assets under construction (Note 12)	-	(146)
	120	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. FINANCE INCOME

	Group	
	2017 \$'000	2016 \$'000
Interest income on current account	7	-
Interest income on short-term deposits	111	74
	118	74

9. INCOME TAX BENEFIT

Major components of income tax benefit

The major components of income tax benefit for the financial years ended 31 December 2017 and 2016 are:

	Note	Group	
		2017 \$'000	2016 \$'000
Consolidated income statement:			
Current income tax - continuing operations:			
- Over-provision in respect of previous years		(20)	(18)
		(20)	(18)
Deferred income tax - continuing operations:			
- Origination and reversal of temporary differences	24	(769)	(107)
- Over-provision in respect of previous years	24	(178)	(7)
		(947)	(114)
Income tax benefit attributable to continuing operations		(967)	(132)
Income tax benefit recognised in profit or loss		(967)	(132)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. INCOME TAX BENEFIT (CONT'D)

Relationship between tax benefit and accounting loss

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 is as follows:

	Note	Group	
		2017 \$'000	2016 \$'000
Loss before tax from continuing operations		(10,506)	(2,535)
Loss before tax from discontinued operation	10	-	(1,841)
Accounting loss before tax		(10,506)	(4,376)
Tax at the applicable tax rate of 17% (2016: 17%)		(1,786)	(744)
Adjustments:			
Income not subject to taxation		(72)	(322)
Non-deductible expenses		1,168	928
Under/(over) provision in respect of previous years		(198)	(25)
Effect of partial tax exemption and tax relief		(328)	(29)
Benefits from unrecognised tax losses		(194)	(64)
Deferred tax assets not recognised		435	113
Share of results of associate		26	24
Others		(18)	(13)
Income tax benefit recognised in profit or loss		(967)	(132)

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

The Group has tax losses of approximately \$1,710,000 (2016: \$291,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subjected 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 2017

10. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 December 2015, Form Technik Pte Ltd ("FTPL"), a subsidiary, entered into a Sales and Purchase Agreement with a third party to dispose of its entire interest in Form Technik (Shanghai) Co Ltd ("FTS"). FTS has been underperforming in the past few years. This decision is consistent with the Group's plan to strengthen its balance sheet. The disposal of FTS was completed on 2 February 2016.

On 14 December 2016, the Company announced the decision of its board of directors to place FTPL under Creditors' Voluntary Liquidation. The liquidation of FTPL had commenced with effect from 30 December 2016 and this was subsequently completed on 28 August 2017.

The results of FTPL and FTS are presented separately on the consolidated statement of comprehensive income as "Loss from discontinued operation, net of tax". The activities of FTPL and FTS are included in the Forged Components Segment.

Balance sheet disclosures

The value of assets and liabilities of FTPL and FTS recorded in the consolidated financial statements as at 30 December 2016 and 2 February 2016 respectively, and the effects of the liquidation and disposal respectively were as follows:

	FTPL 30 December 2016 \$'000	FTS 2 February 2016 \$'000	Total 2016 \$'000
Assets:			
Trade and other receivables	–	1,042	1,042
Prepaid operating expenses	–	53	53
Cash and short-term deposits	–	465	465
Total assets	–	1,560	1,560
Liabilities:			
Trade and other payables	(201)	(936)	(1,137)
Total liabilities	(201)	(936)	(1,137)
Carrying value of net assets	(201)	624	423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Balance sheet disclosures (cont'd)

	FTPL 30 December 2016 \$'000	FTS 2 February 2016 \$'000	Total 2016 \$'000
Cash consideration received in 2016	–	503	503
Cash and cash equivalents of the subsidiaries	–	(465)	(465)
Net cash inflow on disposal of subsidiaries	–	38	38

Loss on disposal:

	2016 \$'000
Cash consideration received in advance in 2015	129
Cash consideration received in 2016	503
Total cash consideration	632
Less:	
Net assets derecognised	(423)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss control of subsidiary	(139)
Non-controlling interests reclassified from equity on loss control of subsidiary	(711)
Loss on disposal	(641)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Statement of comprehensive income disclosures

The results of FTPL and FTS for the financial years ended 31 December 2016 (up to 30 December 2016 and 2 February 2016 respectively) are as follows:

	2016 \$'000
Revenue	–
Expenses	(1,198)
Loss from operations	(1,198)
Loss on disposal	(641)
Finance costs	(2)
Loss before tax from discontinued operation	(1,841)
Loss from discontinued operation, net of tax	(1,841)

Statement of cash flows disclosures

The cash flows attributable to FTPL and FTS are as follows:

Operating	(208)
Investing	707
Financing	(780)
Net cash outflows	(281)

Loss per share disclosures

Loss per share from discontinued operation attributable to owners
of the Company (cents per share)

Basic	(6.8)
Diluted	(6.8)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These loss and share data are presented in the tables in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. LOSS PER SHARE

(a) Continuing operations

Basic and diluted loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The Company did not have any dilutive potential ordinary shares during the financial year (2016: Nil).

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

	Group	
	2017 \$'000	2016 \$'000
Loss net of tax, attributable to owners of the Company	(9,539)	(4,235)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	-	1,832
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share	<u>(9,539)</u>	<u>(2,403)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share computation	<u>27,120</u>	27,120
Basic and diluted loss per share (cents)	<u>(35.2)</u>	(8.9)

(b) Loss per share

The calculations of basic and diluted loss per share are based on the loss attributable to owners of the Company of \$9,539,000 (2016: \$4,235,000) and on 27,120,000 weighted average number of ordinary shares in issue during the financial year (2016: 27,120,000 ordinary shares in issue).

There are no potential dilutive shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT

	At valuation		At cost		
	Buildings and improvements \$'000	Plant, equipment and other assets \$'000	Asset under construction \$'000	Renovations \$'000	Total \$'000
Group					
Cost or valuation:					
At 1 January 2016	7,485	34,065	3,814	525	45,889
Additions	–	153	7,730	–	7,883
Reclassification	10,612	–	(10,612)	–	–
Disposals	–	(1,091)	–	–	(1,091)
Impairment loss	(1,612)	–	–	–	(1,612)
At 31 December 2016 and 1 January 2017	16,485	33,127	932	525	51,069
Additions	94	237	22	–	353
Reclassification	12	942	(954)	–	–
Disposals	–	(154)	–	–	(154)
Impairment loss	(5,635)	–	–	–	(5,635)
Elimination of accumulated depreciation on revaluation	(2,956)	–	–	–	(2,956)
At 31 December 2017	8,000	34,152	–	525	42,677
Accumulated depreciation:					
At 1 January 2016	2,051	30,111	–	523	32,685
Charge for the financial year (Note 6)	213	946	–	–	1,159
Disposals	–	(374)	–	–	(374)
At 31 December 2016 and 1 January 2017	2,264	30,683	–	523	33,470
Charge for the financial year (Note 6)	692	724	–	–	1,416
Disposals	–	(78)	–	–	(78)
Elimination of accumulated depreciation on revaluation	(2,956)	–	–	–	(2,956)
At 31 December 2017	–	31,329	–	523	31,852
Net carrying amount:					
At 31 December 2017	8,000	2,823	–	2	10,825
At 31 December 2016	14,221	2,444	932	2	17,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation	At cost			Total \$'000
	Buildings and improvements \$'000	Plant, equipment and other assets \$'000	Asset under construction \$'000	Renovations \$'000	
Company					
Cost or valuation:					
At 1 January 2016	7,485	–	3	407	7,895
Additions	–	–	3	–	3
At 31 December 2016 and 1 January 2017	7,485	–	6	407	7,898
Additions					
Reclassification	6	–	(6)	–	–
Impairment loss	(3,014)	–	–	–	(3,014)
Elimination of accumulated depreciation on revaluation	(2,477)	–	–	–	(2,477)
At 31 December 2017	2,000	–	–	407	2,407
Accumulated depreciation:					
At 1 January 2016	2,051	–	–	407	2,458
Charge for the financial year	213	–	–	–	213
At 31 December 2016 and 1 January 2017	2,264	–	–	407	2,671
Charge for the financial year	213	–	–	–	213
Elimination of accumulated depreciation on revaluation	(2,477)	–	–	–	(2,477)
At 31 December 2017	–	–	–	407	407
Net carrying amount:					
At 31 December 2017	2,000	–	–	–	2,000
At 31 December 2016	5,221	–	6	–	5,227

Other assets comprise motor vehicles, furniture and fittings and office equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group engaged Asia Valuation & Advisory Services Pte Ltd, an independent valuer to determine the fair value of the industrial buildings at Penjuru Lane and Tuas South. Details of valuation techniques and inputs used are disclosed in Note 34. Based on the valuation, a fair value assessment loss of \$5,635,000 in relation to the Group's buildings was taken into account, where an impairment loss of \$4,014,000 has been recognised in "Other operating expenses" line item of profit or loss for the financial year ended 31 December 2017. The balance of \$1,621,000 was offset against the Asset Revaluation Reserve, net of deferred taxation adjustment.

Asset under construction

The Group's asset under construction relates to plant and equipment of the industrial building on the leasehold land situated at Tuas South. Amortisation of leasehold land of \$Nil (2016: \$235,000) was also capitalised as cost of asset under construction during the year.

The Group's asset under construction also includes borrowing costs arising from a term loan borrowed to obtain leasehold land for the purpose of constructing an industrial building. During the financial year, the borrowing costs capitalised as cost of asset under construction amounted to \$Nil (2016: \$146,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was Nil% (2016: 2.33%), which is the effective interest rate of the term loan.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 \$'000	2016 \$'000
Unquoted shares, at cost	29,001	29,955
Allowance of impairment	(9,000)	(9,000)
Net carrying value	20,001	20,955
Movement in allowance account: At 1 January and 31 December	9,000	9,000

On 30 November 2017, a capital reduction exercise was undertaken for one of the subsidiaries, AEI Engineering Pte Ltd (Singapore), reducing the Company's investment in the subsidiary by \$999,450.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The Group has the following investments in subsidiaries:

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2017 %	2016 %
Held by the Company:			
* AEI Engineering Pte Ltd (Singapore)	Wholesale of scrap, junk and waste dealers, manufacturing of engineering components (Singapore)	100	100
* AEI (China) Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
* AEI Corporation (Singapore) Pte Ltd	Manufacturing of basic ferrous and non-ferrous metals (Singapore)	100	100
* Audited by Ernst & Young LLP, Singapore			

14. INVESTMENT IN ASSOCIATE

	Group	
	2017 \$'000	2016 \$'000
Investment in associate	7,221	7,221
Share of post-acquisition reserves	(1,776)	(1,621)
Exchange differences	75	75
Impairment of associate	(3,434)	(3,434)
	2,086	2,241
Movement in allowance account: At 1 January and 31 December	3,434	3,434

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. INVESTMENT IN ASSOCIATE (CONT'D)

Investment in associate comprises of investment in unquoted equity shares at cost.

Details of the associate at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2017 %	2016 %
<i>Held by through AEI (China) Holdings Pte Ltd:</i>			
# Global Tongyi (Singapore) Pte. Ltd. (Singapore)	Manufacturing and general wholesale trade of vegetable and animal oils and fats (Singapore)	50	50
<i>Held through Global Tongyi (Singapore) Pte Ltd</i>			
* Well Global Foods (Anyang) Pte. Ltd. (People's Republic of China)	Sale of edible oil (People's Republic of China)	100	100
# Audited by Ernst & Young LLP, Singapore.			
* Audited by Henan Gongxing Accounting Firm.			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. INVESTMENT IN ASSOCIATE (CONT'D)

The summarised financial information of the associate, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Global Tongyi (Singapore) Pte. Ltd.	
	2017 \$'000	2016 \$'000
Summarised balance sheet		
Current assets	3,069	3,144
Non-current assets	3,406	3,579
Total assets	6,475	6,723
Current liabilities	(2,303)	(2,241)
Non-current liabilities	-	-
Total liabilities	(2,303)	(2,241)
Net assets	4,172	4,482
Proportion of the Group's ownership	50%	50%
Group's share of net assets	2,086	2,241
Carrying amount of the investment	2,086	2,241
Summarised statement of comprehensive income		
Revenue	-	-
Loss after tax from continuing operations	(310)	(286)
Other comprehensive income	-	(6)
Total comprehensive income	(310)	(292)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. LEASEHOLD LAND

	Group	
	2017 \$'000	2016 \$'000
Cost:		
At 1 January and 1 December	5,039	5,039
Accumulated amortisation:		
At 1 January	582	347
Amortisation for the financial year	235	235
At 31 December	817	582
Net carrying amount	4,222	4,457

The Group has a leasehold land situated at Tuas South for the purpose of constructing an industrial building. The construction of the industrial building has been completed. The leasehold land is not transferable and has a remaining tenure of 18 years (2016: 19.0).

Leasehold land was mortgaged to secure the Group's term loan as disclosed in Note 23.

16. LOAN RECEIVABLE

The Company has a loan receivable from M2B World Asia Pacific Pte. Ltd. of US\$1,500,000 (2016: US\$1,500,000) or equivalent to \$2,007,000 (2016: \$2,170,000). The loan has been fully provided.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. INVENTORIES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance sheet:				
Raw materials and consumables	3,298	3,388	-	-
Work-in-progress	300	730	-	-
Finished goods	468	833	-	-
Total inventories at lower of cost and net realisable value	4,066	4,951	-	-
Profit or loss:				
Inventories recognised as an expense in cost of sales	8,580	11,615	-	6
Inclusive of the following charge:				
- Inventories written down	-	818	-	-

18. TRADE RECEIVABLES

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables		980	2,153	13	67
Add:					
Other receivables	19	61	86	29	15
Amount due from subsidiaries	20	-	-	877	11,910
Loan to subsidiaries	20	-	-	-	2,194
Receivable from associate	20	184	140	7	7
Cash and cash equivalents	21	18,980	26,017	14,964	9,657
		20,205	28,396	15,890	23,850
Less: Sales tax receivables		(58)	(239)	(13)	(67)
Total loans and receivables		20,147	28,157	15,877	23,783

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. TRADE RECEIVABLES (CONT'D)

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollars	668	1,831	10	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$356,000 (2016: \$649,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at each end of the reporting period is as follows:

	Group	
	2017 \$'000	2016 \$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	278	542
30 to 60 days	72	107
61 to 90 days	6	–
	356	649

Receivables that are impaired

The Group has no receivables (2016: \$Nil) that are impaired at the end of the reporting period.

19. OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deposits	4	13	2	–
Interest receivables	20	41	20	15
Other receivables	37	32	7	–
	61	86	29	15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. AMOUNT DUE FROM SUBSIDIARIES RECEIVABLE FROM ASSOCIATE LOAN TO SUBSIDIARIES AMOUNTS DUE TO SUBSIDIARIES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Amounts due from subsidiaries (trade)	-	-	877	11,910
Amounts due from associate (trade)	49	40	7	7
Loans to associate	591	556	-	-
Less: Allowance for impairment	(456)	(456)	-	-
	135	100	-	-
Receivable from associate	184	140	7	7
Loan to subsidiaries	-	-	-	2,194
Amounts due to subsidiaries (trade)	-	-	-	(3,606)

Amounts due from associate are unsecured, non-interest bearing and are repayable upon demand.

Amounts due to subsidiaries and loans to subsidiaries and associate are unsecured, non-interest bearing and are repayable on demand.

There was no movement of the Group's allowance account used to record impairment on loans to associate during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at banks and on hand	6,869	17,336	2,853	5,316
Short-term deposits	12,111	8,681	12,111	4,341
Cash and cash equivalents	18,980	26,017	14,964	9,657

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between three months to one year (2016: three months to one year) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits denominated in Singapore dollars and United States dollars are Nil% (2016: 1.30%) per annum and 1.36% (2016: 1.12%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollars	16,908	21,433	14,474	9,243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables		667	652	3	–
Other payables		2,254	3,207	329	347
Add: Loans and borrowings	23	3,114	6,298	–	–
Add: Amounts due to subsidiaries (trade)	20	–	–	–	3,606
Total financial liabilities carried at amortised cost		6,035	10,157	332	3,953

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollars	419	244	–	–

Other payables

Other payables are non-interest bearing and have an average term of one month.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. LOANS AND BORROWINGS

	Note	Group	
		2017 \$'000	2016 \$'000
Current:			
Term loans:			
- SGD land loan at cost of funds + 1.75%	(a)	370	370
- SGD construction loan at cost of funds + 1.75%	(b)	-	376
		370	746
Non-current:			
Term loans:			
- SGD land loan at cost of funds + 1.75%	(a)	2,744	3,114
- SGD construction loan at cost of funds + 1.75%	(b)	-	2,438
		2,744	5,552
Total loans and borrowings	22	3,114	6,298

Notes:

- (a) This land loan is secured by a corporate guarantee from the Company and a mortgage over the leasehold land. It bears interest at floating rate of cost of funds + 1.75% (2016: cost of funds + 1.75%). The loan is repayable in 120 monthly equal instalments and repayment has commenced on June 2016.
- (b) This construction loan was secured by a corporate guarantee from the Company and a mortgage over the property located at Tuas South. It bore interest at floating rate of cost of funds + 1.75%. The loan was fully repaid in July 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. DEFERRED TAX

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance at 1 January	1,244	1,358	772	772
(Over)/under-provision in respect of previous year (Note 9)	(178)	(7)	26	37
Movement in temporary differences (Note 9)	(769)	(107)	(278)	(37)
Reversal of deferred tax due to revaluation of buildings and improvements	(325)	–	(325)	–
Closing balance at 31 December	(28)	1,244	195	772
Deferred tax liabilities arise as a result of:				
Excess of net book value over tax written down value of property, plant and equipment	191	1,172	208	486
Asset revaluation reserve	–	325	–	325
Accruals	4	7	3	3
	195	1,504	211	814
Deferred tax assets arise as a result of:				
Unutilised capital allowances and tax loss	(223)	(195)	(16)	(42)
Provisions	–	(65)	–	–
	(223)	(260)	(16)	(42)
Net deferred tax (assets)/liabilities	(28)	1,244	195	772

No deferred tax liability (2016: \$Nil) has been recognised for taxes that would be payable on undistributed earnings on the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares: At 1 January and 31 December	27,120	49,007	27,120	49,007

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.

26. TREASURY SHARES

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January and 31 December	1,000	1,697	1,000	1,697

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

27. ASSET REVALUATION RESERVE

The asset revaluation reserve represents increases in the fair value of buildings and improvements, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

28. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital commitments in respect of property, plant and equipment	10	19	10	19

(b) *Operating lease commitments - as lessee*

The Group has entered into operating lease agreements for certain property and office equipment with tenure of between 3 to 5 years. As at 31 December, the Group has aggregate minimum lease commitment as follows:

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	570	464
Later than one year but not later than five years	2,774	4,332
Later than five years	10,688	14,486
	14,032	19,282

The lease rental for the above lease is subject to revision every year not exceeding 5.5% (2016: 5.5%) of the annual rent of each immediate preceding year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *Contingent liabilities*

	Company	
	2017 \$'000	2016 \$'000
Corporate guarantees given to financial institutions in relation with banking facilities granted to subsidiaries	12,000	12,000
Financial support given to a subsidiary having deficiencies in shareholders' funds	3,906	3,494
	15,906	15,494

At the end of the reporting period, \$3,114,000 (2016: \$6,298,000) of the facilities were utilised by the subsidiaries.

The Group has banker's guarantee amounting to \$217,624 (2016: \$119,000) in favour of third party in respect of the Group's business.

30. RELATED PARTY DISCLOSURES

(a) *Sale of services*

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

	Company	
	2017 \$'000	2016 \$'000
Service rendered to an associate	9	9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) *Transfer of business*

On 23 June 2016, AEI Engineering Pte Ltd ("AEIE"), a wholly-owned subsidiary, entered into a Business Transfer Agreement ("BTA") with AEI Corporation (Singapore) Pte Ltd ("AEICS"), another wholly-owned subsidiary to transfer its business of manufacturing engineering components and specific assets and liabilities to AEICS ("the Transfer").

The consideration for the Transfer is based on the book values of specific assets and liabilities of AEIE at 30 June 2016. The following items were transferred:

	2016 \$'000
Fixed assets	53
Inventories	4
Other assets	368
Trade payables	(36)
Other payables and accrued expenses	(536)
Total	<u>(147)</u>

The Transfer was completed on 1 July 2016.

(c) *Compensation of key management personnel*

	Group	
	2017 \$'000	2016 \$'000
Short-term employee benefits	849	923
Central Provident Fund contributions	47	69
Other short-term benefits	212	212
Total compensation paid to key management personnel	<u>1,108</u>	1,204
Comprise amounts paid to:		
Directors of the Company	<u>1,108</u>	1,204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

Electronics and precision engineering segment

This segment comprises mainly of precision aluminium extrusions that form components of sophisticated products of the high-tech electronics and precision engineering industries. Products manufactured include electronic components, clean room accessories, automation equipment and industrial machinery.

Construction and infrastructure building segment

This segment comprises mainly of public infrastructure, building construction, interior fixtures (including certain office equipment), signage and advertising panels in the construction, civil engineering and infrastructure building industries.

Forged components segment (Discontinued operations)

This segment comprises mainly of forged metal components, which are used mainly in automotive components, electronic equipment and appliances as well as other industrial products.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. SEGMENT INFORMATION (CONT'D)

(a) Business segments

	Electronics and precision engineering		Construction and infra-structure building		Forged components (Discontinued operations)		Others		Eliminations		Consolidated	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue												
External customers	7,474	11,341	704	838	-	-	9	9	-	-	8,187	12,188
Inter-segment ⁽¹⁾	-	409	-	-	-	-	-	-	-	(409)	-	-
Total revenue	7,474	11,750	704	838	-	-	9	9	-	(409)	8,187	12,188
Results:												
Segment result	(4,217)	(630)	(357)	6	-	(1,841)	(316)	(6)	-	1,841	(4,890)	(630)
Depreciation	(1,291)	(1,080)	(125)	(79)	-	-	-	-	-	-	(1,416)	(1,159)
(Loss)/gain on disposal of property, plant and equipment, net	(26)	870	(3)	65	-	-	-	-	-	-	(29)	935
Finance income											118	74
Finance cost											(120)	-
Impairment loss on property, plant and equipment											(4,014)	(1,612)
Share of results of associate											(155)	(143)
Loss before tax from continuing operations											(10,506)	(2,535)
Income tax benefit											967	132
Loss net of tax from continuing operations											(9,539)	(2,403)
Assets												
Segment assets	10,728	19,088	1,076	661	-	1,560	6,309	6,698	-	(1,560)	18,113	26,447
Unallocated assets ⁽²⁾											23,549	31,241
Total assets											41,662	57,688
Liabilities												
Segment liabilities	575	628	82	22	-	423	10	-	-	(423)	667	650
Unallocated liabilities ⁽³⁾											5,641	10,849
Total liabilities											6,308	11,499

⁽¹⁾ Inter-segment revenue are eliminated on consolidation

⁽²⁾ Unallocated assets comprise of jointly used assets

⁽³⁾ Unallocated liabilities comprise of jointly used liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Electronics and precision engineering		Construction and infra-structure building		Forged components (Discontinued operations)		Others		Consolidated	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Other information										
Capital expenditure	322	7,043	31	518	-	-	-	139	353	7,700
Unallocated capital expenditure									-	50
Total capital expenditure									353	7,750
Depreciation	1,291	1,080	125	79	-	-	-	-	1,416	1,159

(b) Geographical segments

	Singapore		Greater China		Malaysia		Other countries		Eliminations		Consolidated	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	1,947	1,956	515	2,183	1,833	3,031	3,892	5,018	-	-	8,187	12,188
Segment assets	41,662	57,688	-	1,560	-	-	-	-	-	(1,560)	41,662	57,688
Capital expenditure	353	7,750	-	-	-	-	-	-	-	-	353	7,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. SEGMENT INFORMATION (CONT'D)

The following items are unallocated assets which are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2017	2016
	\$'000	\$'000
Inventories	4,066	4,951
Prepaid operating expenses	35	44
Cash and cash equivalents	18,980	26,017
Other receivables	245	229
Deferred tax asset	223	-
	23,549	31,241

The following items are unallocated liabilities which are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2017	2016
	\$'000	\$'000
Term loans	3,114	6,298
Income tax payable	78	98
Deferred tax liability	195	1,244
Other payables	2,254	3,209
	5,641	10,849

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 key financial risks are credit risk, foreign currency risk, liquidity risk and interest rate risk. The audit committee provides independent oversight to the effectiveness of risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken, where appropriate and cost efficient. The Group does not apply hedge accounting.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed below:

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a party default on its obligations. The Company's exposure to credit risk arises primarily from loan receivable and trade and other receivables. No other financial assets carry a significant exposure to credit risk.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has adopted the policy of dealing with customers with an appropriate credit history as a means of mitigating the credit risk exposures. Credit evaluation which takes into account qualitative and quantitative profile of each customer is performed and approved by management before credit is being granted. The Group also closely monitors customers' payment pattern and credit exposures on an on-going basis.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheet.
- A nominal amount of \$3,114,000 (2016: \$6,298,000) relating to corporate guarantees provided by the Company to financial institutions on subsidiaries' loans and banking facilities.

Credit risk concentration profile

At the end of the reporting period,

- approximately 37.8% (2016: 5.3%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.
- 100% (2016: 100%) of the Group's loan receivable was due from debtor located in Singapore.

Financial assets that are neither past due nor impaired

Loan receivable and trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are placed with or entered into with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired disclosed in Note 16 and Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currencies of the Company and the respective entities in the Group. The foreign currency in which these transactions are denominated are in USD. Approximately 73.6% (2016: 70.7%) of the Group's sales are denominated in USD whilst almost 63.9% (2016: 65.5%) of purchases are denominated in USD. Selling and distribution costs, administrative expenses and other operating expenses are predominantly measured in SGD. The trade receivable and trade payable balances at the end of each reporting period have similar exposures.

Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group and Company also hold cash and cash equivalents denominated in USD for working capital purposes. At the end of each reporting period, USD balances amounted to \$16,908,000 (2016: \$21,433,000) and \$14,474,000 (2016: \$9,243,000) for the Group and the Company respectively.

Sensitivity analysis for foreign currency risk

The following table denominates the sensitivity to a reasonably possible change in the USD, with all other variables held constant, of the Group's loss before tax.

	Group	
	2017	2016
	\$'000	\$'000
United States Dollar:		
- strengthened 5%	(857)	(1,150)
- weakened 5%	857	1,150

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. As at the end of the reporting period, the Group and Company has stand-by credit facilities amounting to \$12 million (2016: \$12 million).

The Group manages its liquidity risk by monitoring its net operating cash flow and maintains an adequate amount of committed credit facilities from financial institutions. The Group assesses the concentration risk with respect to refinancing its debt and concluded it to be low.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group				
2017				
<i>Financial assets</i>				
Trade receivables (excluding sales tax receivables)	922	-	-	922
Other receivables	61	-	-	61
Receivable from associate	184	-	-	184
Cash and cash equivalents	18,980	-	-	18,980
Total undiscounted financial assets	20,147	-	-	20,147
<i>Financial liabilities</i>				
Trade payables	(667)	-	-	(667)
Other payables	(2,254)	-	-	(2,254)
Loans and borrowings	(452)	(1,705)	(1,324)	(3,481)
Total undiscounted financial liabilities	(3,373)	(1,705)	(1,324)	(6,402)
Total net undiscounted financial assets/(liabilities)	16,774	(1,705)	(1,324)	13,745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	1 year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group				
2016				
<i>Financial assets</i>				
Trade receivables (excluding sales tax receivables)	1,914	-	-	1,914
Other receivables	86	-	-	86
Receivable from associate	140	-	-	140
Cash and cash equivalents	26,017	-	-	26,017
Total undiscounted financial assets	28,157	-	-	28,157
<i>Financial liabilities</i>				
Trade payables	(652)	-	-	(652)
Other payables	(3,207)	-	-	(3,207)
Loans and borrowings	(915)	(4,254)	(1,897)	(7,066)
Total undiscounted financial liabilities	(4,774)	(4,254)	(1,897)	(10,925)
Total net undiscounted financial assets/(liabilities)	23,383	(4,254)	(1,897)	17,232

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	1 year or less \$'000	Over 1 year \$'000	Total \$'000
Company			
2017			
<i>Financial assets</i>			
Trade receivables (excluding sales tax receivables)	-	-	-
Other receivables	29	-	29
Amount due from subsidiaries	877	-	877
Receivable from associate	7	-	7
Cash and cash equivalents	14,964	-	14,964
Total undiscounted financial assets	15,877	-	15,877
<i>Financial liabilities</i>			
Trade payables	(3)	-	(3)
Other payables	(329)	-	(329)
Total undiscounted financial liabilities	(332)	-	(332)
Total net undiscounted financial assets	15,545	-	15,545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	1 year or less \$'000	Over 1 year \$'000	Total \$'000
Company			
2016			
<i>Financial assets</i>			
Trade receivables (excluding sales tax receivables)	–	–	–
Other receivables	15	–	15
Amount due from subsidiaries	11,910	–	11,910
Receivable from associate	7	–	7
Loan to subsidiaries	2,194	–	2,194
Cash and cash equivalents	9,657	–	9,657
Total undiscounted financial assets	23,783	–	23,783
<i>Financial liabilities</i>			
Trade payables	–	–	–
Other payables	(347)	–	(347)
Amounts due to subsidiaries	(3,606)	–	(3,606)
Total undiscounted financial liabilities	(3,953)	–	(3,953)
Total net undiscounted financial assets	19,830	–	19,830

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group				
2017				
Banker's guarantee	218	-	-	218
2016				
Banker's guarantee	119	-	-	119
Company				
2017				
Corporate guarantees	370	1,480	1,264	3,114
2016				
Corporate guarantees	746	3,728	1,824	6,298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial results. The Group's exposure to interest rate risk arises primary from its finance leases, term loans and cash surpluses.

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, the following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's loss before tax:

	Group	
	Increase/ decrease in basis points	Effect on loss before tax increase/ (decrease) \$'000
2017		
Singapore Dollar	+15	2
United States Dollar	+15	(25)
Singapore Dollar	-15	(2)
United States Dollar	-15	25
2016		
Singapore Dollar	+15	9
United States Dollar	+15	(13)
Singapore Dollar	-15	(9)
United States Dollar	-15	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, loan receivable, amounts due from subsidiaries, loan to subsidiaries and associate, current trade and other payables, amounts due to subsidiary, and current loans and borrowings reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently to market interest rates.

The estimated fair values of the Group's loans and borrowings approximate their carrying amounts based on borrowing rates which would be available to the Company at the end of each reporting period.

Non-financial asset and liability whose carrying amounts approximate fair values

Management has determined that the carrying amount of the assets and liabilities of disposal group held-for-sale reasonably approximate its fair value because they are mostly short-term in nature or are repriced frequently to market interest rates.

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets measured at fair value*

The following table shows an analysis of class of assets measured at fair value at the end of the reporting period:

	Note	Fair value measurements at the end of the reporting period using Significant un-observable inputs (Level 3)	
		2017 \$'000	2016 \$'000
Group			
Assets measured at fair value			
<i>Non-financial asset:</i>			
<u>Property, plant and equipment</u>			
- Buildings and improvements	12	8,000	14,221
Non-financial asset as at 31 December		8,000	14,221

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2017	Fair value at 31 December 2016	Valuation techniques
Recurring fair value measurements			
<i>Property, plant and equipment:</i>			
Buildings and improvements	8,000	14,221	Direct comparison approach

For buildings and improvements, a significant increase/(decrease) in yield adjustments based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

(ii) *Movements in Level 3 asset measured at fair value*

The reconciliation for non-financial assets measured at fair value based on significant unobservable inputs (Level 3) is as disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Level 3 fair value measurements (cont'd)*

(iii) *Valuation policies and procedures*

The management oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures as described in Note 2.7. In this regard, the management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The management documents and reports its analysis and results of the external valuations to the Audit Committee in the financial year that valuation is carried out. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or raise funds through debt market.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 26 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 26 MARCH 2018

Issued and fully paid-up capital	-	S\$49,007,558*
Total number of shares including treasury shares	-	28,119,659
Total number of shares excluding treasury shares	-	27,119,659
Treasury shares	-	1,000,000
Class of shares	-	Ordinary
Voting rights (excluding treasury shares)	-	One Vote Per Share

* Net of direct share issuance costs

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	8	0.58	285	0.00
100 - 1,000	475	34.62	240,110	0.88
1,001 - 10,000	727	52.99	3,069,098	11.32
10,001 - 1,000,000	156	11.37	10,505,495	38.74
1,000,001 AND ABOVE	6	0.44	13,304,671	49.06
TOTAL	1,372	100.00	27,119,659	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	LAUW & SONS HOLDINGS PTE LTD	4,147,923	15.29
2	TREADSTONE HOLDINGS PTE LTD	2,809,207	10.36
3	DB NOMINEES (SINGAPORE) PTE LTD	2,000,000	7.37
4	DBS NOMINEES (PRIVATE) LIMITED	1,949,169	7.19
5	RAFFLES NOMINEES (PTE) LIMITED	1,348,372	4.97
6	WANG ZHENMING	1,050,000	3.87
7	HONG LEONG FINANCE NOMINEES PTE LTD	732,100	2.70
8	THAM MUN CHEE	626,500	2.31
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	573,275	2.11
10	CHEW PECK KHOON	542,800	2.00
11	PHILLIP SECURITIES PTE LTD	415,300	1.53
12	LOH FOON CHAN @ LEONG BEE LAY	401,000	1.48
13	HO KEE	381,400	1.41
14	TAN SU LAN @ TAN SOO LUNG	377,100	1.39
15	LIM SIEW KEOK	350,000	1.29
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	349,200	1.29
17	TAN CHU EN IAN	320,000	1.18
18	WANG SHANSHAN	300,650	1.11
19	LEE SAI LYE	240,000	0.88
20	LEW WING KIT	221,000	0.81
TOTAL		19,134,996	70.54

SHAREHOLDINGS STATISTICS

AS AT 26 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholders	Direct interest	Deemed interest
Tan Chu En Lan ⁽¹⁾	320,000	3,709,207
Sinta Muchtar ⁽¹⁾⁽²⁾	-	8,177,130
Lauw & Sons Holdings Pte Ltd	4,147,923	-
Treadstone Holdings Pte. Ltd. ⁽³⁾	2,809,207	900,000
Well Global Investments (Singapore) Pte Ltd ⁽⁴⁾	2,000,000	-

Notes

- (1) Mr Tan Chu En Ian and Ms Sinta Muchtar are spouses. Mr Tan Chu En Ian and Ms Sinta Muchtar each owns 50% of the issued share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed to be interested in Treadstone Holdings Pte Ltd's shareholdings in the Company.
- (2) Ms Sinta Muchtar owns 12.5% of the issued share capital of Lauw & Sons Holdings Pte. Ltd. She is deemed to have an interest in the 4,147,923 shares owned by Lauw & Sons Holdings Pte Ltd., and the 320,000 shares owned by her spouse, Mr Tan Chu En Ian.
- (3) 900,000 shares owned by Treadstone Holdings Pte Ltd are held through a nominee.
- (4) 2,000,000 shares owned by Well Global Investments (Singapore) Pte Ltd are held through a nominee.

PUBLIC FLOAT

Based on information available to the Company as at 26 March 2018, approximately 62.36% of the total number of issued shares (excluding treasury shares) of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AEI Corporation Ltd., will be held at 15 Tuas South Street 13, Singapore 636936 on Monday, 30 April 2018 at 9:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Report of the Auditors thereon. **(Resolution 1)**
2. To approve the Directors' fees of S\$211,500 (2016: S\$211,500) for the financial year ended 31 December 2017. **(Resolution 2)**
3. To re-elect Mr Tan Chu En Ian, a Director retiring under Article 104 of the Constitution of the Company. **(Resolution 3)**
4. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

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

5. **Authority to issue and allot shares**

- "(a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
- (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and/or
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:
- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings), and for the purpose of this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be the Company's total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - (A) new shares arising from the conversion or exercise of convertible securities,
 - (B) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and
 - (C) any subsequent bonus issue, consolidation or subdivision of the Company's shares,
 - (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(Resolution 5)
(See Explanatory Note 1)

ANY OTHER BUSINESS

6. To transact any other business that may normally be dealt with at an Annual General Meeting.

By Order of the Board

Lum Soh Ping

Foo Soon Soo

Company Secretaries

Singapore, 14 April 2018

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:-

1. Resolution 5, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company of which the total number of convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company for this purpose shall be the total number of issued shares (excluding treasury shares) at the time this Resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issues, consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTES:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint more than two proxies to attend, speak and vote at the meeting.
3. A proxy need not be a member of the Company.
4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof must be deposited at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 not later than 48 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

PERSONAL DATA PRIVACY:

By submitting 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 the 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, 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) 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.

AEI CORPORATION LTD.
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
CO. REGISTRATION NO. 198300506G

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF moneys to buy shares in AEI CORPORATION LTD., this Annual Report is forwarded to them at the request of the CPF Approved Nominees.
3. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name)
of _____ (Address)
being *a member/members of AEI CORPORATION LTD. (the "**Company**"), hereby appoint

Name	Address	NRIC / Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or (delete as appropriate)

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as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 15 Tuas South Street 13, Singapore 636936 on Monday, 30 April 2018 at 9:00 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 Annual General Meeting in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

No	Ordinary Resolutions	No. of Votes or to indicate with a tick ¹	
		For	Against
	Ordinary Business		
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Report of the Auditors thereon.		
2.	To approve the Directors' fee of S\$211,500 (2016: S\$211,500) for the financial year ended 31 December 2017.		
3.	To re-elect Mr Tan Chu En Ian as Director.		
4.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
5.	To authorize Directors to issue and allot shares pursuant to Section 161 of the Companies Act, Chapter 50.		

¹ All resolutions would be put to vote by poll in accordance with the listing rules of Singapore Exchange Securities Limited. Please tick "✓" or indicate the number of votes within the box provided. A tick would represent you are exercising all your votes "For" or "Against" the relevant resolution.

Dated this _____ day of _____ 2018.

Total Number of Shares Held

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. A member of the Company (other than a relevant intermediary as defined in Section 181 of the Companies Act, Cap.50) entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. A relevant intermediary as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the meeting and vote.
3. Where a member of the Company appoints more than one proxy in a proxy form, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
6. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of the Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 not later than 48 hours before the time set for not later than 48 hours before the time set for the Annual General meeting.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
11. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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**Affix
Postage
Stamp**

**The Company Secretary
AEI CORPORATION LTD.**

15 Tuas South Street 13
Singapore 636936

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CORPORATE INFORMATION

DIRECTORS

Yeung Koon Sang alias David Yeung
Tan Chu En Ian
Sinta Muchtar
Dr Vasoo Sushilan
Teng Cheong Kwee

SECRETARIES

Foo Soon Soo
Lum Soh Ping

REGISTERED OFFICE

15 Tuas South Street 13
Singapore 636936
Tel: (65) 6261 2244
Fax: (65) 6264 0080
Email: aei@aei.com.sg
Website: www.aei.com.sg

AUDITORS

Ernst & Young LLP
Lim Siew Koon
Audit Partner
(Appointed since financial year
ended 31 December 2016)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Registration No. 198300506G

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