NORDIC Group Limited

BUILDING MOMENTUM CAPTURING OPPORTUNITIES

2018
ANNUAL REPORT

CORPORATE PROFILE

Listed on the Singapore Stock Exchange Mainboard in 2010, we are a global solutions provider in areas of System Integration, Maintenance, Repair, Overhaul & Trading, Precision Engineering, Scaffolding, Insulation Services and Petrochemical & Environmental Engineering Services. Our Systems Integration division turns systems into solutions by providing Flow, Automation and Navigation solutions, while the Maintenance, Repair, Overhaul & Trading division provides after-sales service support for the marine, oil & gas and infrastructure industries. Our Precision Engineering division designs and builds tooling systems, and provides turnkey production solutions for the aerospace, marine, medical, oil & gas, and electronic manufacturing industries. Our Precision Engineering operation is based in Suzhou, People's Republic of China; our head office and System Integration production and warehouse are located in Singapore.

Our Scaffolding Services division provides scaffolding and alternative access solutions for the oil & gas, petrochemical, construction and marine industries. Our Insulation Services division specializes in supplying thermal, acoustical insulation, passive fireproofing and industrial coatings to the marine, oil and gas, petrochemical and pharmaceutical industries while our Petrochemical & Environmental Engineering Services specializes in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services to the petrochemical, manufacturing and infrastructure industries.

CONTENTS

OUR BUSINESSES

SYSTEMS INTEGRATION

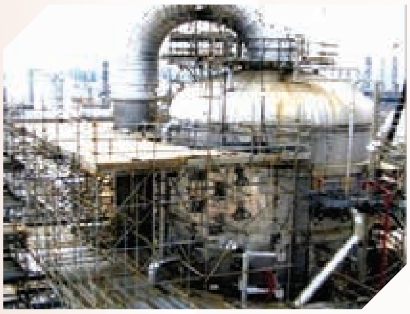
We turn systems into solutions by providing Flow, Automation and Navigation solutions that includes valve remote control systems and tank gauging systems. We also offer services such as Engineering, Procurement, Installation, and Commissioning ("EPIC") for conversion, upgrading, factory and infrastructure automation.

MAINTENANCE, REPAIR, OVERHAUL AND TRADING

With our extensive network of service centres spanning across the globe, our dedicated team of consultants readily provides prompt service support round the clock as part of our after-sales service. To date, over 1,000 vessels have been fitted with our systems, with the number steadily increasing with every delivery of new vessels, creating more opportunities for conversion and retrofitting of existing vessels.

PRECISION ENGINEERING

Featuring 5-axis CNC machines at our production facilities in Suzhou, PRC, we specialize in the design and building of tooling systems, and provision of turnkey production solutions, servicing customers mainly from the marine, oil & gas, aerospace, medical and electronic manufacturing services industries.



SCAFFOLDING SERVICES

We provide scaffolding and alternative access solutions for the oil & gas, petrochemical, construction and marine industries in Singapore. We have the requisite technical capabilities, expertise and infrastructure to execute complex projects. As testament to our strong customer base and long-standing relationships, our subsidiary, Multiheight Scaffolding Pte Ltd ("Multiheight") is the resident contractor for many major local and multinational companies in the onshore oil & gas industry.

INSULATION SERVICES

We specialize in supplying thermal, acoustical insulation, passive fireproofing and industrial coatings. With skilled workforce and technical expertise, our subsidiary, Austin Energy (Asia) Pte Ltd ("Austin Energy") has established a strong presence in several industries including the marine, oil & gas, petrochemical and pharmaceutical industries.

PETROCHEMICAL & ENGINEERING SERVICES

We specialize in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment support services, product filtering services and support in operation of utility plants. We serve the petrochemical, manufacturing, and infrastructure industries.

SALES AND SERVICES NETWORK

Covering Singapore and various locations in the PRC, our system integration division sales and services network as well as an international network of appointed sales and service agents, provide prompt and proficient service support.

AWARDS & ACCREDITATIONS

2012

- Attained Workplace Safety and Health Supervisor Award
- Attained Workplace Safety and Health Performance Award

2013

- Awarded Singapore 1000 Award
- Awarded Workplace Safety and Health Performance Award (Silver)

2014

- Attained Chevron Oronite Best Contractor Award (Gold)
- Awarded Singapore Maritime Distinguished Award 2014
- Awarded Singapore 1000 Award
- Awarded Workplace Safety and Health Performance Award (Silver)

2015

- Received Commendation for Good Safety Performance by Pfizer Asia Pacific Pte Ltd
- Awarded SME 1000 Award
- Awarded Workplace Safety and Health Performance Award (Silver)
- Attained Chevron Oronite Best Contractor Award (Gold)
- Attained ExxonMobil Zero Recordable Injury for >250k Man-Hours Award
- Attained ExxonMobil Safety Performance Award for an Injury-Free 2015

2016

- Attained ExxonMobil Innovation and Productivity Safety Award
- Attained ExxonMobil Zero Recordable Injury For >250k Man-Hours Award
- Attained ExxonMobil Best Supervisor Award for Safety Contribution
- Attained WSH Supervisor Award (1 Gold and 2 Silver)
- Attained WSH Innovation Award (Silver)
- Attained WSH Performance Award (Silver)
- Awarded Good Safety Performance by Pfizer Asia Pacific Pte Ltd
- Attained Contractor Safety Performance Award (Special Award) by Chevron Oronite Pte Ltd

2017

- Attained ExxonMobil Zero Recordable Injury
- Attained ExxonMobil Zero Recordable Injury for >250k Man-Hours Award for 3 consecutive years
- Attained WSH Innovation Award (Bronze)
- Attained WSH Supervisor Award
- Awarded Good Safety Performance by Pfizer Asia Pacific Pte Ltd

2018

- Attained ExxonMobil Zero Recordable Injury for >250k Man-Hours Award for 3 consecutive years
- Received GSK Good safety and Health Performance Award during the Jurong Plant Shutdown in January 2018
- Received Sembcorp Marine WSH Performance Award 2018 Gold Certificate
- Received Pfizer Asia Pacific Commendation for Good Safety Performance 2018
- Received JFE Engineering Corporation Certificate of Appreciation to certain employees for their contribution to the Design & Build of NTU-NEA WtE Research Facility to NEWRI

SYSTEMS INTEGRATION

All systems, associated equipment and parts offered to our customers are accredited by various marine classification bodies such as ABS, Bureau Veritas, China Classification Society, Det Norske Veritas, Germanischer Lloyd, Indian Register of Shipping, Korean Registry of Shipping, Lloyd's Register, Nippon Kaiji Kyokai and Polski Rejester Statkow. Attaining certifications, such as ISO9001, OHSAS 18001 and WSH bizSAFE Star, further reinforces our steadfast dedication to quality excellence.

INSULATION SERVICES

Our Insulation Services division is committed to providing quality products and solutions to customers. Besides having the quality certification ISO9001:2008, we are also OHSAS certified with OHSAS 18001:2007. We are awarded bizSAFE star certification from the Workplace Safety and Health Council.

SCAFFOLDING SERVICES

Our Scaffolding Services division was one of the first in its industry to obtain the ISO9001 (previously known as ISO9002) certification in 1997. Multiheight has also received other quality certifications such as the OHSAS18001:2007 – Erection & Dismantling of Metal Scaffolding and SS506: Part1:2009 – Erection & Dismantling of Metal Scaffolding. These are testament to our achievements in meeting stringent quality and safety requirements over the years.

PETROCHEMICAL & ENVIRONMENTAL ENGINEERING SERVICES

Our Petrochemical & Environmental Engineering Services division is certified with the valued Integrated Management System (IMS), which encompasses 3 systems, namely the ISO 9001 – Quality Management System, ISO 14001 – Environmental Management System and OHSAS 18001 – Occupational Health & Safety Management System. We are a certified OJT Centre with ITE, Singapore and also certified with the People Developer (PD) standard for our success in the training and development of our people, the Singapore Quality Class (SQC) Star for attaining greater heights of excellence on the business excellence journey and bizSAFE Star for our commendable work safety. We are also the official blood donation centre for the Singapore Red Cross Society.

PRECISION ENGINEERING

Our commitment to quality is evident as we attained certification for AS9100C and ISO certifications (ISO9001:2015).

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Nordic Group Limited ("Nordic" or together with its subsidiaries, the "Group"), it is my honour and privilege to deliver to you our Annual Report 2018 for the financial year ended 31 December 2018.

CONTINUING TO STRIVE HIGHER

Our Group is delighted to once again achieve a new record revenue of $91.7 million in FY2018 following our listing in 2010. Our record revenue performance was driven mainly by growth in our Maintenance Services business segment over the past years and the sale of our remaining carbon allowances contracts. Revenue contribution from the Maintenance business segment grew substantially to $37.8 million in FY2018 and the Group will continue to pursue contracts in this segment to continue to provide stable earnings. Performance in the Project Services business segment has been declining on a year-on-year basis due to a challenging operating environment in the marine, oil and gas industries. Revenue contribution from the Project business segment declined to $50.1 million in FY2018.

The Group's net profit declined to $11.3 million, mainly due to certain projects having lower margins as well as one-off events for rightsizing our System Integration division and factory relocations. Despite these, the Compound Annual Growth Rate ("**CAGR**") of our net profit was 30% from FY2011 to FY2018.

Additionally, our Group secured new contracts of approximately $75.7 million in FY2018. In just the first two months of FY2019, our Group has inked additional contracts amounting to $12.9 million.

Finally, our Group continues to maintain a robust balance sheet as at 31 December 2018, with cash and cash equivalents of $39.2 million. Net asset value per share has strengthened from 19.5 Singapore cents as at 31 December 2017 to 20.6 Singapore cents as at 31 December 2018[1]. Our enterprise value has also shot up 400% from $40.2 million in FY2011 to $167.0 million in FY2018[1]. Nordic's market capitalization has also grown to $157 million[2].

Moving forward, the group will continue to undertake prudent cost and risk management, build upon our contract-winning momentum, and bear a forward-thinking mindset with astute planning.

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[1] Based on Bloomberg on 5 March 2019

[2] Based on the 392,519,000 ordinary shares in issue excluding treasury shares

CHAIRMAN'S STATEMENT

UNCERTAINTY IN THE MARKET

There has been uncertainty in the market amidst persistent weak oil prices, fluctuations in the exchange rate of United States Dollars against Singapore Dollars, as well as unpredictability due to the ongoing trade war between the USA and China. Consequently, the Group's growth will be affected. However, the Group remains optimistic as we have started to build contract-winning momentum in the marine, oil and gas sectors as they undergo an arduous recovery process.

INCREASING GROUP SYNERGY

In FY2018, our Group took the pragmatic approach of consolidating our operations with the purchase of 2 Tuas Ave 10 for approximately $8.0 million. During the consolidation process, our Group sold 5 Kwong Min Road and 42 Tech Park for a combined consideration of $5.85 million. By consolidating our operations, the Group has been able to increase working efficiency amongst departments while strengthening coordination and control.

MOVING FORWARD

Our Merger and Acquisition ("**M&A**") strategy has demonstrated the Group's ability to execute successful earnings accretive acquisitions as well as expand our range of products and services to new and existing customers. Additionally, the integration of our acquisitions has allowed the Group to expand our offerings to include packaged services that involve various aspects of individual services we provide. Going forward, our Group will offer more services such as Mechanical, Electrical and Instrumentation, Scaffolding, Insulation and Painting, Chemical Cleaning, Equipment Rental, and Maintenance and Fabrication.

REWARDING OUR LOYAL SHAREHOLDERS

Our Group has announced a final dividend of 0.353 Singapore cents per share for FY2018, subject to shareholders' approval at the Annual General Meeting on 29 April 2019. This is in addition to an interim dividend of 0.779 Singapore cents per share paid out in September 2018. Together, this represents an attractive dividend yield of 3.5%.[3]

Moving forward, our Group will strive to maintain an annual dividend pay-out policy of 40% to be paid half yearly to reward our loyal shareholders.

THANK YOU

On behalf of the Board, I would like to take this opportunity to express my utmost gratitude to all our customers for their continued support over the years. We will work hard to maintain our high safety standards while consistently deliver quality products and services to you.

Total dividend of 1.132 Singapore cents for FY2018

To our Board of Directors, management team, and staff – thank you for your dedication, hard work, and commitment over the years.

Most importantly, to our valued shareholders, thank you for your unwavering faith in the management team and strategic direction of the Group. We will continue to strive for excellence and drive positive financial performance to enhance shareholder value.

Yours Sincerely,

CHANG YEH HONG
Group Executive Chairman

3 Based on the closing price of S$0.35 on 20 February 2019

BOARD OF DIRECTORS

CHANG YEH HONG
EXECUTIVE CHAIRMAN

Chang Yeh Hong is our Executive Chairman. He was appointed to our Board on 8 April 2010 and was last re-elected at the Company's Annual General Meeting ("AGM") on 26 April 2018. He is responsible for the working of the Board; the reviewing of business plans, strategic positioning and business expansion of the Group. He is a member of our Nominating Committee. He has more than 18 years of experience in the banking industry. From 1999 to 2000, he was the regional managing director of Asia Pacific with Citibank, and from 2000 to 2002, he was the global head of a product group with Standard Chartered Bank. Since he took an executive role with us in 2004, he has played a pivotal role in the growth and development of our Group. Yeh Hong holds a Bachelor of Arts degree majoring in Economics from the National University of Singapore and has completed the Standard Chartered International Management Programme in INSEAD Fountainbleau, France and the Business Financial Management Programme with Manchester Business School, United Kingdom.

DORCAS TEO LING LING
EXECUTIVE DIRECTOR &
CHIEF EXECUTIVE OFFICER
OF NORDIC FLOW CONTROL

Dorcas Teo Ling Ling is our Executive Director. She was appointed to our Board on 30 June 2010 and was last re-elected at the Company's AGM on 27 April 2016. She has been with us since 2003 and was appointed Chief Executive Officer of Nordic Flow Control in 2012. She is responsible for the overall operations, sales and business development, profit and loss management, and human resources function of Nordic Flow Control. She has more than 25 years of experience in the marine and offshore valve remote control industry. From 1994 to 2003, she was with Tyco Flow Control Pte Ltd, where she eventually took on the position of sales manager. She holds a Bachelor of Commerce degree with major studies in Management from The University of Western Sydney, a Diploma in Sales and Marketing from the Marketing Institute of Singapore as well as a Diploma in Electrical Engineering from the Singapore Polytechnic. In 2006, Dorcas was awarded the Spirit of Enterprise Award in recognition of her inspiring her fellow Singaporeans to achieve greater entrepreneurial excellence.

JULIANA LEE KIM LIAN
INDEPENDENT DIRECTOR

Juliana Lee Kim Lian is our Independent Director. She was appointed to our Board on 16 September 2010 and was last re-elected at the Company's AGM on 26 April 2018. She is the Chairman of our Nominating Committee, and a member of our Audit Committee and Remuneration Committee. She also presently serves as an independent director on the boards of other listed companies, namely Uni-Asia Group Limited and Dyna-Mac Holdings Ltd. She is a Director of Aptus Law Corporation, a law firm in Singapore. She has more than 20 years of experience in legal practice and currently heads the corporate practice of Aptus Law Corporation. Her main areas of practice are corporate law, corporate finance, mergers and acquisitions and venture capital. She holds a Bachelor of Laws (Honours) degree from the National University of Singapore and is a member of the Singapore Institute of Directors.

BOARD OF DIRECTORS

ONG HUA
INDEPENDENT DIRECTOR

Ong Hua is our Independent Director. She was appointed to our Board on 16 September 2010 and was last re-elected at the Company's AGM on 26 April 2017. She is the Chairman of our Remuneration Committee, and a member of our Audit Committee and Nominating Committee. Ong Hua has over 20 years of working experience. She has more than 10 years of external auditing with the international accounting firms (Deloitte & Touche LLP and RSM Chio Lim LLP) prior to advancing her internal audit career with Singapore Health Services Pte Ltd (SingHealth) in year 2007. Her employment with SingHealth was transferred in year 2010 to MOH Holdings Pte Ltd till year 2017. In March 2017, she joined KK Women's and Children's Hospital as Deputy Director, Finance. In November 2018, she was transferred to National Dental Centre of Singapore and is the Deputy Director, Finance. Ong Hua holds a Bachelor of Accountancy degree from the Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

HEW KOON CHAN
INDEPENDENT DIRECTOR

Hew Koon Chan is our Independent Director. He was appointed to our Board on 16 September 2010 and was last re-elected at the Company's AGM on 27 April 2016. He is the Chairman of our Audit Committee, and a member of our Remuneration Committee and Nominating Committee. He also serves as an independent director on the boards of other listed companies, namely DeClout Limited, Far East Group Limited and Shopper360 Ltd. He is currently the Managing Director of Integer Capital Pte Ltd, a business consultancy firm focusing on mergers and acquisitions. From 1986 to 1988, Koon Chan was a process engineer at Texas Instruments Singapore (Pte) Ltd, and from 1988 to 2004, he was an investment director at Seavi Venture Services Pte Ltd, a private equity firm affiliated with Advent International Corporation. Koon Chan graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) degree. He also holds a Certified Diploma in Accounting and Finance conferred by the Chartered Association of Certified Accountants and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

SENIOR MANAGEMENT

ERIC LIN CHOON HIN

EXECUTIVE DIRECTOR OF ENSURE

Eric Lin Choon Hin is the Executive Director of Ensure. He is also the founder of Nordic Flow Control. Eric has more than 25 years of experience in the marine, offshore and automation industries. He holds a Diploma in Manufacturing Engineering from the Singapore Polytechnic.

TANG YEW QUAN

DIRECTOR OF MULTIHEIGHT & AUSTIN ENERGY

Tang Yew Quan is a director Multiheight and Austin Energy. He left the Group as our Chief Financial Officer in April 2014 and rejoined 12 months later to assume the above positions. He has more than 30 years of experience in the banking industry. He held local and regional positions from 1977 to 2008 in Standard Chartered Bank. Prior to joining our Group in December 2009, he was the Country Head of Credit for Small & Medium Enterprises at the Taiwan branch of Standard Chartered Bank. Yew Quan holds a Bachelor of Business Administration degree from the then University of Singapore and a Master of Business Administration (Banking and Finance) degree from the Nanyang Technological University.

RODNEY KOH WEI MING

CHIEF EXECUTIVE OFFICER OF AVITOOLS SUZHOU

Rodney Koh Wei Ming is the Chief Executive Officer of Avitools Suzhou and is responsible for the overall operations, sales and business development, profit and loss management, and human resources function of Avitools Suzhou. Rodney was a senior repair development engineer at Pratt & Whitney Services Pte Ltd (SPRO) from 1999 to 2001, and an engineering manager from 2002 to 2005. From 2005 to 2006, he was the Operations Manager of Avitools Singapore. Rodney holds a Bachelor of Engineering degree from the University of Aberdeen and a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

SENIOR MANAGEMENT

SAMANTHA LIM BEE HONG

HEAD OF BUSINESS EXCELLENCE, CHINA & GENERAL MANAGER, NORDIC SUZHOU

Samantha Lim Bee Hong is the Head of Business Excellence, China and is responsible for all aspects relating to internal controls, risk management and business process improvements of our China subsidiaries as well as serving as country head for Nordic Suzhou. From 1995 to 1999, she was an accounts executive at Planet Hollywood (Asia) Pte Ltd. From 2001 to 2004, Samantha was an accounts supervisor at International Refinery Services Pte Ltd. From 2004 to 2007, she was our Group accountant, and from 2007 to 2008, she was a senior accountant at CapitaLand Limited. From 2008 to 2009, she was Head, Business Control of Nordic Flow Control. Samantha holds a Bachelor of Commerce Degree in Accounting and Banking from Curtin University of Technology.

ROBIN YIP KIN HOONG

CHIEF OPERATING OFFICER OF MULTIHEIGHT

Robin Yip Kin Hoong is the Chief Operating Officer of Multiheight and is responsible for management of overall operations of Multiheight that includes resource management, planning, execution, budget and cost control and business development. His responsibilities also include continuous improvement in process, productivity and working on innovative solutions. From 2000 to 2001, he was a Technical Administrator in ExxonMobil Chemical Plant. From 2002 to 2004, he was a Chemical Technician in Stella Chemical (S) Pte Ltd. Prior to joining us in 2009, he was a Process Technician in Teijin Polycarbonate (S) Pte Ltd. He was the Operations Manager in 2012 before his promotion to Chief Operating Officer in 2014.

TENG POH LIANG

CHIEF OPERATING OFFICER OF AUSTIN ENERGY

Teng Poh Liang is the Chief Operating Officer of Austin Energy and is responsible for management of overall operations of Austin Energy that includes resource management, planning, execution, budget and cost control and business development. His responsibilities also include continuous improvement in process, productivity and working on innovative solutions. He joined the Group as Group Head of Business Excellence and Corporate Development in March 2017 and was appointed as the Chief Operating Officer of Austin Energy in October 2017. Prior to joining us, he held various positions in small medium enterprises to multinational companies as project engineer, project manager and general manager. Poh Liang holds a Bachelor of Engineering (Mechanical & Production Engineering) degree from the Nanyang Technological University and a Diploma in Marketing Management from Singapore Institute of Management.

SENIOR MANAGEMENT

HAN MENG SIEW
CHIEF EXECUTIVE OFFICER OF ENSURE

Han Meng Siew is the Chief Executive Officer of Ensure and is responsible for the strategy and development of the business and overall performance of Ensure. He has more than 40 years of engineering experience with expertise in the fields of engineering services in the overhauling of rotating and reciprocating equipment, chemical cleaning, process decontamination and commissioning of process plants for the petrochemical industries in the Asia Pacific region. He started his career with Sembawang Shipyard Ltd as an apprentice of the Fitter Machine Shop and upon graduation, was seconded to Neptune Orient Lines for a year as a Junior Marine Engineer. Upon his return to the shipyard, he assumed the role of a Trainee Supervisor and subsequently was transferred to the Estimation Department to do cost estimation of ship repairs. After being in the shipyard for 12 years, he left to join Seng Teck Engineering Company as their Business Development Manager. In 1988, along with 4 other shareholders, they set up ENSURE Engineering Pte Ltd and became their Commercial Manager. In 1994, he assumed the role of Managing Director. In August 2003, Meng Siew was conferred by the University of Wisconsin (USA) with a Doctorate Degree of Entrepreneurship.

WANG LAI SUAN
CHIEF OPERATING OFFICER OF ENSURE

Wang Lai Suan is the Chief Operating Officer of Ensure in April and is responsible for the overall sales and business development, procurement and operations. He has more than 36 years of experience in the fields of ship repairing, manufacturing, chemical cleaning as well as engineering maintenance of the National Infrastructure and Petrochemical Plants. He was also one of the directors and shareholders of Ensure from 2001 to 2017. Before joining Ensure, he was the Senior Vice President of Dovechem Terminals Holdings Limited. Prior to that, he worked in Sembawang Shipyard from 1982 to 1988 where he reached the position of Ship Repair Manager. Lai Suan holds a Bachelor of Engineering (Mechanical) degree from the National University of Singapore and a Graduate Diploma in Marketing from the Marketing Institute of Singapore and Diploma in Marketing from the The Chartered Institute of Marketing (UK).

CHIA MENG RU
GROUP CHIEF FINANCIAL OFFICER

Chia Meng Ru was appointed as our Group Chief Financial Officer on 17 August 2017 and Company Secretary on 17 October 2017. She is responsible for the Group’s financial functions, including managing capital, finance, treasury, risk management, tax, as well as legal matters and mergers and acquisitions. She supports the Group Executive Chairman in the Group’s strategic business planning process and participates in all major investment initiatives and decisions, providing sound financing options and optimal structuring of major projects, apart from building and enhancing shareholder and investor relations. Prior to joining us, she was an audit partner in RSM Chio Lim LLP. Meng Ru holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University. She is a member of the Institute of Singapore Chartered Accountants and a Fellow Member of Chartered Accountants Australia and New Zealand.

FINANCIAL HIGHLIGHTS AND INVESTMENT SCORECARD

REVENUE

$91.7 million

$91.5 million in 2017

EBITDA

$16.0 million

$20.7 million in 2017

NET PROFIT

$11.3 million

$15.3 million in 2017

ORDER BOOK

$92.7 million

As at 31 December 2018

MARKET CAPITALISATION[(3)] AS AT 31 DECEMBER 2018

$157 million

$220 million as at 31 December 2017

RETURN ON ASSET[(3)]

7.47 %

11.60% in 2017

RETURN ON EQUITY[(3)]

14.37 %

21.29% in 2017

RETURN ON INVESTED CAPITAL[(1)]

19.4 %

28.4% in 2017

EARNINGS PER SHARE

2.9 %

3.9 cents in 2017

TOTAL DEBT TO EQUITY[(2)(3)]

60.75 %

61.57% in 2017

NET ASSET VALUE PER SHARE

20.6 cents

19.5 cents in 2017

NET PROFIT CAGR OF

30 %

from FY2011 to FY2018

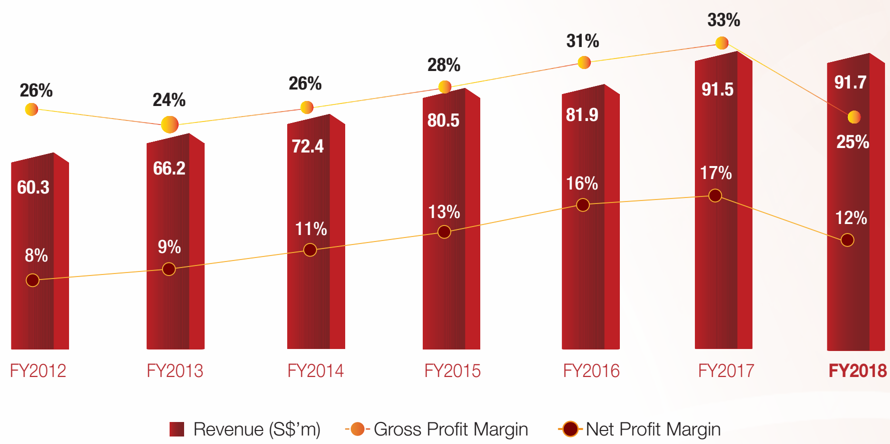
(1) Means that for every $1 of capital invested in the business, the Company earned about $19 in profit. Calculated based on profit before interest and tax/tangible capital employed which is tangible non-current asset + current asset – current liabilities (trade and other payables, other liabilities, income tax payable) – excess cash. If assets held for sale is excluded, the ROIC is 22% for 2018 and 36.1% for 2017.

(2) Included liabilities of a disposal group classified as held for sales under FRS 105. If calculated base on (total borrowings less cash)/equity, total debt to equity would be net debt of 19% for 2018 and net debt of 13% for 2017.

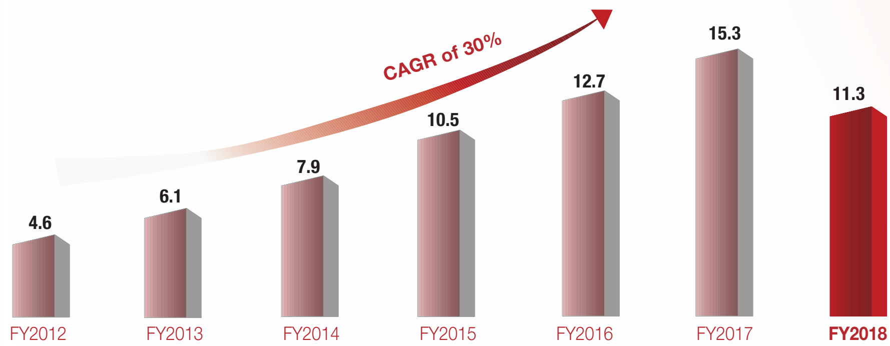
(3) Source: Bloomberg, 25 February 2019.

FINANCIAL HIGHLIGHTS

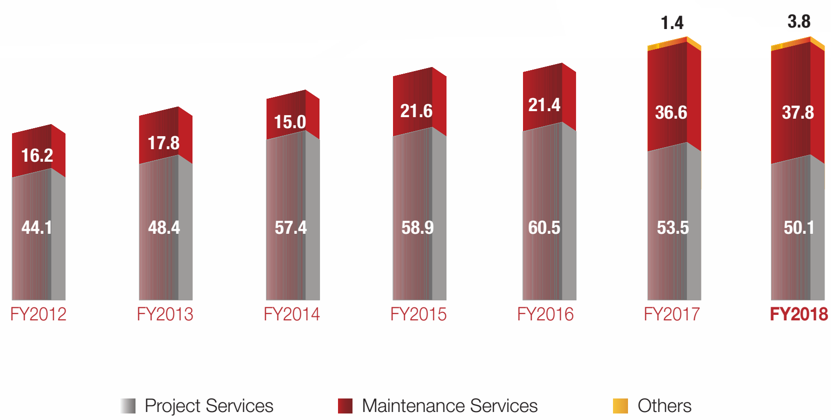
REVENUE AND PROFIT MARGIN



NET PROFIT (S$'m)



REVENUE BY PROJECT AND MAINTENANCE SEGMENT



FINANCIAL AND OPERATION REVIEW

OPERATIONS REVIEW

The Group's **System Integration ("SI")** division offers integrated control and management systems for newly built ships as well as ships that require upgrades or conversions. SI division designs, procures, develops and manufactures actuators, valves and other components for assembly and integration into valve remote control systems, tank gauging systems, anti-heeling systems, alarm monitoring and power management systems used by customers in their vessels.

The Group's **Maintenance, Repair and Overhaul ("MRO") and Trading** division provides customers with after-sales requests for maintenance, repairs and overhauls for the vessels.

The Group's **Precision Engineering ("PE")** division designs and builds tooling systems, and provides turnkey production solutions to customers in the marine, oil and gas, aerospace, medical and electronic manufacturing services industries.

The Group's **Scaffolding Services ("SS")** division is an established leader in metal scaffold works servicing the process, construction and marine industries, offering a full suite of scaffolding services including design, erection, modification and dismantling, sales and rental.

The Group's **Insulation Services ("IS")** division specialises in insulation mainly in thermal insulation and passive fireproofing services in the petrochemical, pharmaceutical, marine, oil and gas industries.

The Group's **Petrochemical & Environmental Engineering Services ("PEES")** division provides repairs, maintenance, operations and plant turnaround services for public environment engineering installations, energy installations, marine and offshore industries, manufacturing industries, oil and petrochemical industries.

In FY2015, the Group reorganised the business divisions into two major business segments namely **Project Services** and **Maintenance Services**. The change was to better reflect the nature of the revenue streams and type of products and services rendered. Project Services segment includes projects that requires engineering, design, procurement, construction, machining, scaffolding works, insulation services and passive fireproofing services. Revenue is usually from capital projects which are non-recurring. Maintenance Services segment includes maintenance and repair services, trading and supply of material, spare parts and components. Maintenance Services segment revenue is recurring and the contracts are usually for a period of 1 to 3 years.

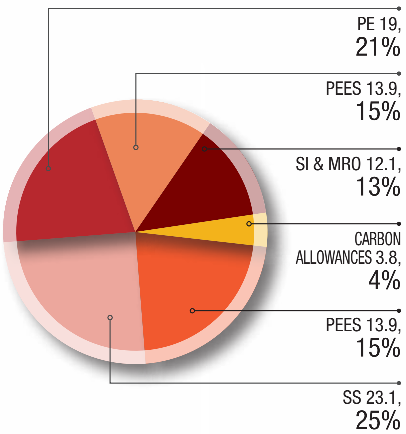
FINANCIAL AND OPERATION REVIEW

FINANCIAL REVIEW FOR FY2018

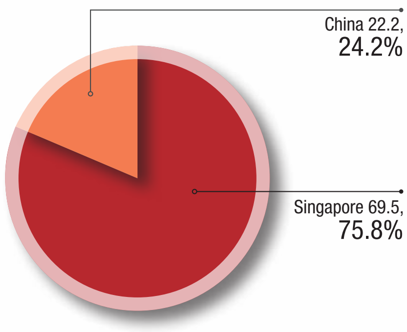
The Group managed to grow its revenue base modestly from $91.5 million in FY2017 to $91.7 million in FY2018, mainly attributed to incremental revenue contribution from the Group's Maintenance Services business segment and higher sales of carbon allowances under Others business segment. Maintenance Services business segment contributed revenue of $37.8 million in FY2018, up 3% as compared to $36.7 million in FY2017. However, revenue from the Group's Project Services business segment declined 6% from $53.5 million in FY2017 to $50.1 million in FY2018 due to lesser projects in FY2018 during a challenging operating environment.

Geographically, the Group's Singapore market contributed $69.5 million in FY2018 as compared to $65.8 million in FY2017 mainly due to additional income derived from the acquisition of Ensure.

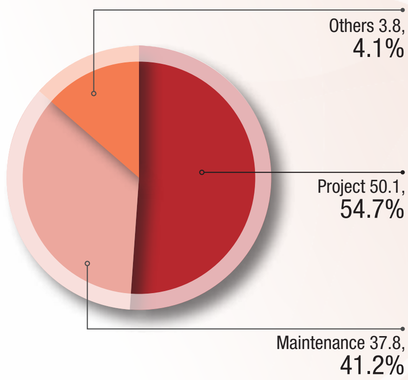
Revenue by Business division



Revenue by Geographical location



Revenue by Project and Maintenance Segment



Gross profit decreased 23% from $30.4 million in FY2017 to $23.3 million in FY2018 and gross profit margin decreased from 33.3% in FY2017 to 25.4% in FY2018 mainly due to specific projects of lower margins during the year.

Distribution costs increased $0.3 million or 59% from $0.4 million in FY2017 to $0.7 million in FY2018, mainly due to higher marketing costs incurred.

Administrative expenses came in higher by 9% from $11.3 million in FY2017 to $12.3 million in FY2018 due to one-off event for right sizing our system integration division and additional costs from Ensure.

The Group incurred higher finance costs of $1.5 million in FY2018 versus $1.2 million in FY2017 because of higher interest rates and increased borrowings for the acquisition of Ensure and purchase of our property at 2 Tuas Ave 10.

The Group recognised other gains of $3.0 million in FY2018 contributed by the reversal of other payables to Vendors of Ensure of $1.6 million, gain from disposal of properties, plant and equipment of $0.5 million, foreign exchange gain of $0.3 million, other income of $0.5 million and government grants of $0.2 million.

Notwithstanding the prolonged weakness in the offshore marine, oil and gas industries, Nordic delivered net profit after tax attributable to shareholders of $11.3 million in FY2018.

The Group proposed a final dividend of 0.353 Singapore cents per share to reward shareholders.

FINANCIAL AND OPERATION REVIEW

BALANCE SHEET REVIEW FOR FY2018

$'000	31 December 2018	31 December 2017
Non-current Assets	**59,818**	52,268
Current Assets	**92,042**	99,041
Non-current Liabilities	**12,822**	16,773
Current Liabilities	**58,046**	57,922
Total Equity	**80,992**	76,614
Cash and Cash Equivalents	**39,232**	40,291
Net Asset Value per share (cents)	**20.6**	19.5

Non-current assets

Non-current assets increased $7.5 million or 14% from $52.2 million as at 31 December 2017 to $59.8 million as at 31 December 2018. The increase was mainly due to the acquisition of our property at 2 Tuas Ave 10 and scaffold materials of $10.6 million. This increase was offset by the disposal of 2 properties with net book value of $5.3 million and depreciation charge for the period under review.

Current assets

Current assets decreased $6.9 million or 7%, from $99.0 million as at 31 December 2017 to $92.0 million as at 31 December 2018. The decrease was mainly due to decrease in asset held-for-sale of $5.3 million with the sale of our properties at 42 Tech Park Crescent and 5 Kwong Min Road, decrease in inventories $3.2 million due to sale of carbon allowances, decrease in trade and other receivables of $0.9 million, decrease in cash and cash equivalents of $1.1 million. These decreases were offset by increases in other assets of $1.7 million mainly due to increase in unbilled receivables which is offset by decrease in deposits to secure services and prepayments.

Current liabilities

Current liabilities increased $0.1 million, from $57.9 million as at 31 December 2017 to $58.0 million as at 31 December 2018 mainly due to an increase in financial liabilities of $8.0 million from the drawdown of the loan to pay for our property at 2 Tuas Ave 10. This increase was offset by a decrease in liabilities held for sale under FRS105 of $3.8 million, decrease in income tax payable of $0.4 million, decrease in trade and other payables of $3.3 million due to decrease in trade payables and accrued liabilities and decrease in contingent liability payable to the vendors for the acquisition of Ensure Engineering Pte Ltd and decrease in other liabilities of $0.3 million.

Non-current liabilities

Non-current liabilities decreased by $4.0 million or 24%, from $16.8 million as at 31 December 2017 to $12.8 million as at 31 December 2018 mainly due to the repayment of financial liabilities of $2.2 million and decrease of other payables of $1.7 million.

Equity

Our capital and reserves increased by $4.4 million or 6% from $76.6 million as at 31 December 2017 to $81.0 million as at 31 December 2018 mainly due to the retention of net profit from FY2018 of $11.3 million offset by dividend payment of $6.5 million.

FINANCIAL AND OPERATION REVIEW

The Group continued to maintain a robust balance sheet as at 31 December 2018 as cash and cash equivalents stood at $39.2 million, while net asset value per share strengthened from 19.5 Singapore cents as at 31 December 2017 to 20.6 Singapore cents as at 31 December 2018[2].

CASH FLOW REVIEW FOR FY2018

$'000	FY2018	FY2017
Net cash generated from operating activities	**9,043**	15,029
Net cash generated (used in)/from investing activities	**(4,042)**	7,395
Net cash used in financing activities	**(6,453)**	(13,616)
Cash and cash equivalents at the end of the year	**39,232**	40,291

In FY2018, net cash generated from operating activities amounted to $9.0 million compared to $15.0 million generated in FY2017. We generated net cash of $15.1 million from operating profits before working capital changes. Net cash used in working capital amounted to $4.8 million. This was mainly due to cash outflow from increase in trade and other receivables of $0.9 million, cash outflow from increase in other assets of $1.7 million, cash outflow from decrease in trade and other payables of $5.0 million and decrease in other liabilities of $0.3 million. These cash outflows were offset by cash inflow from the decrease in inventories of $3.2 million. Our operating cash flow from operations was reduced by income tax payments of $1.3 million.

Net cash of $4.0 million was used in investing activities mainly from the purchase of property, plant and equipment of $10.4 million. This cash outflow was offset by proceeds from disposal of property, plant and equipment of $6.0 million.

Net cash of $6.5 million was used in financing activities. This was mainly due to dividend payment of $6.5 million, interest payment of $1.5 million, increase in net other financial liabilities and finance leases of $1.8 million and purchase of treasury shares of $0.3 million.

[2] Based on the 392,519,000 ordinary shares in issue excluding treasury shares as of 31 December 2018 (31 December 2017: 393,113,000)

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

COMMITMENT TO OUR SHAREHOLDERS

Our Group is committed to sound corporate governance and transparent practices by providing existing and potential investors with timely, accurate and full disclosure. Such disclosure helps investors to better evaluate the Group, as well as make informed investment decisions. Information of our Group is available via the following channels:

1. All our corporate announcements, including interim, full-year results and presentation materials, on the Singapore Exchange's SGXNet;
2. Our Group's corporate website with easy-to-access business information of our subsidiaries – http://www.nordicgrouplimited.com;
3. Our investor relations email: ir@nordicgrouplimited.com;
4. Investor, analyst and media briefings and site visits in relation to our corporate updates. For further information, please email to nordic@financialpr.com.sg or register via the link on our website http://www.nordicgrouplimited.com;
5. Our sustainability report: http://www.nordicgrouplimited.com.

COMMITMENT TO THE ENVIRONMENT

We are committed to environmental protection by reducing carbon emissions, preventing pollution, minimising wastage, and utilizing our resources efficiently. To reduce pollution, our Group sets strict operating procedures to handle waste treatment and disposal, all while adopting greener solutions in our daily operations. Our ongoing efforts to protect the environment also includes implementing a waste recycling programme, which involves the installation of separate bins to collect reusable waste for reuse. Additionally, chemicals and hydrocarbon waste products, such as paints and engine oil, are treated with special care and disposed of through proper biohazard disposal channels.

COMMITMENT TO OUR COMMUNITY

Our Group is committed and constantly looking for ways to give back to our community. In FY2018, we actively took part in several community events as well as making cash donations to community organizations as part of our dedication to this very ideal.

In July 2018, we hosted a group of students from the Institute of Technical Education ("ITE") College West, in partnership with the Young Men's Christian Association ("YMCA"), to engage in a sharing session for students who enrolled in the Elevate programme. During the visit, students were given a tour of the facilities, provided opportunities to engage in hands-on activities with various equipment, and exposed to potential career paths. The event sought to enrich and motivate our younger generation to join engineering as their career path as well as demonstrate the Group's commitment to ensuring the success of generations to come.

Elevate program

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

That same month, our Group participated in YMCA's Proms @ the Park 2018. More than 550 volunteers, including 25 from the Group, met with over 500 beneficiaries from various Voluntary Welfare Organisations ("VWOs") to enjoy a concert and carnival at the Lawn @ Marina Bay. Minister for Social and Family Development and Second Minister for National Development, Mr Desmond Lee, was the guest of honour at the event. The event sought to encourage social bonding and enhancement of social skills through a shared heritage where volunteers discovered the privilege and joy of spending time with the beneficiaries as one community. The Group was honoured to be recognized as the Gold Sponsor to the event, and participation in this event demonstrates the Group's commitment to helping those that are less privileged.

This year, our annual blood donation drive was held in October at Ensure Engineering, the official Blood Donation Centre for the Singapore Red Cross Society. The collected blood was to be used to save lives during emergencies and to sustain the lives of people with medical conditions.

COMMITMENT TO OUR EMPLOYEES

Occupational Safety & Health

Working in a highly regulated and hazardous industry, our Group adopts a culture where health and safety are of paramount importance. Our Group has set a policy that demands us to adhere to relevant legal and regulatory requirements and recognised industry standards. Our Group places high emphasis on safety and believes strongly in maintaining zero occupational injuries, diseases, property and environmental damage over the course of our work. We constantly review and improve our internal processes; conduct proper training and planning to uphold our safety standards. Our people represent our Group's most important assets and we strive to continuously create a safe and healthy working environment for all our employees to thrive in.

Safety awareness and best practices begin with individual employees and transcend into the Group's overall safety culture. The Group will continue to promote a safe working culture as well as conduct reviews to improve.

YMCA prom

YMCA prom

Blood Donation Drive

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

Workforce Development

Our people are our most important asset. We believe in providing our employees a safe environment to work in, both from an internal control and industry standard perspective. We remain committed to provide equal and ample opportunities for employees to upgrade and hone their skill sets in order for them to excel.

To highlight the Group's ability in training and aligning its employees with the industry standards, we have a Certified On-the-job Training Centre ("COJTC") at Multiheight and Ensure. At the COJTC, we are able to integrate new employees with induction programmes and on-the-job training. Employees are also encouraged to upgrade themselves by attending courses and specialised training. With these sound policies and procedures in place, Nordic has positioned itself as an employer of choice in the industry.

WORK-LIFE BALANCE

The Group understands the importance of work-life balance. In appreciation of our diligent employees, team-bonding events were held throughout the year. Ensure staff members embarked on a "Family Day" trip to Batam Island while staff at Nordic Flow Control partook in a cycling trip at Pulau Ubin. Meanwhile, Multiheight staff enjoyed a weekend outing to Ho Chi Minh City, Vietnam. The trips served as valuable bonding time amongst coworkers and between top management and staff. As part of. our commitment to improving the working environment, various company-wide events will be held throughout this year to show the Group's gratitude as well as providing an opportunity for staff to bond.

COMMITMENT TO OUR CUSTOMERS

Our Group firmly believes that a returning customer is the best recognition of our hard work and dedication, supported by our Group's safety and quality track records and capabilities. We strive to deliver the highest satisfaction to our valued customers by regularly meeting and even surpassing their expectations of the Group.

As such, the Group emphasises greatly on our work quality and value as well as the handling of our customers with honesty and respect. The Group has established a set of internal controls and process manuals to adhere to closely to ensure our work is completed to specification and of high quality. We also aim to achieve "Best in Class" works through our ISO 9001:2008 quality management system requirements, and by continuously investing in the training and upgrading of our workforce. In addition to these, we constantly seek for new innovative solutions to keep abreast with the latest technology and processes in the industry, as well as conduct regular reviews of our quality policy requirements in our bid to adhere to stringent product and service consistency and legal requirements.

As a testament to our Group's high standards in workplace safety and quality of our products and solutions, our Group has won numerous awards and accreditations in FY2018. For instance, our Group's subsidiaries were awarded ExxonMobil Zero Recordable Injury For 3 Continuous Years >250k ManHours Award, GSK Good Safety and Health Performance Award during the Jurong Plant Shutdown, Sembcorp Marine WSH Performance Award 2018 Gold Certificate, Pfizer Asia Pacific Commendation for Good Safety Performance 2018 and JFE Engineering Corporation Certificate of Appreciation to certain employees for their contribution to the Design & Build of NTU-NEA WtE Research Facility to NEWRI. Such awards amplify our Group's high safety standards, all rounded capabilities and quality of work completed for our valued customers. The Group was also actively involved in industry associations such as:

- Member – ASIA (Access & Scaffold Industry Association)
- Member – ASPRI (Association of Process Industry)
- Member – ASMI (Association of Singapore Marine Industries)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chang Yeh Hong
Executive Chairman

Teo Ling Ling
Executive Director and Chief Executive Officer of Nordic Flow Control Pte Ltd

Juliana Lee Kim Lian
Independent Director

Ong Hua
Independent Director

Hew Koon Chan
Independent Director

AUDIT COMMITTEE

Hew Koon Chan (Chairman)
Juliana Lee Kim Lian
Ong Hua

REMUNERATION COMMITTEE

Ong Hua (Chairman)
Juliana Lee Kim Lian
Hew Koon Chan

NOMINATING COMMITTEE

Juliana Lee Kim Lian (Chairman)
Ong Hua
Hew Koon Chan
Chang Yeh Hong

REGISTERED OFFICE

2 Tuas Ave 10
Singapore 639126

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

COMPANY SECRETARY

Chia Meng Ru, CA (Singapore)

AUDITORS

RSM Chio Lim LLP
Public Accountants and Chartered Accountants
8 Wilkie Road #04-08
Wilkie Edge
Singapore 228095

Partner-in-charge: Kaka Singh
(A member of the Institute of Singapore Chartered Accountants)
(Effective from the year ended 31 December 2017)

PRINCIPAL BANKERS

CIMB Bank Berhad
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

Citibank N.A.
8 Marina View #21-00
Asia Square Tower 1
Singapore 018960

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Malayan Banking Berhad
2 Battery Road #15-01
Maybank Tower
Singapore 049907

Oversea-Chinese Banking Corporation Limited
65 Chulia Street #10-00
OCBC Centre East
Singapore 049514

Standard Chartered Bank
8 Marina Boulevard #27-01
Marina Bay Financial Centre Tower 1
Singapore 018981

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza
Singapore 048624

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Nordic Group Limited (the "Company") and its subsidiaries (the "Group") is committed to achieving high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders' interests.

This report (the "Report") describes the Group's corporate governance structures and practices that were in place during the financial year ended 31 December 2018 with reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and where applicable, the Singapore Exchange Securities Trading Limited (''SGX-ST'').

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

The Board is pleased to report on the compliance of the Group with the Code. Such compliance is regularly reviewed to ensure transparency and accountability. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD OF DIRECTORS

Principle 1: The Board's Conduct of its Affairs

The Board provides leadership to the Group by setting the corporate policies and strategic aims. The main functions of the Board, apart from its statutory responsibilities, are to:

- Approve the broad policies, strategies and financial objectives of the Group and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- Oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance to enable risks to be assessed and managed including safeguarding of shareholders' interest and the assets of the Group;
- Review the performance of the management and approving the nominations of directors of the Company and appointment of key management personnel;
- Approve annual budgets, major funding proposals, investment and divestment proposals;
- Set the Group's values and standards (including ethical standards) and ensuring that the obligations to the shareholders and other stakeholders are met; and
- Assume responsibility for corporate governance.

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

CORPORATE GOVERNANCE REPORT

The Board has established a number of Board Committees to assist it in discharging its responsibilities. These Board Committees operate under clearly defined terms of reference. The three (3) Board Committees are:

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

The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board meets at least four (4) times a year to review and approve, inter alia, the quarterly financial results of the Company, including the half-year and year-end results. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Apart from Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing. Telephonic attendance and conference via audio communication at Board and Board Committee meetings are allowed by the Company's Constitution.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 31 December 2018 ("FY2018") are as follows:

	Board and Board Committees			
	Board	**Audit**	**Nominating**	**Remuneration**
No. of Meeting Held	4	4	2	2
Board Members				
Chang Yeh Hong	4[(a)]	–	2	–
Teo Ling Ling	4	–	–	–
Hew Koon Chan	4	4[(a)]	2	2
Lee Kim Lian Juliana	4	4	2[(a)]	2
Ong Hua	4	4	2	2[(a)]

(a) Chairman

Certain matters specifically reserved for decision by the Board are those relating to approval of strategies and objectives of the Group, announcements of financial results, approval of annual reports and financial statements, convening of shareholders' meeting, dividend payment, major contracts, material acquisitions and disposal of assets and corporate restructuring.

During the year, management kept the Directors up-to-date on pertinent developments in the business, financial reporting standards and industry-related matters. Such periodic updates were provided to the Directors to facilitate the discharge of their duties. The Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable. At each Board meeting, the Chief Executive Officers ("CEO") and Chief Operating Officers ("COO") of the Group's respective business divisions update the Board on the business and strategic developments of their respective business divisions.

CORPORATE GOVERNANCE REPORT

Incoming Directors are briefed on the Group's business and Corporate Governance policies by senior management, to familiarise new directors with business and governance policies. Familiarisation visits, including overseas offices, are organised, if necessary, to facilitate a better understanding of the Group's operations. The sessions also allow the new directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management.

Board members are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company works closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

Newly appointed Directors will be provided with a formal letter setting out their roles and obligations, among other matters, duties and responsibilities as member of the Board.

There was no new Director appointment in FY2018.

Principle 2: Board Composition and Guidance

As at date of this Report, the Board comprises an Executive Chairman, an Executive Director and three (3) Independent Directors. This composition complies with the Code's requirement that at least one-third of the Board should be made up of Independent Directors. Each Director has been appointed on the strength of his calibre, expertise and experience.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Group.

The NC, in its deliberation as to the independence of a Director, has reviewed, determined and confirmed the independence of the Independent Directors.

The NC reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure appropriate balance of skills and experience. These competencies include accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, familiarity with regulatory requirements and knowledge of risk management. The NC is satisfied that the current size and composition of the Board and Board Committees is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations. The NC is also of the view that the Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

The Board includes three (3) female Directors in recognition of the importance and value of gender diversity.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Executive Chairman and the CEOs of each of the Group's respective business divisions are separate persons to ensure an appropriate balance and separation of power and authority, and clear division of responsibilities and accountability.

The Executive Chairman bears responsibility for the working of the Board and, together with the AC, ensures the integrity and effectiveness of the governance process of the Board. Additionally, the Executive Chairman plays a pivotal role in steering the strategic direction for the Board while respective subsidiary CEO manages the business of the subsidiary and ensures the execution of the Board's decisions.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

NOMINATING COMMITTEE

The NC comprises four (4) members, a majority of whom including the Chairman are independent.

Chairman:	Lee Kim Lian Juliana	(Independent Director)
Members:	Hew Koon Chan	(Independent Director)
	Ong Hua	(Independent Director)
	Chang Yeh Hong	(Executive Chairman)

The main role of the NC is to make the process of Board appointments and re-appointments transparent and to assess the effectiveness of the Board as a whole and the contribution of individual Director to the effectiveness of the Board.

When a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with a particular skill, the NC, in consultation with the Board, determines the selection criteria and selects the candidates with the appropriate expertise and experience for the position.

The NC performs the following functions:

- Review the size and composition of the Board with the objective of achieving a balanced Board in terms of the mix of experience and expertise;

- Recommend to the Board the performance criteria and appraisal process to be used for the evaluation of individual Directors as well as the effectiveness of the Board as a whole;

- Review and recommend all nominations for appointments to the Board;

- Review and make recommendations to the Board for the re-nomination/re-election of Directors, having regard to the individual director's contribution and performance;

- Assess annually whether or not a Director is independent; and

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

The Constitution of the Company require one-third of the Directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting. In addition, all Directors of the Company shall retire from office at least once every three years.

Pursuant to the one-third rotation role, Mr Hew Koon Chan and Ms Teo Ling Ling will retire as Directors at the forthcoming Annual General Meeting ("AGM"). Mr Hew Koon Chan will not be seeking re-election as a Director of the Company due to the 9 year rule while Ms Teo Ling Ling will submit herself for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The NC is satisfied that the Directors retiring in accordance with Article 104 of the Company's Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution in terms of guidance and time devoted to Board affairs.

On the matter of multiple board representations, and to address the issue of competing time commitments, the Board has endorsed the NC's recommendation that each Director should not hold in excess of six (6) listed company board representations.

As at the date of this Report, the Board does not have any Independent Director who has served beyond nine (9) years from his date of appointment. The Company does not have any alternate Director.

The Company has established the following process for the selection and appointment of new Directors:

- The NC determines a suitable size of the Board and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the Group's operations;

- The NC considers various sources of seeking suitable candidate(s) or recommendations from, among others, Directors, business associates and advisors;

- Short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail, among others, their qualification, working experience and employment history;

- The NC evaluates candidate(s) in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group, independence status and other present and past directorships; and

- The NC makes recommendation to the Board for approval. The Board is to ensure that the candidate is aware of the expectations and the level of commitment required.

Key information of each member of the Board including directorships and chairmanships, both present and those held over the preceding three (3) years, in other listed companies and other major appointments, academic/professional qualifications, membership/chairmanship in the Board Committees can be found on pages 7 and 8 of this Annual Report.

Principle 5: Board Performance

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Director. The objective of the annual appraisal is to identify areas for improvement and to implement appropriate action. The appraisal process focuses on a set of performance criteria which includes qualitative and quantitative factors such as principal functions, fiduciary duties, attendance record, level of participation at meetings, and guidance provided to the management.

CORPORATE GOVERNANCE REPORT

All Directors are requested to complete a Board Assessment Checklist and Individual Director Form designed to seek their views on the performance criteria so as to assess the overall performance and effectiveness of the Board and individual Director. The checklists and forms were completed and submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion before making any recommendations to the Board. The NC has reviewed the overall performance and effectiveness of the Board and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that each Director has been adequately carrying out his or her duties as a Director of the Company.

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

Principle 6: Access to Information

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the Directors are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision. Senior management attends Board Meetings to answer any queries from the Directors. The Directors also have unrestricted access to the Company's senior management at all times.

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

In order to ensure that the Board is able to fulfil its responsibilities, the management provides the Board with regular updates of the financial position of the Group. The Directors have been provided with the phone numbers and email particulars of the Company's key management personnel to facilitate separate and independent access.

The Company Secretary attends and prepares minutes for all Board and Board Committee meetings and is responsible for ensuring that the Board Meeting procedures are followed and that applicable rules, acts and regulations are complied with.

As secretary for all the Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board Committees and the management. The Company Secretary assists the Chairman, the Chairman of each Board Committee and the management in the development of the agendas for the various Board and Board Committee meetings.

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

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in furtherance of their duties. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises three (3) members, all of whom including the Chairman are independent.

Chairman:	Ong Hua	(Independent Director)
Members:	Hew Koon Chan	(Independent Director)
	Lee Kim Lian Juliana	(Independent Director)

To minimise the risk of any potential conflict of interest, each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

The Company may also engage an external consultant to advise on all remuneration and related matters of Directors and senior management, as and when circumstances require to ensure that the Directors' remuneration is fair and reasonable and benchmarked against comparable companies.

The Director's remuneration packages of the Executive Directors and certain key executive officers are based on their respective service agreements. These include a profit sharing scheme that is performance related to align their interests with those of the shareholders.

Independent Directors are paid Directors' fees of an agreed amount and these fees are subject to shareholders' approval at the Annual General Meeting.

The principal terms of reference of the RC are as follows:

- Review and recommend to the Board an appropriate framework for remuneration and the specific remuneration packages and terms of employment for each Executive Director, CEO and key executives;

- Review the remuneration packages of employees related to any Director, controlling shareholder and/or executive officer of the Group to ensure that these are in line with staff remuneration guidelines;

- Oversee the award of share options and the payment of fees to Non-Executive Directors and to ensure the quantum commensurate with the Non-Executive Directors' contribution to the Board and the Company;

- Structure remuneration packages of Executive Directors and key executive officers so as to link rewards to Group or corporate and individual performance;

- Review and recommend to the Board the eligibility of the Directors under long-term incentive schemes and to evaluate the costs and benefits of such long-term incentive schemes;

- Review and recommend to the Board the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired;

CORPORATE GOVERNANCE REPORT

- Review and recommend to the Board the fixed appointment period for all Executive Directors and the compensation commitments of directors' contracts of service, if any, in the event of early termination;

- Consider the various disclosure requirements for Directors' remuneration; particularly those required by Singapore Exchange Securities Trading Limited and other regulatory bodies and to ensure and enhance transparency between the Company and relevant interested parties;

- Recommend to the Board any appropriate extensions or changes in the duties and powers of the Committee; and

- Retain such professional consultancy firm as deemed necessary for the Committee to discharge its duties.

The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are reviewed by the RC.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Director. No individual Director is involved in deciding his own remuneration.

Principle 8: Level and Mix of Remuneration

The remuneration packages of the Executive Chairman, Executive Director and key executive officers generally comprise two components. One component is fixed in the form of a base salary, car allowance and handphone allowance. The other component is variable consisting of incentive or performance bonuses.

The incentive and performance bonuses are dependent on the financial performance of the Group or business segments as the RC strongly supports and endorses the flexible wage system which gives the Group more flexibility to ride through economic downturns. The RC has adopted set profitability levels to be achieved before incentive bonuses are payable.

The Independent Directors are paid Directors' fees for their efforts and time spent, responsibilities and contributions to the Board, subject to the approval by shareholders at the Annual General Meeting.

There are no termination or retirement benefits that are granted to the Directors. The Company has contractual provisions to allow the Company to reclaim performance-based components of remuneration from the Executive Chairman, Executive Director and key executive officers in exceptional circumstances of restatement of financial results. The Executive Chairman and Director owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Chairman and Director in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

The level and mix of remuneration (in percentage terms) of the Directors for FY2018 is as follows:

Directors' Remuneration for FY2018

Name	Remuneration ($'000)	Fee[(a)]	Salary	Bonus	Allowance	Total
Chang Yeh Hong	876	–	41%	54%	5%	100%
Dorcas Teo Ling Ling	281	–	73%	12%	15%	100%
Juliana Lee	45	100%	–	–	–	100%
Ong Hua	45	100%	–	–	–	100%
Hew Koon Chan	62	100%	–	–	–	100%

(a) Directors' fees of $137,000 for FY2018 have been approved by the shareholders at the AGM on 26 April 2018. A one-off Director's fee of $15,000 has been proposed for Mr Hew Koon Chan which is subject to approval by shareholders at the AGM on 29 April 2019.

No option has been granted to the above Directors.

The breakdown of remuneration of the Group's top five key executives (who are not Directors) in percentage terms for FY2018 is as follows:

Remuneration of Key Executives for FY2018

Total remuneration paid to the top 5 key executives (who are not Directors) for FY2018 was $1,258,000. The breakdown in percentage terms are set out below:

Name	Salary	Bonus	Allowance	Total
Between $250,000 and $350,000				
Han Meng Siew	90%	–	10%	100%
Lin Choon Hin	70%	13%	17%	100%
Wang Lai Suan	89%	–	11%	100%
Up to $250,000				
Rodney Koh Wei Ming	56%	15%	29%	100%
Cheng Tai Teng	77%	13%	10%	100%

CORPORATE GOVERNANCE REPORT

In considering the disclosure of remuneration of key executives, the Board has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Board believes that full detailed disclosure of the remuneration of each key executive as recommended by the Code would be prejudicial to the Group's interest and hamper its ability to retain and nurture the Group's talent pool. The Board has instead presented such information in remuneration bands.

No option has been granted to the above key executives.

Remuneration of Employee who are immediate family members of a Director

Name	Related To	Remuneration
Bong Boon Hean	Cousin of Teo Ling Ling, Executive Director	$100,000 to $150,000

Save as disclosed above, there is no other employee who is related to a Director, the CEO or substantial shareholder and whose remuneration exceeded $100,000 during FY2018.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

The Board reviews and approves the results as well as any announcements before its release. In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, position and prospects. This responsibility is extended to regulators.

Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests and maintain accountability of its assets but acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. While no cost effective internal control system can provide absolute assurance against loss or misstatement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication, are reasonable and accurate.

CORPORATE GOVERNANCE REPORT

The Group has had in place an Enterprise Risk Management ("ERM") Framework, which governs the risk management processes of the Group. Risk management capabilities and competencies are continuously enhanced through this Framework. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks and associated key controls in the Group's businesses. The key risks of the Group are deliberated by Management and reported to the AC at least once a year. The AC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environments, which the Group operates.

Complementing the ERM framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorisations, as well as checks-and-balances built into the business processes. The Group has in place a risk management process that requires business units to perform regular assessments of the effectiveness of applicable internal controls. In addition to ensuring that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. The external auditors provided assurance over the risk of material misstatements in the Group's financial statements. The Internal auditor conducted audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to Management who timely respond to actions to be taken. The AC monitors closely and timely to ensure proper implementation of the required corrective action plans are undertaken by the Management.

Management has established the Group's risk profile which identifies the material risks faced by the Group and the counter measures that are in place to manage or mitigate those risks. As the Group does not have a risk management committee, the Board and the management assume the responsibility of the risk management function. The Group's risk profile is reviewed by the AC and the Board annually to ensure regular assessment and update of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. In addition, the Board reviews and determines the Group's level of risk tolerance and risk policies, and oversees the design, implementation and monitoring of the risk management and internal control systems.

The internal auditors carried out internal audit on the system of internal controls and reported their findings to the AC. The external auditors have also carried out, in the course of their statutory audit, an understanding of the key internal controls assessed to be relevant to the audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Group follows up on the auditors' recommendations raised during the audit process.

Based on the reports submitted by the external and internal auditors, the actions taken by the Company on the recommendations made by the external and internal auditors, the various management controls put in place and the continuing efforts at enhancing such controls, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational, compliance, information technology and risk management systems were adequate and effective as at 31 December 2018.

The Board and the AC have also received assurances from the Executive Chairman and the Group Chief Financial Officer that (a) the Company's internal control and risk management systems in place is adequate and effective in addressing the material risks of the Company in its current business environment including financial, operational, compliance and information technology risks; and (b) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The AC comprises three (3) members, all of whom including the Chairman are independent.

Chairman:	Hew Koon Chan	(Independent Director)
Members:	Lee Kim Lian, Juliana	(Independent Director)
	Ong Hua	(Independent Director)

The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.

The terms of reference of the AC are as follows:

- Review the audit plans of the external auditor and internal auditor, including the results of the external and internal auditor's review and evaluation of the Group's system of internal controls;

- Review the annual, periodic consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies and compliance with financial reporting standards before submission to the Board for approval;

- Review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;

- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators or the Listing Manual, as may be made thereto from time to time;

- Review the assistance given by the Company's officers to the external and internal auditors;

- Nominate the appointment, re-appointment and removal of external auditor including approval of remuneration and terms of engagement;

- Review interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange Securities Trading Limited;

- Review any potential conflicts of interest;

- Review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC for independent investigation and follow up actions;

- Undertake such other reviews and projects as may be requested by the Board and report findings to the Board;

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

- Review with the management and the internal auditor the adequacy of the Group's internal controls in respect of management, business and services systems and practices;

- Review and approve foreign exchange hedging policies implemented by the Group;

CORPORATE GOVERNANCE REPORT

- Review and discuss with the external auditor and internal auditor any suspected fraud or irregularity or failure of internal controls or infringement of any laws, rules or regulation; and

- Undertake such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

Summary of the Audit Committee's Activities

The AC met four (4) times during the year under review. Details of members and their attendance at meetings are provided on page 23. The Group Chief Financial Officer, internal auditor and external auditor are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and has had the full cooperation of the management and employees. It also has the full discretion to invite any Director or any member of the management to attend its meetings.

During FY2018, the AC has met the external auditor and internal auditor, without the presence of the Company's management, at least once a year. This meeting enabled the external auditor and internal auditor to raise issues encountered in the course of their work directly to the AC.

The AC has reviewed the amount of non-audit related services rendered to the Group by the external auditors, RSM Chio Lim LLP. During the year 2018, the fees paid to RSM Chio Lim LLP for non-audit related services amounted to $39,000 or 23% of the audit fee. Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC has recommended their nomination for re-appointment as external auditor of the Company to the Board.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual.

The Company has put in place a whistle-blowing framework ("Speaking Up Policy"), endorsed by the AC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters.

Details of the Speaking Up Policy and arrangements have been made available to all employees of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that whistle blowers will be protected from reprisal within the limits of the law.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to appropriate external advice where necessary.

There was no reported incident pertaining to the Speaking Up Policy during FY2018.

CORPORATE GOVERNANCE REPORT

Financial reporting and significant financial issues

The AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient. For the year reported on, the AC reviewed and approved the scope of the audit plans of the external auditor. In its recommendation to the Board to approve the full year financial statements, the AC reviewed the results of the audit, significant findings or areas of emphasis and audit recommendations. The AC also discussed with management the bases of the assumptions and methodologies used by management in relation to matters of significant impact. In particular, the following key audit matter identified by the external auditor was discussed with management and reviewed by the AC:

Assessment of impairment of goodwill

Goodwill is required to be assessed annually for impairment. The AC has reviewed the methodology used by management to determine the recoverable amount of goodwill for impairment assessment. In addition, the AC discussed with the external auditor on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed. The AC concurred with the management's conclusion that no impairment loss was recognised for goodwill as at 31 December 2018 as the carrying amount of all cash-generating units was lower than their recoverable amounts and that the disclosures in the financial statements were appropriate.

Principle 13: Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal audit function ("IA") of the Company is out-sourced to KPMG Services Pte Ltd ("KPMG"). The IA reviews the effectiveness of key internal controls, including financial, operational and compliance controls for selected scope of review annually, as approved by the AC. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. The IA reports primarily to the Chairman of the AC and has full access to the Company's documents, records, properties and personnel of the Group, including access to AC.

The primary functions of internal audit are to help:–

(a) assess if adequate systems of internal controls are in place to protect the assets of the Group and to ascertain whether control procedures are complied with;

(b) assess if operations of the business processes under review are conducted efficiently and effectively; and

(c) identify and recommend improvement to internal control procedures, where required.

The AC is satisfied that the internal audit function has adequate resources to perform its function effectively. The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience.

The Company's IA function is independent of the external audit. The IA is a member of the Institute of Internal Auditors Singapore ("IIA"), a professional internal auditing body affiliated to the Institute of Internal Auditors, Inc. The audit work carried out is guided by KPMG's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the IIA. The IA continues to meet or exceed the IIA Standards in all key aspects. KPMG has confirmed their independence to the AC.

CORPORATE GOVERNANCE REPORT

During the year, the IA adopted a risk-based audit approach that focused on material internal controls, including financial, operational, compliance and information technology controls. Audits were carried out on all significant business units in the Group. All Group Internal Audit reports are submitted to the AC for deliberation with copies of these reports extended to the Chairman and CEO, Executive Directors and the relevant key management personnel.

The AC has reviewed the Company's internal control assessment and based on the internal auditors' and external auditors' reports and the internal controls in place, it is satisfied that there are adequate and effective internal controls to meet the needs of the Group in its current business environment. The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

The AC reviews the adequacy and effectiveness of the internal audit function of the Company annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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

Shareholders are given opportunity to participate effectively and vote at general meetings of the company, where relevant rules and procedures governing such meetings are clearly communicated through Annual Report or Circular to shareholders.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency through timely communication of information to shareholders and the public. It is the Company's policy that all shareholders and the public be informed of all major developments that impact the Group on a timely basis. Communication is made through:

- Annual reports that are issued to all shareholders, soft copies of which may be accessed through the SGX-ST website;
- Announcement of quarter, half-year and full-year results on the SGX-ST's SGXNET;
- Disclosure on the SGXNET;
- Press releases on major developments of the Company; and
- Quarterly shareholders' briefings.

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of Shareholder Meetings

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions.

If shareholders are unable to attend the meetings, the Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

The Board takes note that there should be separate resolution at general meetings on each substantially separate issue and supports the Code's principle as regards to "bundling" of resolutions.

Resolutions are as far as possible, structured separately and are voted on independently.

All Directors including Chairpersons of the Board, AC, RC and NC and senior management are in attendance at the Annual General Meetings ("AGMs") and Extraordinary General Meetings to allow shareholders the opportunity to air their views and ask Directors or management questions regarding the Company. The external auditors are also invited to attend the AGMs and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit, the preparation and contents of the independent auditors' report.

The minutes of general meetings which include queries from shareholders and responses from the Board will be made available to shareholders upon written request.

The Company will be conducting its voting at the forthcoming Annual General Meeting by poll where shareholders are accorded voting rights proportionate to their shareholdings and all votes will be counted.

INTERESTED PERSON TRANSACTIONS

The Group has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length basis.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual. For the year under review, there have been interested person transactions but these are below $100,000 in aggregate.

SECURITIES TRANSACTION

The Group has adopted a policy whereby the Directors and employees are prohibited from dealing in the securities of the Company while in possession of price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's full year results and two (2) weeks before the announcement of the Company's first, second and third quarter financial results until the said results announcement has been made. The Directors and employees of the Group are to refrain from dealing in the Company's securities on short-term considerations.

Directors and employees of the Group are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director or controlling shareholder in FY2018.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

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

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Executive Directors:
Chang Yeh Hong
Teo Ling Ling

Independent Directors:
Lee Kim Lian Juliana
Ong Hua
Hew Koon Chan

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

	Direct		**Deemed**	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
The company – Nordic Group Limited	**Number of shares of no par value**			
Chang Yeh Hong	6,982,000	6,982,000	210,717,225	210,717,225
Teo Ling Ling	–	50,000	31,939,500	32,039,500

By virtue of section 7 of the Act, the above directors with interests are deemed to have an interest in the company and in all the related body corporate of the company.

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Hew Koon Chan (Chairman of the audit committee)
Lee Kim Lian Juliana
Ong Hua

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;

- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;

- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and

- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

STATEMENT BY DIRECTORS

7. Report of audit committee (Continued)

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 22 February 2019, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

....	....
Chang Yeh Hong	Teo Ling Ling
Director	Director

27 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Nordic Group Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting 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 company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 reporting year. 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.

- Assessment of impairment of goodwill

  Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties, Note 15 on goodwill and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

  As at the reporting year end, the group had goodwill of $29,552,000, which makes up a significant portion of the group's total assets. Goodwill is assessed annually for impairment. Management uses the value in use method to determine the recoverable amount of goodwill. The value in use method requires management to estimate the future cash flows expected to arise from each of the cash-generating units as well as a suitable discount rate in order to measure the recoverable amount. In estimating the future cash flows of the cash-generating units, management forecasted the revenue, growth rates, margins based on presently available information.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Key audit matters (Continued)

- Assessment of impairment of goodwill (Continued)

  With the assistance of our in-house valuation specialists, we compared the valuation methodology to generally acceptable market practices and evaluated management's input to the valuation through discussions with management, checked to supporting documents where applicable as well as compared the inputs against available industry data and performed sensitivity analysis on the outcome of the calculations.

  We evaluated the adequacy of the disclosures included in the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

(e) 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.

(f) 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

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

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 Kaka Singh.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2019
Engagement partner – effective from year ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	Group	
		2018 **$'000**	**2017** **$'000**
Revenue	5	**91,694**	91,537
Cost of sales		**(68,368)**	(61,097)
Gross profit		**23,326**	30,440
Other income and gains	6	**3,448**	910
Distribution costs		**(687)**	(431)
Administrative expenses	7	**(12,326)**	(11,284)
Finance costs	8	**(1,485)**	(1,229)
Other losses	6	**(120)**	(1,672)
Profit before tax from continuing operations		**12,156**	16,734
Income tax expense	10	**(831)**	(1,468)
Profit net of tax		**11,325**	15,266
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		**(190)**	8
Other comprehensive income for the year, net of tax:		**(190)**	8
Total comprehensive income for the year		**11,135**	15,274
Profit attributable to owners of the parent, net of tax		**11,325**	15,266
Total comprehensive income attributable to owners of the parent		**11,135**	15,274
Earnings per share			
Earnings per share currency unit		**Cents**	Cents
Basic	11	**2.9**	3.9
Diluted	11	**2.9**	3.9

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		
	Notes	31.12.2018 $'000	31.12.2017 $'000 (Restated)	01.01.2017 $'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	**30,266**	22,716	17,063
Goodwill	15	**29,552**	29,552	22,451
Total non-current assets		**59,818**	52,268	39,514
Current assets				
Assets held for sale under FRS 105	16	**8,076**	13,419	–
Inventories	17	**10,095**	13,287	7,894
Trade and other receivables	18	**23,015**	22,141	18,449
Other assets	19	**11,624**	9,903	13,743
Cash and cash equivalents	20	**39,232**	40,291	32,325
Total current assets		**92,042**	99,041	72,411
Total assets		**151,860**	151,309	111,925
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	21	**22,439**	22,439	22,439
Treasury shares	21	**(1,567)**	(1,303)	(1,279)
Retained earnings		**59,795**	54,963	45,137
Other reserves	22	**325**	515	507
Total equity		**80,992**	76,614	66,804
Non-current liabilities				
Deferred tax liabilities	10	**3,013**	3,098	979
Other financial liabilities	24	**5,815**	7,974	6,845
Other payables	23	**3,994**	5,701	–
Total non-current liabilities		**12,822**	16,773	7,824
Current liabilities				
Liabilities of a disposal group classified as held for sales under FRS 105	16	**8,403**	12,245	–
Income tax payable		**1,016**	1,430	2,113
Trade and other payables	23	**13,488**	16,798	12,791
Other financial liabilities	24	**34,988**	26,951	21,240
Other liabilities	25	**151**	498	1,153
Total current liabilities		**58,046**	57,922	37,297
Total liabilities		**70,868**	74,695	45,121
Total equity and liabilities		**151,860**	151,309	111,925

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	Company 31.12.2018 $'000	Company 31.12.2017 $'000 (Restated)	Company 01.01.2017 $'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	**6,511**	–	–
Investments in subsidiaries	14	**1,350**	1,350	1,350
Total non-current assets		**7,861**	1,350	1,350
Current assets				
Inventories	17	**–**	3,614	–
Trade and other receivables	18	**12,264**	11,312	15,958
Other assets	19	**641**	315	4,276
Cash and cash equivalents	20	**20,092**	12,698	8,388
Total current assets		**32,997**	27,939	28,622
Total assets		**40,858**	29,289	29,972
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	21	**22,439**	22,439	22,439
Treasury shares	21	**(1,567)**	(1,303)	(1,279)
Retained earnings		**8,989**	7,096	6,275
Total equity		**29,861**	28,232	27,435
Current liabilities				
Income tax payable		**75**	95	10
Trade and other payables	23	**1,322**	962	2,527
Other financial liabilities	24	**9,600**	–	–
Total current liabilities		**10,997**	1,057	2,537
Total liabilities		**10,997**	1,057	2,537
Total equity and liabilities		**40,858**	29,289	29,972

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Total equity $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves $'000
Group:					
Current year:					
Opening balance at 1 January 2018	**76,614**	**22,439**	**(1,303)**	**54,963**	**515**
Changes in equity:					
Total comprehensive income for the year	**11,135**	**–**	**–**	**11,325**	**(190)**
Dividends paid (Note 12)	**(6,493)**	**–**	**–**	**(6,493)**	**–**
Purchase of treasury shares (Note 21)	**(264)**	**–**	**(264)**	**–**	**–**
Closing balance at 31 December 2018	**80,992**	**22,439**	**(1,567)**	**59,795**	**325**
Previous year:					
Opening balance at 1 January 2017	66,804	22,439	(1,279)	45,137	507
Changes in equity:					
Total comprehensive income for the year	15,274	–	–	15,266	8
Dividends paid (Note 12)	(5,440)	–	–	(5,440)	–
Purchase of treasury shares (Note 21)	(24)	–	(24)	–	–
Closing balance at 31 December 2017	76,614	22,439	(1,303)	54,963	515

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Total equity $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000
Company:				
Current year:				
Opening balance at 1 January 2018	**28,232**	**22,439**	**(1,303)**	**7,096**
Changes in equity:				
Total comprehensive income for the year	**8,386**	**–**	**–**	**8,386**
Dividends paid (Note 12)	**(6,493)**	**–**	**–**	**(6,493)**
Purchase of treasury share (Note 21)	**(264)**	**–**	**(264)**	**–**
Closing balance at 31 December 2018	**29,861**	**22,439**	**(1,567)**	**8,989**
Previous year:				
Opening balance at 1 January 2017	27,435	22,439	(1,279)	6,275
Changes in equity:				
Total comprehensive income for the year	6,261	–	–	6,261
Dividends paid (Note 12)	(5,440)	–	–	(5,440)
Purchase of treasury share (Note 21)	(24)	–	(24)	–
Closing balance at 31 December 2017	28,232	22,439	(1,303)	7,096

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000 (Restated)
Cash flows from operating activities		
Profit before tax	**12,156**	16,734
Adjustments for:		
Interest expense	**1,485**	1,229
Interest income	**(367)**	(163)
(Gain)/loss on disposal of property, plant and equipment	**(481)**	84
Depreciation of property, plant and equipment	**2,771**	2,915
Foreign exchange adjustment unrealised (gains)/losses	**(424)**	629
Operating cash flows before changes in working capital	**15,140**	21,428
Inventories	**3,192**	(4,687)
Trade and other receivables	**(874)**	(751)
Other assets	**(1,721)**	4,063
Trade and other payables	**(5,017)**	(2,481)
Other liabilities	**(347)**	(655)
Net cash flows from operations	**10,373**	16,917
Income taxes paid	**(1,330)**	(1,888)
Net cash flows from operating activities	**9,043**	15,029
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash acquired) (Note 26)	**–**	9,177
Purchase of property, plant and equipment (Note 20A)	**(10,389)**	(2,076)
Disposal of property, plant and equipment	**5,980**	131
Interest received	**367**	163
Net cash flows (used in) from investing activities	**(4,042)**	7,395
Cash flows from financing activities		
Decrease in other financial liabilities	**(7,806)**	(18,790)
Dividends paid to equity owners	**(6,493)**	(5,440)
Finance leases repayments	**(405)**	(133)
Increase in borrowings	**10,000**	12,000
Interest paid	**(1,485)**	(1,229)
Purchase of treasury shares	**(264)**	(24)
Net cash flows used in financing activities	**(6,453)**	(13,616)
Net (decrease) increase in cash and cash equivalents	**(1,452)**	8,808
Effects of exchange rate changes on the balance of cash held in foreign currencies	**393**	(842)
Cash and cash equivalents, statement of cash flows, beginning balance	**40,291**	32,325
Cash and cash equivalents, statement of cash flows, ending balance (Note 20)	**39,232**	40,291

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollar and they cover the company (referred to as "parent") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of an investment holding company and providing management and administrative support to its subsidiaries. It is listed on the Singapore Exchange Securities Trading Limited.

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

The registered office is: 2 Tuas Avenue 10, Singapore 639126. The company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS (I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General (Continued)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods. Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided. This is typically for short term services.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Revenue recognition (Continued)

Distinct goods or services in a series – For distinct goods or services in a series such as routine or recurring service contracts where the promise under the contract is for a specified quantity of goods or services that meets the over time criteria or is a stand-ready or single continuous service and if the nature of each good or service is distinct, substantially the same and has the same pattern of transfer or each time increment is distinct, then revenue is recognised at the amount that the entity has the right to bill a fixed amount for each unit of goods or service provided.

Distinct goods or services created over time – For long-term service contracts and projects for constructing, manufacturing or developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred, relative to the total expected inputs to the satisfaction of that performance obligation.

Provisions for losses on contracts – When the current estimates of the total amount of consideration expected to be received in exchange for transferring promised goods or services to the customer, and contract cost indicate a loss, a provision for the entire loss on the contract is made as soon as the loss becomes evident. An adjustment is also made to reflect the effects of the customer's credit risk. The loss on a contract is reported as an additional contract cost (an operating expense), and not as a reduction of revenue or a non-operating expense.

Other income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	3%
Plant and equipment	–	6% to 33%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Business combinations

There were no business combinations during the reporting year.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Inventories

Inventories are measured at the lower of cost (weighted average method and first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Financial instruments (Continued)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt asset instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2A. Significant accounting policies (Continued)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2B. Other explanatory information (Continued)

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Assessment of impairment of goodwill:

The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 15, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. In addition for the larger amounts with customers, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Net realisable value of inventories:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (Continued)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is $12,853,000 (2017: $11,154,000).

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Chang Yeh Hong, a director and significant shareholder.

3A. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Key management compensation:

	Group	
	2018	**2017**
	$'000	**$'000**
Salaries and other short-term employee benefits	**2,415**	2,395

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. Related party relationships and transactions (Continued)

3B. Key management compensation: (Continued)

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

	Group	
	2018 **$'000**	**2017** **$'000**
Remuneration of directors of the company	**1,157**	1,336
Fees to directors of the company	**152**	168

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

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

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) Product services, (2) Maintenance services and (3) Others. The results of all other activities, mainly investment holding which are not included within the two primary segments, are included in the "Others" segment. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

(1) The Project services segment includes projects that requires engineering, design, procurement, construction, machining, scaffolding works, insulation services and passive fireproofing services.

(2) The Maintenance services segment includes maintenance and repair services, including trading and supply of material, spare parts and components.

(3) The Others segment relates to other revenue streams.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments (Continued)

4A. Information about reportable segment profit or loss, assets and liabilities (Continued)

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary measurement to evaluate segment's operating results is the earnings from operations before depreciation and amortisation, interests and income taxes (called "EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

4B. Profit or loss from continuing operations and reconciliations

	Project services $'000	Maintenance services $'000	Others $'000	Elimination $'000	Group $'000
Continuing operations 2018					
Revenue by segment					
Total revenue by segment	53,704	38,230	6,927	(7,167)	91,694
Inter-segment sales	(3,615)	(412)	(3,140)	7,167	–
Total revenue	50,089	37,818	3,787	–	91,694
Recurring EBITDA	5,046	7,241	618	3,140	16,045
Inter-segment expenses	1,929	1,211	–	(3,140)	–
Adjusted EBITDA	6,975	8,452	618	–	16,045
Finance costs	(446)	(1,039)	–	–	(1,485)
Depreciation	(1,241)	(1,530)	–	–	(2,771)
	5,288	5,883	618	–	11,789
Unallocated:					
Interest income					367
Income tax expenses					(831)
Profit from continuing operations					11,325

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments (Continued)

4B. Profit or loss from continuing operations and reconciliations (Continued)

	Project services $'000	Maintenance services $'000	Others $'000	Elimination $'000	Group $'000
Continuing operations 2017					
Revenue by segment					
Total revenue by segment	54,319	37,285	4,394	(4,461)	91,537
Inter-segment sales	(832)	(622)	(3,007)	4,461	–
Total revenue	53,487	36,663	1,387	–	91,537
Recurring EBITDA	7,945	9,790	(27)	3,007	20,715
Inter-segment expenses	1,757	1,250	–	(3,007)	–
Adjusted EBITDA	9,702	11,040	(27)	–	20,715
Finance costs	(643)	(586)	–	–	(1,229)
Depreciation	(1,516)	(1,399)	–	–	(2,915)
	7,543	9,055	(27)	–	16,571
Unallocated:					
Interest income					163
Income tax expenses					(1,468)
Profit from continuing operations					15,266

4C. Assets and reconciliations

	Project services $'000	Maintenance services $'000	Others $'000	Group $'000
2018				
Reportable segment assets	**7,665**	**4,007**	**–**	**11,672**
Unallocated:				
Assets held for sale under FRS 105				**8,076**
Cash and cash equivalents				**39,232**
Inventories				**10,095**
Trade and other receivables, and other assets				**22,967**
Property, plant and equipment				**30,266**
Other non-current assets				**29,552**
Total group assets				**151,860**
2017				
Reportable segment assets	4,980	1,329	–	6,309
Unallocated:				
Assets held for sale under FRS 105				13,419
Cash and cash equivalents				40,291
Inventories				13,287
Trade and other receivables, and other assets				25,735
Property, plant and equipment				22,716
Other non-current assets				29,552
Total group assets				151,309

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments (Continued)

4D. Liabilities and reconciliations

	Project services $'000	Maintenance services $'000	Others $'000	Group $'000
2018				
Reportable segment liabilities	**–**	**151**	**–**	**151**
Unallocated:				
Liabilities of a disposal group classified as held for sale under FRS 105				**8,403**
Trade and other payables				**17,482**
Other financial liabilities				**40,803**
Income tax payable and deferred tax liabilities				**4,029**
Total group liabilities				**70,868**
2017				
Reportable segment liabilities	–	498	–	498
Unallocated:				
Liabilities of a disposal group classified as held for sale under FRS 105				12,245
Trade and other payables				22,499
Other financial liabilities				34,925
Income tax payable and deferred tax liabilities				4,528
Total group liabilities				74,695

4E. Geographical information

	Revenue		Non-current assets	
Group	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
China	**22,204**	25,753	**4,163**	4,549
Singapore	**69,490**	65,784	**55,655**	47,719
	91,694	91,537	**59,818**	52,268

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4F. Other material items and reconciliations

Expenditures for non-current assets of $10,635,000 (2017: $2,280,000) are recognised in respect of property, plant and equipment. Segment information is not available for expenditures for non-current assets as the information is not available and the cost to allocate to the segment would be excessive.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments (Continued)

4G. Information about major customers

	Group	
	2018 $'000	**2017 $'000**
Top 1 customer in more than one segment	**11,639**	13,021
Top 2 customers in more than one segment	**20,566**	23,922
Top 3 customers in more than one segment	**25,226**	28,832

5. Revenue

Revenue from contracts with customers

A. Revenue classified by type of good or service:

	Group	
	2018 $'000	**2017 $'000**
Services	**56,800**	49,179
Sale of goods	**29,238**	26,193
Construction contracts	**1,869**	14,044
Other revenue	**3,787**	2,121
Total revenue	**91,694**	91,537

B. Revenue classified by duration of contract:

	Group	
	2018 $'000	**2017 $'000**
Short-term contracts – less than 12 months	**89,825**	77,493
Long-term contracts – more than 12 months	**1,869**	14,044
Total revenue	**91,694**	91,537

C. Revenue classified by timing of revenue recognition:

	Group	
	2018 $'000	**2017 $'000**
Point in time	**33,025**	28,314
Over time (includes scaffolding and maintenance revenue)	**58,669**	63,223
Total revenue	**91,694**	91,537

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. Revenue (Continued)

D. Other information on revenue:

Distinct goods or services created over time – For long-term service contracts and projects for constructing, manufacturing or developing an asset include the following:

The group's System Integration ("SI") division offers integrated control and management systems for newly built ships as well as ships that require upgrades or conversions. SI division designs, procures, develops and manufactures actuators, valves and other components for assembly and integration into valve remote control systems, tank gauging systems, anti-heeling systems, alarm monitoring and power management systems used by customers in their vessels.

The group's Precision Engineering ("PE") division designs and builds tooling systems, and provides turnkey production solutions to customers in the marine, oil and gas, aerospace, medical and electronic manufacturing services industries.

The group's Scaffolding Services ("SS") division is an established leader in metal scaffold works servicing the process, construction and marine industries, offering a full suite of scaffolding services including design, erection, modification and dismantling, sales and rental.

The group's Insulation Services ("IS") division specialises in insulation mainly in thermal insulation and passive fireproofing services in the petrochemical, pharmaceutical, marine, oil and gas industries.

The group's Petrochemical and Engineering services division specialises in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment support services, product filtering services and support in operation of utility plants. We serve the petrochemical, manufacturing, and infrastructure industries.

Distinct goods or services in a point in time include the following:

The group's Maintenance, Repair and Overhaul ("MRO") and Trading division provides customers with after-sales requests for maintenance, repairs and overhauls for the vessels. MRO division includes maintenance and repair services, trading and supply of material, spare parts and components.

The group's Others division relates to other revenue streams such as carbon allowances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. Other income and gains and (other losses)

	Group	
	2018	**2017**
	$'000	**$'000**
Allowance for impairment on trade receivables – loss	**(22)**	(20)
Foreign exchange adjustments gains/(losses)	**272**	(1,568)
Gain/(loss) on disposal of property, plant and equipment	**481**	(84)
Government grant	**227**	366
Interest income	**367**	163
Inventories (written down)/write down reversal	**(97)**	60
Other payables to ex-shareholders of Ensure Engineering Pte Ltd written back	**1,567**	–
Other income	**533**	321
Net	**3,328**	(762)
Presented in profit or loss as:		
Other income and gains	**3,448**	910
Other losses	**(120)**	(1,672)
Net	**3,328**	(762)

7. Administrative expenses

The major component includes the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Employee benefits expense	**9,222**	8,266

8. Finance costs

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expense	**1,485**	1,229

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

9. Employee benefits expense

	Group	
	2018 $'000	2017 $'000
Short term employee benefits expense	**28,645**	27,106
Other benefits	**4,669**	5,632
Contributions to defined contribution plan	**1,141**	1,050
Total employee benefits expense	**34,455**	34,098

10. Income tax

10A. Components of tax expense recognised in profit or loss include:

	Group	
	2018 $'000	2017 $'000
Current tax expense:		
Current tax expense	**1,212**	1,463
Over adjustments in respect of prior periods	**(296)**	(249)
Subtotal	**916**	1,214
Deferred tax (income) /expense:		
Deferred tax (income) /expense	**(85)**	242
Under adjustments in respect of prior periods	**–**	12
Subtotal	**(85)**	254
Total income tax expense	**831**	1,468

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018 $'000	2017 $'000
Profit before tax	**12,156**	16,734
Income tax expense at the above rate	**2,066**	2,845
Expenses not deductible for tax purposes	**22**	442
Income not subject to tax	**(518)**	(940)
Over adjustments to tax in respect of prior periods	**(296)**	(237)
Effect of different tax rates in different countries	**91**	20
Stepped income exemption and tax rebate	**(188)**	(270)
Merger and acquisition allowances	**(317)**	–
Others	**(29)**	(392)
Total income tax expense	**831**	1,468

There are no income tax consequences of dividends to owners of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

10. Income tax (Continued)

10B. Deferred tax (income) expense recognised in profit or loss includes:

	Group	
	2018 $'000	**2017 $'000**
Excess of book over tax depreciation on plant and equipment	**(26)**	–
Excess of tax over book depreciation on plant and equipment	**–**	279
Tax loss carryforwards	**(52)**	(85)
Others	**(7)**	60
Total deferred income tax (income) expense recognised in profit or loss	**(85)**	254

10C. Deferred tax balance in the statements of financial position:

		Group	
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
From deferred tax liabilities recognised in profit or loss:			
Excess of book value of plant and equipment over tax values	**(3,124)**	(1,285)	(1,006)
Acquisition of subsidiary	**–**	(1,865)	–
Tax loss carryforwards	**137**	85	–
Others	**(26)**	(33)	27
Net balance	**(3,013)**	(3,098)	(979)

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

11. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2018 $'000	**2017 $'000**
Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders	**11,325**	15,266
	'000	**'000**
Denominators: weighted average number of equity shares		
Basic	**392,967**	393,140
Diluted	**392,967**	393,140

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

11. Earnings per share (Continued)

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares.

Both basic and diluted earnings per share are the same as there are no diluted ordinary share equivalents outstanding during the reporting years.

12. Dividends on equity shares

	Group and Company			
	Rate per share			
	2018 cents	2017 cents	2018 $'000	2017 $'000
Final tax exempt (one-tier) dividend paid	**0.873**	0.731	**3,431**	2,874
Interim tax exempt (one-tier) dividend paid	**0.779**	0.653	**3,062**	2,566
Total dividends paid in the year	**1.652**	1.384	**6,493**	5,440

In respect of the current reporting year, the directors have proposed that a final dividend of 0.353 cents per share with a total of $1,386,000 be paid to shareholders after the annual general meeting to be held on 29 April 2019. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

13. Property, plant and equipment

	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Group			
Cost:			
At 1 January 2017	11,091	36,326	47,417
Acquisition of subsidiary	20,574	6,467	27,041
Foreign exchange adjustments	–	243	243
Additions	–	2,280	2,280
Disposals	–	(791)	(791)
Transfer to held for sale	(17,391)	–	(17,391)
At 31 December 2017	14,274	44,525	58,799
Foreign exchange adjustments	–	(375)	(375)
Additions	6,568	4,067	10,635
Disposals	–	(1,231)	(1,231)
At 31 December 2018	20,842	46,986	67,828

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13. Property, plant and equipment (Continued)

	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Group			
Accumulated depreciation:			
At 1 January 2017	3,301	27,053	30,354
Foreign exchange adjustments	–	24	24
Acquisition of subsidiary	2,275	5,063	7,338
Transfer to held for sale	(3,972)	–	(3,972)
Depreciation for the year	1,108	1,807	2,915
Disposals	–	(576)	(576)
At 31 December 2017	2,712	33,371	36,083
Foreign exchange adjustments	–	(217)	(217)
Depreciation for the year	717	2,054	2,771
Disposals	–	(1,075)	(1,075)
At 31 December 2018	3,429	34,133	37,562
Carrying value:			
At 1 January 2017	7,790	9,273	17,063
At 31 December 2017	11,562	11,154	22,716
At 31 December 2018	17,413	12,853	30,266

Allocation of the depreciation expense:

	Group	
	2018 $'000	**2017 $'000**
Cost of sales	**1,463**	1,332
Administrative expenses	**1,308**	1,583
Total	**2,771**	2,915

	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Company			
Cost:			
At 1 January 2017 and 31 January 2017	–	–	–
Additions	6,277	291	6,568
At 31 December 2018	6,277	291	6,568
Accumulated depreciation:			
At 1 January 2017 and 31 January 2017	–	–	–
Depreciation for the year	50	7	57
At 31 December 2018	50	7	57
Carrying value:			
At 1 January 2017 and 31 December 2017	–	–	–
At 31 December 2018	6,227	284	6,511

Certain items are under finance lease agreements (see Note 24A).

The leasehold properties are mortgaged or pledged as security for the bank facilities (see Note 24B).

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14. Investments in subsidiaries

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Movements during the year. At cost:			
At beginning of the year and end of the year	**1,350**	1,350	1,350
Total cost comprising:			
Unquoted equity shares at cost	**1,350**	1,350	1,350
Net book value of subsidiaries	**51,129**	56,811	50,060

The listing of and information on the subsidiaries are given below.

#A. The following subsidiaries are wholly owned by the group:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	**Cost in books of the group**		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Nordic Flow Control Pte. Ltd. (a) Singapore Integration, assembly, trading, importing and exporting of hydraulic systems and marine components	**1,350**	1,350	1,350
Avitools (Suzhou) Co., Ltd (b) The People's Republic of China Engineering works and manufacturing of aircraft components and hydraulic actuators for the marine, oil and gas industry (Suzhou Allpro Certified Public Accountants Co., Ltd.)	**3,500**	3,500	3,500
Austin Energy (Asia) Pte Ltd (a) Singapore Provision of construction, scaffolding, insulation, painting and fireproofing services	**25,747**	25,747	25,747
Austin Energy Offshore Pte Ltd (a) Singapore Building construction specialist (insulation and fireproofing) contractor in process plan construction and general wholesale trade	**1,350**	1,350	1,350
Ensure Engineering Pte Ltd (a) Singapore Chemical and engineering activities for marine, manufacturing refineries, utilities and petrochemical industries	**16,325**	16,325	–
Multiheight Scaffolding Pte Ltd (a) Singapore Scaffolding works for refinery, marine and construction industries and sales and rental of tubular frames and aluminium scaffolds	**28,945**	28,945	28,945
Multiheight Marine Pte Ltd (a) Singapore Repairing ships, tankers and other ocean going vessels and providing scaffolding works	**204**	204	204
Nordic Flow Control (Suzhou) Co., Ltd (b) The People's Republic of China Integration, assembly, trading, importing and exporting of hydraulic systems and marine components	**1,347**	1,347	1,347

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14. Investments in subsidiaries (Continued)

#B. The subsidiaries that have non-controlling interests are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of company			Effective percentage of equity held by group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000	31.12.2018 %	31.12.2017 %	01.01.2017 %
Nordic Service Centre Pte Ltd (c)	–	240	240	–	80	80
Singapore Service and repair of hydraulic systems						

(a) Audited by RSM Chio Lim LLP in Singapore.

(b) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(c) The subsidiary was dormant during the reporting year and it was liquidated on 3 January 2019.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

15. Goodwill

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Cost:			
Balance at beginning of the year	**29,552**	22,451	22,451
Arising from acquisition of subsidiary	**–**	7,101	–
Balance at end of the year	**29,552**	29,552	22,451

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15. Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary as follows:

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Name of subsidiary:			
Multiheight Scaffolding Pte Ltd	**12,292**	12,292	12,292
Austin Energy (Asia) Pte Ltd	**10,159**	10,159	10,159
Ensure Engineering Pte Ltd	**7,101**	7,101	–
Net book value at end of the year	**29,552**	29,552	22,451

The goodwill was tested for impairment at the end of the reporting year. No impairment allowance was required because the carrying amount of all cash-generating units was lower than their estimated recoverable amount.

The value in use was measured by management. The key assumptions for the value in use calculations are as follows. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the cash generating unit are consistent with those used for the measurement last performed and is analysed as follows:

	2018	2017
Asset or CGU Valuation technique and Unobservable inputs		
Discounted cash flow method:		
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.		
Multiheight Scaffolding Pte Ltd	**17.6%**	17.6%
Austin Energy (Asia) Pte Ltd	**17.6%**	17.6%
Ensure Engineering Pte Ltd	**17.6%**	17.6%
2. Cash flow forecasts derived from the most recent financial budgets and plans approved by management.	**5 years**	5 years
3. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	**1%**	0%

Actual outcomes could vary from these estimates. If the revised estimated gross margin at the end of the reporting year had been 10% less favourable than management's estimates at the end of the reporting year, there would not be a need to reduce the carrying amount of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 1 percent point less favourable than management's estimates, there would not be a need to reduce the carrying amount of goodwill.

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16. Assets held for sale under FRS 105

Four leasehold properties are held for sale following the decision of management in September 2017 to sell. Two of the properties were sold in 2018 for $5,850,000. The remaining properties are expected to be sold in 2019.

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Assets held for sale:			
Leasehold property at net book value	**8,076**	13,419	–
Liabilities associated with assets classified as held for sale:			
Bank loan (Note 24B)	**8,403**	12,245	–
Net (liabilities)/assets held for sale	**(327)**	1,174	–

17. Inventories

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Raw material, consumables and supplies	**10,095**	9,673	7,894
Carbon emission trading units	**–**	3,614	–
	10,095	13,287	7,894
Inventories are stated after allowance.			
Movements in allowance:			
Balance at beginning of the year	**1,262**	772	790
Acquisition of subsidiary	**–**	578	–
Charged (reversed) to profit or loss included in other income and gains and (other losses)	**97**	(60)	42
Reversed to profit or loss included in cost of sales	**(77)**	(30)	(38)
Foreign exchange adjustments	**(10)**	2	(22)
Balance at end of the year	**1,272**	1,262	772
Raw materials, consumables and supplies used	**20,467**	21,805	20,157

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Carbon emission trading units	**–**	3,614	–
	–	3,614	–

There are no inventories pledged as security for liabilities.

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18. Trade and other receivables

	Group		
	31.12.2018 $'000	**31.12.2017 $'000 (Restated)**	**01.01.2017 $'000 (Restated)**
Trade receivables:			
Outside parties	**22,726**	20,784	16,820
Less allowance for impairment	**(281)**	(259)	(126)
Retention receivables on long-term contracts	**400**	621	1,087
Net trade receivables – subtotal	**22,845**	21,146	17,781
Other receivables:			
Deposit to secure services	**–**	–	522
Outside parties	**170**	995	146
Net other receivables – subtotal	**170**	995	668
Total trade and other receivables	**23,015**	22,141	18,449
Movements in above allowance on trade receivables:			
Balance at beginning of the year	**259**	126	236
Charge for trade receivables to profit or loss included in other losses	**22**	20	34
Charge for trade receivables to profit or loss included in administration costs	**–**	113	–
Bad debts written off	**–**	–	(144)
Balance at end of the year	**281**	259	126

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Trade receivables:			
Outside parties	**–**	1,379	–
Subsidiaries (Note 3)	**12,102**	9,933	15,958
Net trade receivables – subtotal	**12,102**	11,312	15,958
Other receivables:			
Outside parties	**162**	–	–
Net other receivables – subtotal	**162**	–	–
Total trade and other receivables	**12,264**	11,312	15,958

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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18. Trade and other receivables (Continued)

	Gross amount			Loss allowance		
	31.12.2018 $'000	**31.12.2017 $'000 (Restated)**	**01.01.2017 $'000 (Restated)**	**31.12.2018 $'000**	**31.12.2017 $'000**	**01.01.2017 $'000**
Group						
Trade receivables:						
Current	**12,469**	9,424	11,551	**–**	–	–
1 – 30 days	**4,928**	4,121	1,965	**–**	–	–
31 – 60 days	**1,601**	2,785	2,030	**–**	–	–
61 – 90 days	**652**	829	1,120	**–**	–	–
Over 90 days	**3,476**	4,246	1,241	**281**	259	126
Total	**23,126**	21,405	17,907	**281**	259	126

The entity has few large customers and which can be graded as low risk individually. In addition to above assessment, these trade receivables totalling $7,872,000 (2017: $6,382,000) are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of $281,000 (2017: $259,000) is recognised.

There are no collateral held as security and other credit enhancements for the trade receivables.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivable customers as at the end of reporting year:

	Group	
	2018 $'000	**2017 $'000**
Top 1 customer	**2,047**	4,213
Top 2 customers	**3,935**	5,594
Top 3 customers	**5,661**	6,382

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

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18. Trade and other receivables (Continued)

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity.

19. Other assets

	Group		
	31.12.2018 $'000	**31.12.2017 $'000 (Restated)**	**01.01.2017 $'000 (Restated)**
Contract assets (Note 19A)	**–**	2,146	2,465
Unbilled revenue	**9,948**	4,807	6,189
Prepayments	**765**	1,448	4,553
Deposits to secure services	**911**	1,502	536
	11,624	9,903	13,743

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Accrued income	**576**	–	–
Prepayments	**65**	315	4,276
	641	315	4,276

19A. Contract assets

	Group		
	31.12.2018 $'000	**31.12.2017 $'000 (Restated)**	**01.01.2017 $'000 (Restated)**
The amount is made up of:			
Consideration for work completed but not billed at the reporting date	**–**	2,146	2,465
The movements in contract assets are as follows:			
At beginning of the year	**2,146**	2,465	4,351
Recognition of revenue for performance obligation satisfied	**1,869**	4,372	22,982
Transfers to trade receivables	**(4,015)**	(4,691)	(24,868)
At the end of the year	**–**	2,146	2,465

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19. Other assets (Continued)

19A. Contract assets (Continued)

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
		(Restated)	**(Restated)**
Transaction price allocated to the remaining performance obligations (over time method):			
The aggregated amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:			
Expected to be recognised as revenue within 1 year	**–**	1,869	4,372
Expected to be recognised as revenue after 1 year but before 2 years	**–**	–	1,869
	–	1,869	6,241

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the product or service transfers to the customer.

20. Cash and cash equivalents

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Not restricted in use	**39,232**	40,291	32,325

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Not restricted in use	**20,092**	12,698	8,388

The interest earning balances are not significant.

20A. Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of $246,000 (2017: $204,000) acquired by means of finance leases.

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20. Cash and cash equivalents (Continued)

20B. Reconciliation of liabilities arising from financing activities:

	2017 $'000	Cash flows $'000	Non-cash changes $'000	2018 $'000
Finance lease liabilities	557	(405)	246[(a)]	**398**

	2016 $'000	Cash flows $'000	Non-cash changes $'000	2017 $'000
Finance lease liabilities	486	(133)	204[(a)]	557

(a) Acquisition (Note 20A)

21. Share capital

Group and Company	Number of shares issued '000	Share capital $'000	Treasury shares $'000	Total $'000
Ordinary shares of no par value:				
Balance at beginning of the year 1 January 2017	393,175	22,439	(1,279)	21,160
Treasury shares purchased #a	(63)	–	(24)	(24)
Balance at end of the year 31 December 2017	393,112	22,439	(1,303)	21,136
Treasury shares purchased #a	(593)	–	(264)	(264)
Balance at end of the year 31 December 2018	392,519	22,439	(1,567)	20,872

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

#a. Pursuant to the share purchase mandate approved at the extraordinary general meeting on 29 April 2015 and renewed at the annual general meeting on 26 April 2018, during the reporting year the company acquired 593,800 ordinary shares (2017: 62,500 ordinary shares) on the Singapore Stock Exchange and held as treasury shares. The total is 7,480,900 (2017: 6,887,100) ordinary shares.

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21. Share capital (Continued)

Capital management:

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

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2018	**2017**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings excluding finance leases	**48,808**	46,613
Less cash and cash equivalents	**(39,232)**	(40,291)
Net debt	**9,576**	6,322
Adjusted capital (less goodwill)	**51,440**	47,062
Debt-to-adjusted capital ratio	**18.6%**	13.4%

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debt.

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22. Other reserves

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Foreign currency translation reserve (Note 22A)	**90**	280	272
Statutory reserve (Note 22B)	**235**	235	235
Total at the end of the year	**325**	515	507

All the reserves classified on the face of the statements of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

22A. Foreign currency translation reserve

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
At beginning of the year	**280**	272	432
Exchange differences on translating foreign operations	**(190)**	8	(160)
At end of the year	**90**	280	272

22B. Statutory reserve

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
At beginning and end of the year	**235**	235	235

The subsidiaries in China is required by local regulation to appropriate 10% of the profits each year to a non-distributable statutory reserve. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The use of the funds in the non-distributable statutory reserve is subject to approval by the relevant authorities in China.

23. Trade and other payables

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Trade payables:			
Outside parties and accrued liabilities	**12,861**	14,382	12,486
Trade payable – subtotal	**12,861**	14,382	12,486
Other payables:			
Other payables	**85**	308	140
Other payables – acquisition of subsidiary[#a]	**4,536**	7,809	–
Deposit from customer	**–**	–	165
Other payable – subtotal	**4,621**	8,117	305
Total trade and other payables	**17,482**	22,499	12,791
Presented as:			
Trade and other payables, current	**13,488**	16,798	12,791
Other payables, non-current	**3,994**	5,701	–
	17,482	22,499	12,791

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23. Trade and other payables (Continued)

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Trade payables:			
Outside parties and accrued liabilities	**1,322**	962	2,527
Total trade payables	**1,322**	962	2,527

#a. This is for the contingent liability payable to the vendors for the acquisition of Ensure Engineering Pte Ltd in 2017 (Note 26).

24. Other financial liabilities

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Non-current:			
Financial instruments with floating interest rates:			
Bank loans (secured) (Note 24B)	**5,575**	7,575	6,477
Financial instruments with fixed interest rates:			
Finance leases (Note 24A)	**240**	399	368
Total non-current portion	**5,815**	7,974	6,845
Current:			
Financial instruments with floating interest rates:			
Bank loans (secured) (Note 24B)	**18,073**	7,000	9,128
Bank loans (Note 24C)	**10,200**	17,500	7,699
Invoice financing and trust receipts (Note 24C)	**6,557**	2,293	4,295
Financial instruments with fixed interest rates:			
Finance leases (Note 24A)	**158**	158	118
Total current portion	**34,988**	26,951	21,240
Total non-current and current	**40,803**	34,925	28,085

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Current:			
Financial instruments with floating interest rates:			
Bank loans (secured) (Note 24B)	**9,600**	–	–
Total current	**9,600**	–	–

The non-current portion is repayable as follows:

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Due within 2 to 5 years	**5,815**	7,974	6,845

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24. Other financial liabilities (Continued)

The range of floating rate interest rates paid was as follows:

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Bank loans, invoice financing and trust receipts	**2.5% to 3.2%**	2.3% to 3.1%	1.5% to 3.4%

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Bank loans	**2.1% to 2.5%**	–	–

The range of fixed rate interest rates paid was as follows:

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Finance leases	**2.0%**	2.0%	2.0% to 3.0%

24A. Finance leases

	Minimum payments $'000	**Finance charges $'000**	**Present value $'000**
Group			
31.12.2018			
Minimum lease payments payable:			
Due within one year	**175**	**(17)**	**158**
Due within 2 to 5 years	**266**	**(26)**	**240**
Total	**441**	**(43)**	**398**
Net book value of plant and equipment under finance leases			**824**

	Minimum payments $'000	**Finance charges $'000**	**Present value $'000**
Group			
31.12.2017			
Minimum lease payments payable:			
Due within one year	175	(17)	158
Due within 2 to 5 years	442	(43)	399
Total	617	(60)	557
Net book value of plant and equipment under finance leases			639

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

24. Other financial liabilities (Continued)

24A. Finance leases (Continued)

	Minimum payments $'000	Finance charges $'000	Present value $'000
Group			
01.01.2017			
Minimum lease payments payable:			
Due within one year	131	(13)	118
Due within 2 to 5 years	409	(41)	368
Total	540	(54)	486
Net book value of plant and equipment under finance leases			501

There are lease assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. The lease terms are 5 to 7 years (2017: 5 to 7 years).

24B. Bank loans (secured)

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.

2. Legal mortgage over the leasehold properties (Notes 13 and 16).

3. Need to comply with certain financial covenants.

4. The bank loans comprise of:

    a. Loan repayable in 84 monthly instalments of $37,138 from 3 December 2012. This loan was fully repaid during the reporting year.

    b. Loan repayable in 1 instalment of $312,500 and 5 quarterly instalments of $937,500 from November 2017 (Note 16).

    c. Short term borrowings with an average maturity period of 1 to 3 months and are settled at the end of maturity period.

    d. Loan repayable in 8 semi-annual instalments of $1,000,000 from June 2017.

    e. Loan repayable in 30 quarterly instalments of $200,000 from June 2018. Although the loan is for a period of 7.5 years from June 2018, it has been classified as "current" because the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

24. Other financial liabilities (Continued)

24C. Bank loans, invoice financing and trust receipts

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.

2. Need to comply with certain financial covenants.

3. The bank loans comprise of:

   a. Short term borrowings (invoice financing, trust receipts and money market loans) with an average maturity period of 1 to 3 months and are settled at the end of maturity period.

   b. Loan repayable in 16 quarterly instalments of $250,000 over 4 years from July 2017. This loan was fully repaid during the reporting year.

25. Other liabilities

		Group	
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Contract liabilities (Note 25A)	**–**	–	873
Deferred revenue	**151**	498	280
Total other liabilities	**151**	498	1,153

25A. Contract liabilities

		Group	
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
The amount is made up of:			
Contract liabilities on long-term contracts (over time method)	**–**	–	873

The movements in contract liabilities are as follows:

		Group	
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
At beginning of the year	**–**	873	1,135
Performance obligation satisfied – revenue recognised	**–**	(873)	(262)
Contract liabilities on long-term contracts (over time method)	**–**	–	873
Transaction price allocated to the remaining performance obligations:			
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:			
Expected to be recognised within 1 year	**–**	–	873

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

26. Acquisition of subsidiary

On 28 April 2017 the group acquired 100% of the share capital in Ensure Engineering Pte Ltd (incorporated in Singapore) and from that date the group gained control. It became a subsidiary (also see Note 14 for the principal activities). The transaction was accounted for by the acquisition method of accounting.

The consideration transferred was as follows:

	2017 $'000
Consideration transferred:	
Cash paid	8,516
Contingent liability payable consideration #a	7,809
Total consideration	16,325

#a. This was for the contingent liability payable consideration arrangements with the vendor. The acquisition agreement for the acquisition of Ensure Engineering Pte Ltd provides for an "earn-out" agreement. The acquirer is required to pay an additional cash consideration to the vendor at 50% of the future profit performance of Ensure Engineering Pte Ltd in 2017, 2018, 2019 and 2020. The additional payment expected is $7,861,000 (undiscounted). The above liability amount recognised is the measured fair value (Level 3) of this arrangement at the acquisition date. Subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period of not more than twelve months about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

The fair value of the contingent liability consideration arrangement was measured by applying the income approach. The fair value measurements (Level 3) were based on an expected cost of borrowing rate of 2.24% per annum. An estimate was made of these factors and near-term business outlook such as industry and sector performance. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount.

	Pre-acquisition book value under FRS $'000	Provisional fair value $'000
2017: Ensure Engineering Pte Ltd		
Property, plant and equipment	19,703	19,703
Inventories	706	706
Trade and other receivables	2,941	2,941
Other assets	223	223
Cash and cash equivalents	14,604	14,604
Trade and other payables	(1,291)	(1,291)
Other financial liabilities	(25,802)	(25,802)
Income tax payables	5	5
Deferred tax liabilities	(1,865)	(1,865)
Net assets	9,224	9,224

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

26. Acquisition of subsidiary (Continued)

Goodwill arising on acquisition:

The goodwill arising on acquisition was as follows:

	2017 $'000
Consideration transferred	16,325
Fair value of net assets acquired	(9,224)
Goodwill arising on acquisition (Note 15)	7,101

The net cash inflow on acquisition was as follows:

	2017 $'000
Purchase consideration	16,325
Amount payable to vendor	(10,898)
Less cash taken over	(14,604)
Net cash inflow for statement of cash flows purposes at end of the year	(9,177)

The assembled workforce, high existing profitability and the synergies that the group obtained all contributed to the amount paid for goodwill. Those assets did not meet the recognition criteria prescribed by the financial reporting standard on business combinations and therefore were not recognised as separate intangible assets, but subsumed in goodwill.

The goodwill was not deductible for tax purposes.

The contributions from the acquired subsidiary for the period between the date of acquisition and the end of the reporting year were as follows:

	From date of acquisition in 2017 $'000	For the reporting year 2017 $'000
Revenue	11,943	15,070
Profit before income tax	4,152	891

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

27. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**2,220**	2,991
Later than one year and not later than five years	**1,474**	2,539
Later than five years	**4,157**	2,306
Rental expense for the year	**3,892**	4,359

Operating lease payments are for rentals payable for certain premises, land, storage areas and staff accommodation. The leases from the owners range from 1 to 5 years term.

28. Financial instruments: information on financial risks

28A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Financial assets at amortised cost	**62,247**	62,432	**32,356**	24,010
At end of the year	**62,247**	62,432	**32,356**	24,010
Financial liabilities:				
Financial liabilities at amortised cost	**66,688**	69,669	**10,922**	962
At end of the year	**66,688**	69,669	**10,922**	962

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Financial instruments: information on financial risks (Continued)

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include the following:

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

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

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

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

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

28C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Financial instruments: information on financial risks (Continued)

28D. Credit risk on financial assets (Continued)

Note 20 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

28E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual undiscounted cash flows):

	Less than 1 year $'000	2 – 5 years $'000	Total $'000
Group			
Non-derivative financial liabilities:			
2018:			
Gross borrowings commitments	**43,699**	**5,875**	**49,574**
Gross finance lease obligations	**175**	**266**	**441**
Trade and other payables	**13,488**	**3,994**	**17,482**
At end of the year	**57,362**	**10,135**	**67,497**
Non-derivative financial liabilities:			
2017:			
Gross borrowings commitments	39,640	8,040	47,680
Gross finance lease obligations	175	442	617
Trade and other payables	16,798	5,753	22,551
At end of the year	56,613	14,235	70,848

	Less than 1 year $'000	2 – 5 years $'000	Total $'000
Company			
Non-derivative financial liabilities:			
2018:			
Gross borrowings commitments	**9,621**	**–**	**9,621**
Trade and other payables	**1,322**	**–**	**1,322**
Financial guarantee contracts	**43,699**	**5,875**	**49,574**
At end of the year	**54,642**	**5,875**	**60,517**
Non-derivative financial liabilities:			
2017:			
Trade and other payables	962	–	962
Financial guarantee contracts	39,640	8,040	47,680
At end of the year	40,602	8,040	48,642

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Financial instruments: information on financial risks (Continued)

28E. Liquidity risk – financial liabilities maturity analysis (Continued)

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2017: 30 to 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The above table shows the maturity analysis of the contingent liabilities from financial guarantees.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Bank facilities:

	Group	
	2018 $'000	**2017 $'000**
Undrawn borrowings facilities	**59,170**	56,113

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Financial instruments: information on financial risks (Continued)

28F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2018 $'000	2017 $'000
Financial liabilities with interest:		
Fixed rates	**398**	557
Floating rates	**48,808**	46,613
Total at end of the year	**49,206**	47,170

The floating rate debt asset instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

28G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currency:

	United States Dollar $'000	Euro $'000	Total $'000
Group			
2018			
Financial assets:			
Cash	**23,611**	**7**	**23,618**
Loans and receivables	**4,380**	**–**	**4,380**
Total financial assets	**27,991**	**7**	**27,998**
Financial liabilities:			
Borrowings	**(81)**	**(322)**	**(403)**
Trade and other payables	**(431)**	**(179)**	**(610)**
Total financial liabilities	**(512)**	**(501)**	**(1,013)**
Net financial assets (liabilities) at end of the year	**27,479**	**(494)**	**26,985**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Financial instruments: information on financial risks (Continued)

28G. Foreign currency risk (Continued)

	United States Dollar $'000	Euro $'000	Total $'000
Group			
2017			
Financial assets:			
Cash	17,689	27	17,716
Loans and receivables	4,634	–	4,634
Total financial assets	22,323	27	22,350
Financial liabilities:			
Borrowings	(490)	–	(490)
Trade and other payables	(2,496)	(227)	(2,723)
Total financial liabilities	(2,986)	(227)	(3,213)
Net financial assets (liabilities) at end of the year	19,337	(200)	19,137

There is exposure to foreign currency risk as part of normal business.

Sensitivity analysis:

	Group	
	2018 $'000	2017 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US$ with all other variables held constant would have an adverse effect on pre-tax profit of	**(2,498)**	(1,758)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

29. Items in profit or loss

In addition to the profit and loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following expenses:

	Group	
	2018 **$'000**	**2017** **$'000**
Audit fees to the independent auditor of the company	**172**	175
Audit fees to the other independent auditors	**46**	24
Other fees to the independent auditor of the company	**39**	39

30. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Note 32.

SFRS(I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers.
	Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers

31. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Adoption of the applicable new or revised standards are expected to result in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement. Those that are expected to have a material impact are described below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS(I) 1 – 12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS(I) 1 – 23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 Jan 2019

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

31. New or amended standards in issue but not yet effective (Continued)

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 27, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The table below shows the amount by which each financial statement line item is impacted (debits)/(credits)) in the current reporting year 2018 by the application of the new standard on leases:

	2018 $'000
Statement of financial position:	
Right to use assets	**4,098**
Lease liabilities	**(4,098)**
Net change to equity	**–**

32. Changes in accounting policies and restatements of comparative figures

Effective from beginning of the current reporting year certain new or revised financial reporting standards were adopted as mentioned in Note 30. Adoption of those policies and any other changes have resulted in some changes in the application of the accounting policies and some modifications to financial statement presentation and these changes are summarised below.

		After restatement $'000	Before restatement $'000	Difference $'000
Group:				
31 December 2017 Statement of financial position:				
Trade and other receivables	#A	22,141	29,094	(6,953)
Other assets	#A	9,903	2,950	6,953
1 January 2017 Statement of financial position:				
Trade and other receivables	#A	18,449	27,103	(8,654)
Other assets	#A	13,743	5,089	8,654
2017 Consolidated statement of cash flows:				
Trade and other receivables	#A	(751)	950	(1,701)
Other assets	#A	4,063	2,362	1,701

#A. The restatement was made so as to enhance comparability with current year's balance in the financial statement. The changes are for the contract assets not included under trade receivables. There are no changes to other components of the financial statements.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2019

Number of Issued Shares	400,000,000
Number of Issued Shares (excluding treasury shares and subsidiary holdings)	392,519,100
Number of Subsidiary holdings	Nil
Class of Shares	Ordinary Shares
Voting Rights (excluding Treasury Shares)	1 vote per share

As at 15 March 2019, the total number of ordinary shares held in treasury is 7,480,900. The percentage of such holding against the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) is 1.91%.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%#
1 – 99	0	0.00	0	0.00
100 – 1,000	96	8.61	69,975	0.02
1,001 – 10,000	453	40.63	2,760,700	0.70
10,001 – 1,000,000	550	49.33	38,275,900	9.75
1,000,001 and above	16	1.43	351,412,525	89.53
Total	**1,115**	**100.00**	**392,519,100**	**100.00**

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 15 March 2019, approximately 24% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2019

Name	No. of Shares	%#
CITIBANK NOMINEES SINGAPORE PTE LTD	216,034,325	55.04
DBS NOMINEES PTE LTD	45,828,600	11.68
LIN CHOON HIN	44,050,000	11.22
OCBC SECURITIES PRIVATE LTD	12,452,200	3.17
CHANG YEH HONG	7,063,000	1.80
CHOU CHEE FATT	4,877,000	1.24
PHILLIP SECURITIES PTE LTD	4,335,300	1.10
CHANG YEH FUNG	2,734,600	0.70
QUEK HUILING JOANNE	2,339,900	0.60
MAYBANK KIM ENG SECURITIES PTE. LTD.	2,123,100	0.54
CHIA MENG RU	1,871,600	0.48
CHANG HUI MIN MARISSA	1,624,600	0.41
TAN HEE SENG	1,603,100	0.41
UNITED OVERSEAS BANK NOMINEES PTE LTD	1,602,700	0.41
OCBC NOMINEES SINGAPORE PTE LTD	1,489,500	0.38
RAFFLES NOMINEES (PTE) LIMITED	1,383,000	0.35
TAN KHOON SENG	1,000,000	0.25
LEE HENG SWEE	903,000	0.23
TAN KOK CHING	700,000	0.18
WOO KAN WENG	700,000	0.18
TOTAL:	354,715,525	90.37

Percentage is calculated based on 392,519,100 shares (excluding shares held as treasury shares and subsidiary holdings) as at 15 March 2019.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019
as recorded in the Register of Substantial Shareholders

	Number of Ordinary Shares			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Chang Yeh Hong[(1)]	7,063,000	1.80	210,717,225	53.68
Lin Choon Hin	44,050,000	11.22	–	–
Teo Ling Ling[(2)]	55,000	0.01	32,084,500	8.18

[(1)] Mr Chang Yeh Hong's deemed interest arises from shares held by Citibank Nominees Singapore Pte Ltd and DBS Nominees Pte. Ltd.

[(2)] Ms Teo Ling Ling's deemed interest arises from shares held by DBS Nominees Pte. Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nordic Group Limited (the "Company") will be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Monday, 29 April 2019 at 10:00 am to transact the following business:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditor's Report thereon. Resolution 1

2. To declare a final tax exempt (one-tier) dividend of 0.353 Singapore cent per ordinary share for the financial year ended 31 December 2018. Resolution 2

3. To re-elect Ms Teo Ling Ling who is retiring pursuant to Article 104 of the Constitution of the Company, as a Director of the Company. Resolution 3

4. To note the retirement of Mr Hew Koon Chan as a Director of the Company, who is retiring pursuant to Article 104 of the Constitution of the Company and has decided not to seek re-election.

   [See Explanatory Note (i)]

5. To approve the Directors' fees of S$137,000 for the financial year ending 31 December 2019, payable half-yearly in arrears. Resolution 4

6. To approve a one-off Director's fee of S$15,000 payable to Mr Hew Koon Chan for the financial year ended 31 December 2018. Resolution 5

7. To re-appoint Messrs RSM Chio Lim LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. Resolution 6

AS SPECIAL BUSINESS

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

8. **Authority to allot and issue shares up to fifty per centum (50%) of the issued shares in the capital of the Company** Resolution 7

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

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

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

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

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

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

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

9. **Renewal of Share Purchase Mandate** Resolution 8

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases (each a "Market Purchase") on the SGX-ST; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX- ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "Share Purchase Mandate");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held;

(ii) the date on which the share purchase is carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked;

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

(d) for purposes of this Resolution:

"**Maximum Limit**" means 10% of the total number of issued Shares of the Company as at the date of passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of SGX-ST));

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:–

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

"**day of the making of the** offer" means the day on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iii)]

10. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

Explanatory Notes:

(i) Mr Hew Koon Chan has informed the Company that he will not be seeking re-election at this Annual General Meeting. Accordingly, he will retire as a Director of the Company at the conclusion of the Annual General Meeting. Mr Hew Koon Chan will, upon retirement, cease to be the Chairman of the Audit Committee and as a member of the Nominating Committee and Remuneration Committee.

(ii) The proposed Resolution 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time of passing this Resolution. For allotment and issue of shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.

(ii) The proposed Resolution 8, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to repurchase (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued shares excluding treasury shares and subsidiary holdings at prices up to but not exceeding the Maximum Price.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2019 for the purpose of determining members' entitlements to the final tax exempt (one-tier) (the "Final Dividend") to be proposed at the Annual General Meeting of the Company to be held on 29 April 2019.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 3 May 2019 by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd), 80 Robinson Road #02-00 Singapore 068898 will be registered to determine members' entitlements to the proposed Final Dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 3 May 2019 will be entitled to such proposed Final Dividend.

The proposed Final Dividend, if approved at the Annual General Meeting will be paid on 14 May 2019.

By Order Of the Board

Chia Meng Ru
Company Secretary

Date: 05 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

Note:

a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

b) If a proxy is to be appointed, the form must be deposited at the business office of Share Registrar of the Company, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd) at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the meeting.

c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

d) In the case of joint shareholders, all holders must sign the form of proxy.

Personal Data Privacy:

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

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NORDIC GROUP LIMITED

Registration No. 201007399N
(Incorporated in Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.
2. 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.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We ______________________________ (Name), NRIC/Passport number ______________________

of ____ (Address)

being a *member/members of Nordic Group Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

or failing whom the Chairman of the Annual General Meeting 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 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Monday, 29 April 2019 at 10:00 am and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Annual General Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
ORDINARY BUSINESS			
1.	To receive and consider the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018.		
2.	To approve payment of final tax exempt (one-tier) dividend.		
3.	To re-elect Ms Teo Ling Ling as a Director.		
4.	To approve Directors' fees of S$137,000 for financial year ending 31 December 2019, payable half-yearly in arrears.		
5.	To approve a one-off Director's fee of S$15,000 payable to Mr Hew Koon Chan for financial year ended 31 December 2018.		
6.	To re-appoint Messrs RSM Chio Lim LLP as Auditor.		
SPECIAL BUSINESS			
7.	To authorise the Directors to allot and issue shares.		
8.	To approve the renewal of Share Purchase Mandate.		

(1) *If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick [√] within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please indicate the number of shares in the relevant boxes provided as appropriate.*

* *delete where inapplicable*

Dated this __________ day of ____________________ 2019

Total number of shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature (s) of Member(s)
or, Common Seal of Corporate Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:–

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy 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.

6. The instrument appointing a proxy or proxies must be deposited at the business office of Share Registrar of the Company, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd) at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:–

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 05 April 2019.

General:–

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 shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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NORDIC
Group Limited

(Incorporated in the Republic of Singapore on 8 April 2010)
(Company Registration Number: 201007399N)