



**BUILDING
MOMENTUM
CAPTURING
OPPORTUNITIES**

ANNUAL REPORT **2017**

CONTENTS

CORPORATE PROFILE	IFC
OUR BUSINESSES	02
SALES AND SERVICES NETWORK	03
AWARDS & ACCREDITATIONS	04
CHAIRMAN'S STATEMENT	05-07
BOARD OF DIRECTORS	08-09
SENIOR MANAGEMENT	10-12
FINANCIAL HIGHLIGHTS AND INVESTMENT SCORECARD	14-15
FINANCIAL AND OPERATION REVIEW	16-19
CORPORATE SOCIAL RESPONSIBILITY	20-23
CORPORATE INFORMATION	24
CORPORATE GOVERNANCE REPORT	25-40
STATEMENT BY DIRECTORS	41-43
INDEPENDENT AUDITOR'S REPORT	44-47
FINANCIAL STATEMENTS	48-100
SHAREHOLDINGS STATISTICS	101-102
NOTICE OF ANNUAL GENERAL MEETING	103-108
PROXY FORM	

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 Systems Integration and Precision Engineering operations are based in both Singapore and China; our head office and warehouse are located in Singapore, and our two production facilities are located in Suzhou, People's Republic of China ("PRC").

Our Scaffolding Services division provides scaffolding and alternative access solutions for the oil & gas, petrochemical, construction and marine industries. Our Insulation Services division specialises 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.

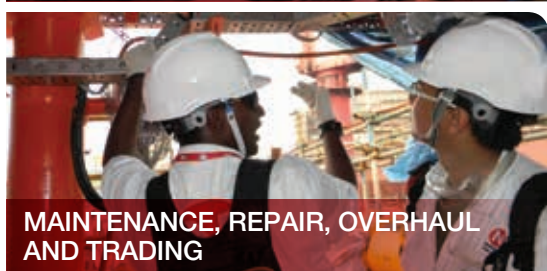


OUR BUSINESSES



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 specialise 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 specialise 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**

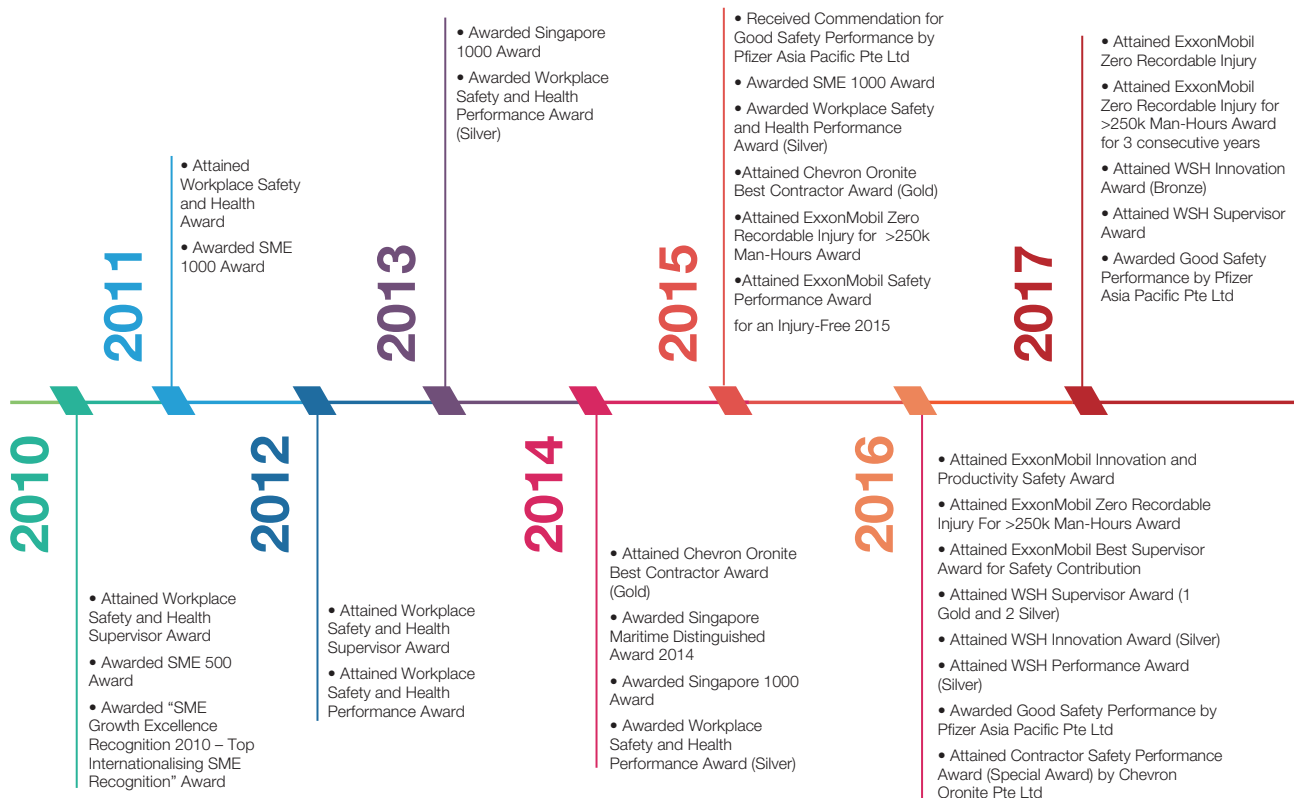
We specialize in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment 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



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's my honour and privilege to deliver our Annual Report 2017 for the financial year ended 31 December 2017 ("**FY2017**") to you.

ACHIEVING RECORD FINANCIAL PERFORMANCE

We are very proud to attain record revenue of \$91.5 million in FY2017 since our listing in 2010. Our FY2017 revenue performance was mainly driven by substantial growth in our Maintenance Services business segment. As a result of our stellar financial performance, our Group managed to boost our earnings by 20% from \$12.7 million in FY2016 to \$15.3 million in FY2017. This also represents our highest net profit attributable to shareholders since our listing in 2010. Along with our revenue and net profit, our gross profit margins and net profit margins have been steadily increasing over the years as we have expanded our

suite of products and services along the way. Largely attributed to the successful execution of our Merger and Acquisitions ("**M&A**") strategies, prudent risk and cost management, our net profit has grown at a respectable Compound Annual Growth Rate ("**CAGR**") of 43% from FY2011 to FY2017. All these were achieved during a period of doldrums in the offshore marine, oil and gas industries.

EXCELLENT M&A TRACK RECORD

In 2011, our Group acquired Multiheight Scaffolding Pte Ltd ("**Multiheight**") for approximately \$29 million. It has added products and services like design, erection, modification, dismantling and rental of scaffolding system and allowing us to diversify away from serving shipyards to oil majors like Chevron and ExxonMobil. Moreover, the acquisition has enabled the Group to benefit from a recurring income base while reducing our traditional lumpy earnings trend via maintenance services.

In 2015, our Group acquired Austin Energy (Asia) Pte Ltd ("**AE**") for a purchase price of approximately \$26m. The acquisition enhanced our products and services capabilities as AE specializes in thermal insulation, fireproofing and industrial coating. AE's business is complementary to Multiheight's scaffolding business, allowing the Group to cross-sell and bundle both sides to the same or new set of customers. Through this acquisition, our Group further diversified away from the offshore marine risks and gain entry into serving clients in the pharmaceutical industry. We also won the first scaffolding, insulation and coating job in one of the largest petrochemical company.

In 2017, our Group acquired Ensure Engineering Pte Ltd ("**Ensure**") for approximately \$16 million. Ensure



CHAIRMAN'S STATEMENT

specializes in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services. The acquisition of Ensure was in line with Group's strategy to acquire earnings accretive, familiar customer base and complementary businesses with recurring income. In addition, Ensure expanded Nordic's clientele base from serving private sector into government agencies like Public Utilities Board ("PUB") and National Environment Agency ("NEA"). The addition of Ensure into the Group has boosted our revenue from Maintenance Services business segment from \$21.5 million in FY2016 to \$36.7 million in FY2017, delivering instant results post acquisition.

Our Group has demonstrated our ability to execute successful earnings accretive acquisitions and assimilate the acquisitions into our Group's organization and culture. All the acquisitions also expanded our scope of products and services on offer to our existing customers while adding on customers from other industries, allowing us to mitigate inherent risks in the offshore marine sector. The quality and credentials of our combined clientele base have also shown a marked improvement from the past. Going forward, our Group would pursue similar M&A strategy to enhance our competitiveness and boost our future earnings.

DIVERSIFYING OUR REVENUE STREAMS & IMPROVING OUR EARNINGS QUALITY

In FY2010, approximately 88% of our Group's revenue is contributed by our System Integration, MRO and Trading business divisions. Our revenue trend has also been lumpy and reliant on the business conditions of the offshore

marine sector. Via our M&A strategy by adding Maintenance Services type of businesses, we have been able to not only smoothen the volatility in our revenue trend but also put the Group on an upward trajectory that produces revenue growth each year. In FY2017, our Group has achieved diversity in our revenue as each of our business divisions made contributions to our top line while reducing our dependence on the System Integration, MRO and Trading business divisions. In FY2017, our top revenue driver came from our Scaffolding business division which generated approximately 36% of our total revenue.

POST-ACQUISITIONS CONSOLIDATION

Our Group has put up four properties with net book value of \$13.4 million for sale. The four properties are at 5 Kwong Min Road, 24 Benoi Place, 133 Tuas View Square and 42 Tech Park. These properties house the operations of all our subsidiaries in Singapore. Our Group also purchased 2 Tuas Ave 10, which is located opposite Ensure, to consolidate our businesses for better coordination and control. The new location has a land area of 5,677.9 sqm and gross floor area of 6,277.58 sqm. The purchase price was \$6.2million with a market valuation of \$13 million for a tenure of 32 years.

MARKET OUTLOOK FOR THE GROUP

According to Clarkson's data in 2017, Chinese shipbuilders won the largest share of orders globally.¹ However, new shipbuilding activities remained at

Total dividend of 1.523 Singapore cents for FY2017

the lowest level for over 20 years. The average prices for Baltic Exchange Time Charter Average has been making a slow recovery from January 2015 to August 2017 for the Handysize, Supramax and Panamax vessels while the Capesize vessels has made a strong recovery.² Bulk of the orders for the Chinese shipyards tend to concentrate on the container ships and bulk carriers.³

According to the US Energy Information Administration ("EIA"), average world oil consumption has overtaken average world oil production signifying ample demand to support current Brent crude oil prices above US\$60.00 per barrel.⁴ EIA remained bullish on crude oil prices predicting Brent crude prices to be above US\$75 per barrel by 2022. This should trigger more capex spending among oil majors.

Our Group remained cautiously optimistic of the macro environment which most of our business divisions operate in. Through our M&A strategy, we have expanded our clientele base into other industries like pharmaceutical, hospitals, aviation and government agencies. We have continued to maintain our high safety standards and quality assurances while increasing our product ranges and services to suit the needs of our existing clientele base.

¹ Clarkson, 2017

² BIMCO, Clarksons, 2017

³ Fairplay, Outlook 2018, Asian shipyard to embrace innovation in 2018, 2017

⁴ Exchange, EIA, 2017

CHAIRMAN'S STATEMENT

Our Group has continued its contract winning momentum as we clinched a total value of approximately \$88.8 million worth of contracts from 1 January 2017 to 26 February 2018. Notably on 11 May 2017, our Group's Project Services segment secured scaffolding, insulation and coating capital project of approximately \$35.0 million from a multinational company in the petrochemical industry. The contract is for 3 years starting from 1 June 2017. In addition, on 4 January 2018, our Group's Maintenance Services segment secured a maintenance service contract from a repeat customer of approximately \$10.8 million for the servicing and maintenance of screening, sludge, grit and related equipment at various water reclamation plants in Singapore. This contract is for a period of 3 years from 26 January 2018 to 25 January 2021.

Our Group's outstanding order book stands at approximately \$106.8 million including maintenance contracts as at 31 January 2018. These orders are expected to be delivered within the next 36 months and will generate sustainable revenue streams for the Group up to FY2021. However, these confirmed orders are subject to possible cancellation, deferment, rescheduling or variations by customers.

REWARDING OUR VALUED SHAREHOLDERS

To reward our loyal shareholders for their unwavering support and faith, our Group is proposing a final dividend of 0.873 Singapore cents per share for FY2017, thereby maintaining a dividend pay-out ratio of about 40%. However, this is subject to shareholders' approval

at the Annual General Meeting ("AGM") on 26 April 2018. Once approved, the dividends are expected to be paid out to shareholders on 14 May 2018.

APPRECIATION

I would like to express my topmost appreciation to my Board of Directors for their wise counsel and support. At the same time, I would like to extend a warm welcome to Ms Chia Meng Ru who joined us as our Group Chief Financial Officer on 18 August 2017. We believe that her experience and capabilities would prove invaluable to continue our growth trajectory.

On behalf of the Board, I would like to thank our management and staff for their dedication, hard work, and commitment over the years. Our Group firmly believes that each and every one of them has contributed substantially and made considerable sacrifices to achieve our record financial performance since our listing in 2010.

I would also like to take this opportunity to express my utmost gratitude to all our existing and new customers for their loyalty, faith and support in our Group. We will work hard to maintain our high safety standards and to consistently deliver high quality products and services.

Most importantly, we would like to thank our loyal shareholders for their faith and support of our management team and the strategic direction of the Group. We would continue to strive for excellence, manage our costs and risks prudently, drive performance and to enhance our shareholder value.

Our Group has laid down strong foundations and building blocks for growth to move the Group forward. Our Group would also continue to hunt for earnings accretive acquisitions that fit the Group's core competency and business strategy. In addition, we are also implementing measures to improve our productivity and efficiency. Possessing an outstanding order book with multiple income streams and a healthy balance sheet with low debt levels, our Group remained cautiously optimistic in maintaining our profitability going forward. With the improving outlook in the offshore marine, oil and gas industries, our Group is confident to continue our contract winning momentum and to secure more contracts to boost our earnings.

Yours Sincerely,

CHANG YEH HONG

Group Executive Chairman

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 29 April 2015. 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. He had previously served as an independent director at Union Steel Holdings Limited from 2005 to 2015. 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 Fountainebleau, 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 29 April 2015. 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 Lee Metal Group Limited and Forise International Limited. 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



HEW KOON CHAN
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. This includes 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 and is currently a 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 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 Roxy-Pacific Holdings Limited, 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

DIRECTOR & HEAD OF PRODUCT
DEVELOPMENT OF NORDIC FLOW
CONTROL

Eric Lin Choon Hin retired as our Executive Director on 26 April 2017 and remained as a Director and Head of Product Development of Nordic Flow Control. He is also the founder of Nordic Flow Control. He is responsible for aspects relating to production and management of our production facilities, quality assurance and control, as well as development of new products. 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



ROBIN YIP KIN HOONG

CHIEF OPERATING OFFICER OF
MULTIHEIGHT



TENG POH LIANG

CHIEF OPERATING OFFICER OF AUSTIN
ENERGY

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 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 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
MANAGING DIRECTOR OF ENSURE



WANG LAI SUAN
DIRECTOR OF ENSURE



CHIA MENG RU
GROUP CHIEF FINANCIAL OFFICER

Han Meng Siew is the Managing Director 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. Since 1994, he has 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 was appointed the Executive Director of Ensure in April 2017 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 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

\$91.5 million

\$81.9 million in 2016

NET PROFIT

\$15.3 million

\$12.7 million in 2016

MARKET CAPITALISATION⁽³⁾ AS AT 31 DECEMBER 2017

\$220 million

\$98 million as at 31 December 2016

RETURN ON EQUITY⁽³⁾

21.29%

20.22% in 2016

EARNINGS PER SHARE

3.9 cents

3.2 cents in 2016

NET ASSET VALUE PER SHARE

19.5 cents

17 cents in 2016

EBITDA

\$20.7 million

\$18.3 million in 2016

ORDER BOOK

\$106.8 million

As at 31 January 2018

RETURN ON ASSET⁽³⁾

11.60%

11.36% in 2016

RETURN ON INVESTED CAPITAL⁽¹⁾

28.4%

37.8% in 2016

TOTAL DEBT TO EQUITY⁽²⁾⁽³⁾

45.59%

42.04% in 2016

NET PROFIT CAGR OF

43%

from FY2011 to FY2017

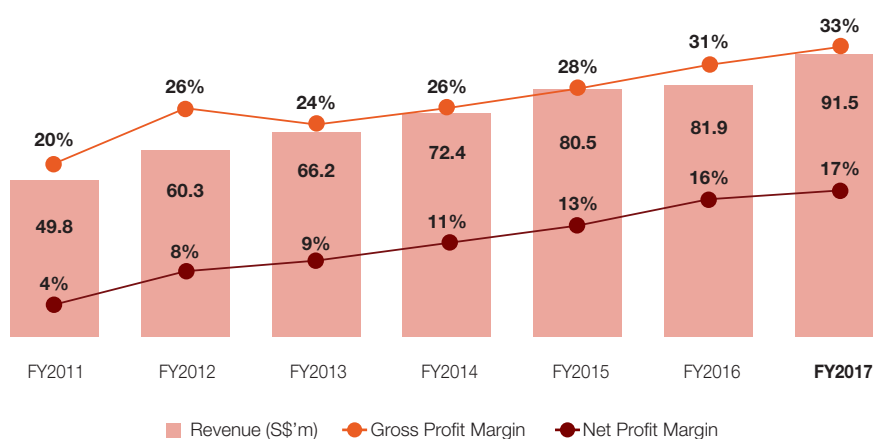
(1) Means that for every \$1 of capital invested in the business, the Company earned about \$28 in profit. Calculated based on profit before interest and tax/tangible capital employed which is tangible non-current asset + current asset – current liabilities (trade and other payables, other liabilities, income tax payable) – excess cash. If assets held for sale is excluded, the ROIC is 36.1%.

(2) If calculated base on (total borrowings less cash)/equity, total debt to equity would be net debt of 13% for 2017 and net cash of 11% for 2016.

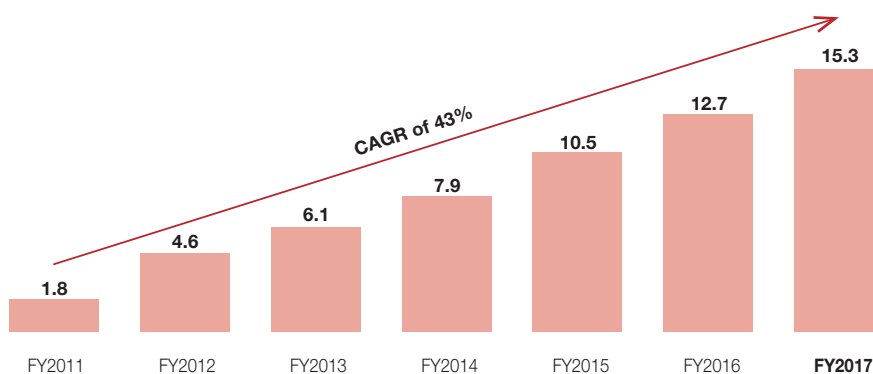
(3) Source: Reuters, 4 March 2018

FINANCIAL HIGHLIGHTS

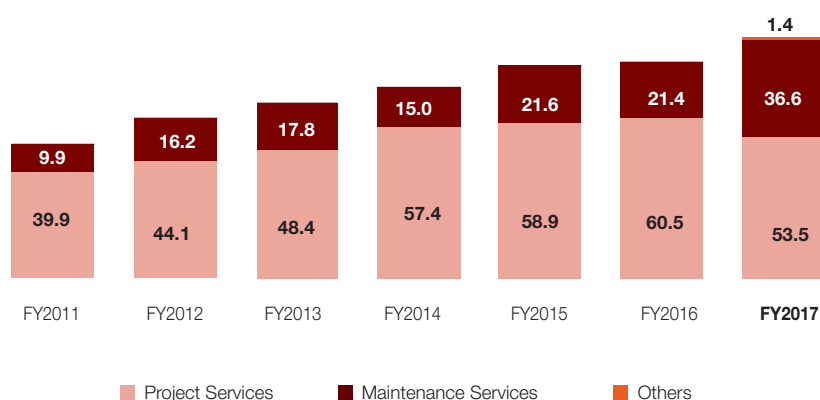
REVENUE AND PROFIT MARGIN



NET PROFIT (\$\$'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.

In April 2017, Nordic completed the acquisition of Ensure. Ensure is principally engaged in providing **Petrochemical & Environmental Engineering Services ("PEES")** which includes 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.

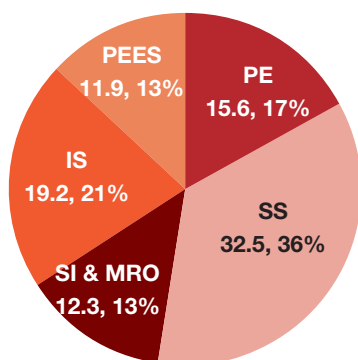
FINANCIAL AND OPERATION REVIEW

FINANCIAL REVIEW FOR FY2017

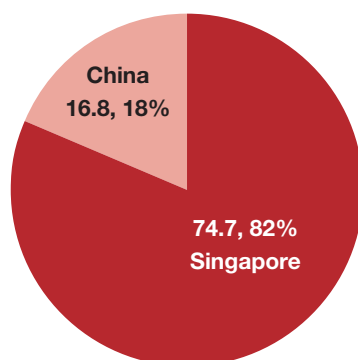
The Group managed to grow its revenue base by 12% from \$81.9 million in FY2016 to \$91.5 million in FY2017, mainly attributed to incremental revenue contribution from the Group's Maintenance Services business segment. Maintenance Services business segment contributed revenue of \$36.7 million in FY2017, up 71% as compared to \$21.5 million in FY2016, as the business segment benefited significantly from additional income deriving from its acquisition of Ensure on 28 April 2017. However, revenue from the Group's Project Services business segment declined 12% from \$60.5 million in FY2016 to \$53.5 million in FY2017 due to lesser projects in FY2017 during a challenging operating environment.

Geographically, the Group's Singapore market contributed \$74.7 million in FY2017 as compared to \$63.6 million in FY2016 mainly due to additional income derived from the acquisition of Ensure.

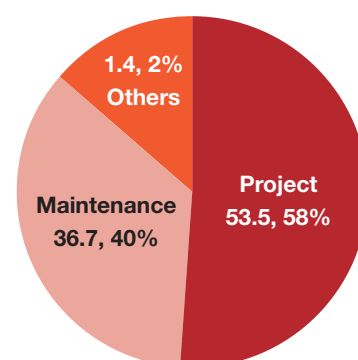
Revenue by Business division



Revenue by Geographical location



Revenue by Project and Maintenance Segment



Gross profit rose 19% from \$25.5 million in FY2016 to \$30.4 million in FY2017 and gross profit margin improved from 31.2% in FY2016 to 33.3% in FY2017 because of higher margins from both Maintenance Services and Others business segments.

Administrative expenses came in higher by 8% from \$10.4 million in FY2016 to \$11.3 million in FY2017 due to additional costs from Ensure.

Marketing and distribution costs decreased by 10% from \$479,000 in FY2016 to \$431,000 in FY2017 because of lower sales and marketing costs incurred.

The Group incurred higher finance costs of \$1.2 million in FY2017 versus \$1.0 million in FY2016 because of higher interest rates and increased borrowings for the acquisition of Ensure.

The Group incurred other losses of \$0.9 million in FY2017 arising mainly from foreign exchange loss of approximately \$1.6 million. However, this loss was offset by government grant income of \$0.4 million and other income of approximately \$0.3 million.

As a result of the Group's diversification strategy and record financial performance since listing, Nordic delivered a **net profit after tax attributable to shareholders** of \$15.3 million for the twelve months ended 31 December 2017 ("FY2017"), up 20% from \$12.7 million in FY2016. **Basic earnings per share** also grew 21.9% from 3.2 Singapore cents in FY2016 to 3.9 Singapore cents for FY2017.¹

¹ Based on weighted average number of 393,140,000 (FY2016: 393,969,000) ordinary shares

FINANCIAL AND OPERATION REVIEW

BALANCE SHEET REVIEW FOR FY2017

\$'000	31 December 2017	31 December 2016
Non-current Assets	52,268	39,514
Current Assets	99,041	72,411
Non-current Liabilities	16,773	7,824
Current Liabilities	57,922	37,297
Total Equity	76,614	66,804
Cash and Cash Equivalents	40,291	32,325
Net Asset Value per share (cents)	19.5	17.0

Non-current assets increased by 32% from \$39.5 million as at 31 December 2016 to \$52.3 million as at 31 December 2017. The increase was mainly due to: (i) inclusion of property, plant and equipment from Ensure of \$19.7 million, (ii) goodwill arising from the acquisition of Ensure of \$7.1 million (iii) additions of plant and equipment of \$2.3 million. However, the increase was partially offset by depreciation of property, plant and equipment of \$2.9 million and the reclassification of properties of \$13.4 million to asset held-for-sale. Four of the Group's properties are being marketed for sales. This is to consolidate our businesses into one location for better coordination and control.

Current assets rose by 37%, from \$72.4 million as at 31 December 2016 to \$99.0 million as at 31 December 2017. The increase was due to inclusion of current assets from Ensure and the reclassification of asset held for-sale from property, plant and equipment as explained above.

Non-current liabilities increased by 114% from \$7.8 million as at 31 December 2016 to \$16.8 million as at 31 December 2017. The increase was due to increase in other payables of \$5.7 million related to non-current portion of the deferred consideration payments for the acquisition of Ensure and increase in deferred tax liabilities of \$2.1 million.

Current liabilities increased by 55%, from \$37.3 million as at 31 December 2016 compared to \$57.9 million as at 31 December 2017. The increase was due to: (i) trade and other payables of \$4.0 million which mainly relates to the deferred consideration payments for the acquisition of Ensure of \$2.1 million (ii) other financial liabilities of \$5.7 million due to additional bank borrowings for working capital (iii) liabilities held-for-sale of \$12.2 million re-classed from non-current other financial liabilities. These are borrowings secured by mortgages on the four properties. These liabilities would be repaid once the properties are sold.

The Group continued to maintain a robust balance sheet as at 31 December 2017 as **cash and cash equivalents** stood at \$40.3 million, while **net asset value per share** strengthened from 17.0 Singapore cents as at 31 December 2016 to 19.5 Singapore cents as at 31 December 2017².

FINANCIAL AND OPERATION REVIEW

CASH FLOW REVIEW FOR FY2017

\$'000	FY2017	FY2016
Net cash generated from operating activities	15,029	13,224
Net cash generated from/(used in) investing activities	7,395	(6,345)
Net cash used in financing activities	(13,616)	(10,365)
Cash and cash equivalents at the end of the year	40,291	32,325

In FY2017, net cash generated from **operating activities** amounted to \$15.0 million compared to \$13.2 million generated in FY2016. The Group generated net cash of \$21.4 million from operating profits before working capital changes. Net cash used in working capital amounted to \$4.5 million. This was mainly due to cash outflow from increase in inventories of \$4.7 million, cash outflow from decrease in trade and other payables of \$2.5 million and decrease in other liabilities of \$0.7 million. These cash outflows were offset by cash inflow from the decrease in other assets of \$2.4 million and the decrease in trade and other receivables of approximately \$1.0 million. Our operating cash flow from operations was reduced by income tax payments of \$1.9 million.

Net cash of approximately \$7.4 million was generated from **investing activities** mainly from the net cash taken over from the acquisition of subsidiary of \$9.2 million. This cash inflow was offset by the purchase of plant and equipment of \$2.1 million.

Net cash of approximately \$13.6 million was used in **financing activities**. This was mainly due to dividend payment of \$5.4 million, interest payment of \$1.2 million and decrease in net other financial liabilities of \$6.8 million.

In conclusion, the Group generated a net cash increment of \$8.8 million to boost cash balances to \$40.3 million in FY2017 versus \$32.3 million in FY2016.

² Based on the 393,113,000 ordinary shares in issue excluding treasury shares as of 31 December 2017 (31 December 2016: 395,175,000)

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY



Working together towards success – Annual Dinner & Dance

COMMITMENT TO OUR SHAREHOLDERS

Our Group is committed to sound corporate governance and transparency practices by providing existing and potential investors with timely, accurate and full disclosure so as to aid them in better evaluating the Group and 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 Group – <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 nordic@financialpr.com.sg.
5. We will be sharing our inaugural Sustainability Report with shareholders once it is published.

COMMITMENT TO THE ENVIRONMENT

We are committed to environmental protection, reducing carbon emissions, preventing pollution, minimising wastage and utilizing our resources efficiently. Our Group sets in place strict operating procedures to handle the treatment, disposal of waste and takes pride in adopting greener solutions constantly in our daily operations to reduce environmental pollution. As part of our on-going efforts to protect the environment, our Group implemented a waste recycling programme which involves the installation of separate bins to collect reusable waste for reuse. Also, chemicals and hydrocarbon waste products such as paints and engine oil are treated with special care and disposed through proper biohazard disposal channels. A water recycling system has also been implemented to reduce water wastage while utilising water blast machine to remove concrete stains and rust on scaffolding materials.

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY



Baking handmade delicacies for the beneficiaries



Blood Donation Drive



Lim Kim San Volunteer Awards – YMCA



Packing goodies bag for the beneficiaries – Y Food of Love programme

COMMITMENT TO OUR COMMUNITY

Our Group is committed in making positive contributions to our community by giving back to the society and helping the less privileged. In FY2017, our Group took part actively in several community initiatives as well as made cash donations to various organisations.

In May 2017, our Group participated in Young Men's Christian Association ("YMCA")'s Y Food of Love programme. The programme have volunteers learn to bake handmade delicacies to be distributed to the beneficiaries in their homes or as they gather in their respective activity centres. A total of 25 volunteers and 80 beneficiaries participated in the programme.

In July 2017, our Group participated in YMCA Proms @ the Park 2017. Volunteers from 10 corporations, organisations and schools met with over 160 beneficiaries from 10 Voluntary Welfare Organisations ("VWOs") to enjoy a concert and carnival at the Asian Civilisations Museum. The event attracted about 600 people to the event, including members of public. Deputy Prime Minister & Coordinating Minister

for National Security, Mr Teo Chee Hean, was the guest of honour at the event. The event seeks to encourage social bonding and enhancement of social skills through a shared heritage where volunteers discover the privilege and joy of spending time with the beneficiaries as one community.

In October 2017, Ensure, the Official Blood Donation Centre for the Singapore Red Cross Society, organised the yearly "Blood Donation Drive". There is a record 78 packets of blood collected. These would 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

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

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 continuously to create a safe and healthy working environment for all our employees to thrive in.

Austin Energy clinched the WSH Supervisor Awards – an award which recognises supervisors who take care of workers under their charge by improving the safety and health performance in their workplaces. Multiheight was also awarded the WSH Performance Award (Silver) for 15 times since 2002. These awards are testament to the Group's internal methodologies and processes which were thoroughly reviewed as part of the evaluation process for the award. In addition, Safety awareness and best practices begin with individual employee and transcend into the Group's overall safety culture. Our Group is delighted to receive these awards as they reflect our perseverance in promoting a safe work culture. Such awards also serve as a benchmark and encouragement for all our businesses to strive forward.

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 to train its employees and align 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.

The Group understands the importance of work-life balance. In appreciation of our diligent employees, year end celebrations were held to celebrate the Group's achievements and to recognise the accomplishments of our staff. This year, our Annual Dinner and Dance events were held in both Singapore and China, where our staff



Received several WSH awards in recognition of consistent efforts to create a workplace culture that strongly emphasises on safety, innovation and performance.



Award recipients of the Long Service Awards (10 years) at the 2017 Nordic Group Dinner and Dance



"Lou Hei" session at the 2017 Nordic Group Dinner and Dance

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY



Y Food of Love programme at YMCA.

took the opportunity to bond over food and games. Long Service Awards (5 and 10 years) together with the “Lou Hei” sessions were some of the highlights of the 2017 Nordic Group Dinner and Dance.

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 upmost satisfaction to our valued customers by meeting and even surpassing their expectations of the Group.

As such, the Group emphasises much on the quality and value of our work and 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 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 solutions through innovation to keep abreast with the latest technology and processes in the industry and perform

regular reviews of our quality policy requirements so as 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 FY2017. For instance, our Group’s subsidiary, Multiheight, was awarded ExxonMobil Best Supervisor Award for Safety Contribution and ExxonMobil Zero Recordable Injury for >250k ManHours Award. In addition, our subsidiary, Austin Energy, has received WSH Innovation (Bronze) Award, special commendation for Good Safety Performance from Pfizer Asia Pacific Pte Ltd and GSK. 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

5 Kwong Min Road
Singapore 628708

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

Australia and New Zealand Banking Group Limited
10 Collyer Quay #30-00
Ocean Financial Centre
Singapore 049315

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 practices that were in place during the financial year ended 31 December 2017 with reference made to the principles of the Code of Corporate Governance 2012 (the “Code”).

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.

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”)

CORPORATE GOVERNANCE REPORT

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 2017 ("FY2017") 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	–	–	–
Lin Choon Hin	1 ^(b)	–	–	–
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

(b) Retired as director in accordance with Article 104 of the Constitution of the Company at the annual general meeting of the Company held on 26 April 2017. Attended the last Board Meeting held on 23 February 2017.

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"), Chief Operating Officers ("COO") and Managing Director ("MD") 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 duties and obligations.

There was no new Director appointment in FY2017.

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 manage 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:	Juliana Lee Kim Lian	(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 Chang Yeh Hong and Ms Juliana Lee will retire as Directors at the forthcoming Annual General Meeting ("AGM"). They will submit themselves for re-election at the forthcoming AGM.

Mr Chang Yeh Hong and Ms Juliana Lee, being member of the NC, have abstained themselves from deliberation in respect of their nominations.

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 8 and 9 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 a week 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 fulfill 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 FY2017 is as follows:

Directors' Remuneration for FY2017

Name	Remuneration (\$'000)	Fee ^(a)	Salary	Bonus	Allowance	Total
Chang Yeh Hong	1,104	–	33%	63%	4%	100%
Dorcas Teo Ling Ling	232	–	82%	–	18%	100%
Juliana Lee	55	100%	–	–	–	100%
Ong Hua	55	100%	–	–	–	100%
Hew Koon Chan	58	100%	–	–	–	100%

(a) \$138,000 has been approved by the shareholders at the AGM on 26 April 2017. \$30,000 is subject to approval by shareholder at the AGM on 26 April 2018.

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 FY2017 is as follows:

Remuneration of Key Executives for FY2017

Total remuneration paid to the top 5 key executives (who are not directors) for the year ended 31 December 2017 was \$1,059,000. The breakdown in percentage terms are set out below:

Name	Salary	Bonus	Allowance	Total
Between \$250,000 and \$350,000				
Han Meng Siew	69%	19%	12%	100%
Up to \$250,000				
Lin Choon Hin ^(b)	80%	–	20%	100%
Rodney Koh Wei Ming	56%	12%	32%	100%
Wang Lai Suan	68%	19%	13%	100%
Samantha Lim Bee Hong	66%	5%	29%	100%

(b) Retired as director in accordance with Article 104 of the Constitution of the Company at the annual general meeting of the Company held on 26 April 2017.

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	\$50,000 to \$100,000

Save as disclosed above, there is no other employee who is related to a Director, the CEO or substantial shareholder and whose remuneration exceeded \$50,000 during FY2017.

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

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 Company's risk management and internal controls systems addressing financial, operational, compliance and information technology risks, were adequate and effective in meeting the needs of the Company in its current business environment as at 31 December 2017.

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.

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;

CORPORATE GOVERNANCE REPORT

- 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;
- 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.

CORPORATE GOVERNANCE REPORT

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 26. 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 FY2017, 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 2017, the fees paid to RSM Chio Lim LLP for non-audit related services amounted to \$38,500 or 22% 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 one reported incident pertaining to the Speaking Up Policy during FY2017.

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 auditors. 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 the external auditor and reviewed by the AC:

CORPORATE GOVERNANCE REPORT

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 2017 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 documents, records properties and personnel of the Group.

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 experience.

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 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.

CORPORATE GOVERNANCE REPORT

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 Singapore Exchange Securities Trading Limited's SGXNET;
- Disclosure on the SGXNET;
- Press releases on major developments of the Company; and
- Quarterly shareholders' briefings.

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.

CORPORATE GOVERNANCE REPORT

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 FY2017.

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 2017.

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 were not interested 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:

Name of directors and companies in which interests are held	Direct		Deemed	
	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	5,011,000	6,982,000	205,406,625	210,717,225
Teo Ling Ling	31,640,000	–	–	31,939,500

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (Continued)

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 2018 were the same as those at the end of the reporting year except that Teo Ling Ling's deemed interest was 31,989,500.

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;

STATEMENT BY DIRECTORS

7. Report of audit committee (Continued)

- 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).

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 2017.

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 26 February 2018, 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
Director

.....
Teo Ling Ling
Director

26 March 2018

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 2017, 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and 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 16 on goodwill and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Key audit matters (Continued)

- Assessment of impairment of goodwill (Continued)

As at the reporting year end, the group had goodwill of \$29,552,000, which is made up 20% 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 calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit as well as a suitable discount rate in order to measure the recoverable amount. In estimating the future cash flows of the cash-generating unit, management forecasted the revenue, growth rates, margins based on presently available information.

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

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

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

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

26 March 2018

Engagement partner – effective from year ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

		Group	
	Notes	2017 \$'000	2016 \$'000
Revenue	5	91,537	81,921
Cost of sales		(61,097)	(56,398)
Gross profit		30,440	25,523
Interest income	6	163	115
Other gains	7	747	975
Distribution costs		(431)	(479)
Administrative expenses	8	(11,284)	(10,403)
Finance costs	9	(1,229)	(978)
Other losses	7	(1,672)	(76)
Profit before tax from continuing operations		16,734	14,677
Income tax expense	11	(1,468)	(1,994)
Profit for the year		15,266	12,683
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		8	(160)
Other comprehensive income (loss) for the year, net of tax:		8	(160)
Total comprehensive income for the year		15,274	12,523
Profit attributable to owners of the parent, net of tax		15,266	12,748
Loss attributable to non-controlling interests, net of tax		–	(65)
Profit for the year		15,266	12,683
Total comprehensive income attributable to owners of the parent		15,274	12,588
Total comprehensive loss attributable to non-controlling interests		–	(65)
Total comprehensive income for the year		15,274	12,523
Earnings per share			
Earnings per share currency unit		Cents	Cents
Basic	12	3.9	3.2
Diluted	12	3.9	3.2

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Notes	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	22,716	17,063	–
Investments in subsidiary	15	–	–	1,350
Goodwill	16	29,552	22,451	–
Total non-current assets		52,268	39,514	1,350
Current assets				
Assets held for sale under FRS 105	17	13,419	–	–
Inventories	18	13,287	7,894	–
Trade and other receivables	19	29,094	27,103	11,312
Other assets	20	2,950	5,089	315
Cash and cash equivalents	21	40,291	32,325	12,698
Total current assets		99,041	72,411	28,622
Total assets		151,309	111,925	29,289
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	22	22,439	22,439	22,439
Treasury shares	22	(1,303)	(1,279)	(1,303)
Retained earnings		54,963	45,137	7,096
Other reserves	23	515	507	–
Total equity		76,614	66,804	28,232
Non-current liabilities				
Deferred tax liabilities	11	3,098	979	–
Other financial liabilities	25	7,974	6,845	–
Other payables	24	5,701	–	–
Total non-current liabilities		16,773	7,824	–
Current liabilities				
Liabilities of a disposal group classified as held for sales under FRS 105	17	12,245	–	–
Income tax payable		1,430	2,113	95
Trade and other payables	24	16,798	12,791	962
Other financial liabilities	25	26,951	21,240	–
Other liabilities	26	498	1,153	–
Total current liabilities		57,922	37,297	1,057
Total liabilities		74,695	45,121	2,537
Total equity and liabilities		151,309	111,925	29,289

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Total equity \$'000	Attributable to parent sub-total \$'000	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Non- controlling interests \$'000
Group								
Current year:								
Opening balance at 1 January 2017	66,804	66,804	22,439	(1,279)	45,137	272	235	–
Changes in equity:								
Total comprehensive income for the year	15,274	15,274	–	–	15,266	8	–	–
Dividends paid (Note 13)	(5,440)	(5,440)	–	–	(5,440)	–	–	–
Purchase of treasury shares (Note 22)	(24)	(24)	–	(24)	–	–	–	–
Closing balance at 31 December 2017	76,614	76,614	22,439	(1,303)	54,963	280	235	–
Previous year:								
Opening balance at 1 January 2016	59,380	59,315	22,439	(856)	37,065	432	235	65
Changes in equity:								
Total comprehensive income for the year	12,523	12,588	–	–	12,748	(160)	–	(65)
Dividends paid (Note 13)	(4,676)	(4,676)	–	–	(4,676)	–	–	–
Purchase of treasury shares (Note 22)	(423)	(423)	–	(423)	–	–	–	–
Closing balance at 31 December 2016	66,804	66,804	22,439	(1,279)	45,137	272	235	–

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Total equity \$'000	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000
Company				
Current 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 13)	(5,440)	–	–	(5,440)
Purchase of treasury share (Note 22)	(24)	–	(24)	–
Closing balance at 31 December 2017	28,232	22,439	(1,303)	7,096
Previous year:				
Opening balance at 1 January 2016	26,271	22,439	(856)	4,688
Changes in equity:				
Total comprehensive income for the year	6,263	–	–	6,263
Dividends paid (Note 13)	(4,676)	–	–	(4,676)
Purchase of treasury share (Note 22)	(423)	–	(423)	–
Closing balance at 31 December 2016	27,435	22,439	(1,279)	6,275

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	2017 \$'000	2016 \$'000
<u>Cash flows from operating activities</u>		
Profit before tax	16,734	14,677
Adjustments for:		
Interest expense	1,229	978
Interest income	(163)	(115)
Loss/(gain) on disposal of property, plant and equipment	84	(86)
Depreciation of property, plant and equipment	2,915	2,788
Foreign exchange adjustment unrealised losses/(gains)	629	(368)
Operating cash flows before changes in working capital	21,428	17,874
Inventories	(4,687)	1,094
Trade and other receivables	950	(1,214)
Other assets	2,362	(4,077)
Trade and other payables	(2,481)	911
Other liabilities	(655)	18
Net cash flows from operations	16,917	14,606
Income taxes paid	(1,888)	(1,382)
Net cash flows from operating activities	15,029	13,224
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries (net of cash acquired) (Note 27)/consideration paid	9,177	(5,441)
Purchase of property, plant and equipment (Note 21A)	(2,076)	(1,202)
Disposal of property, plant and equipment	131	183
Interest received	163	115
Net cash flows from (used in) investing activities	7,395	(6,345)
<u>Cash flows from financing activities</u>		
Decrease in other financial liabilities	(18,790)	(4,165)
Dividends paid to equity owners	(5,440)	(4,676)
Finance leases repayments	(133)	(123)
Increase in borrowings	12,000	–
Interest paid	(1,229)	(978)
Purchase of treasury shares	(24)	(423)
Net cash flows used in financing activities	(13,616)	(10,365)
Net increase (decrease) in cash and cash equivalents	8,808	(3,486)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(842)	245
Cash and cash equivalents, statement of cash flows, beginning balance	32,325	35,566
Cash and cash equivalents, statement of cash flows, ending balance (Note 21)	40,291	32,325

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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: No. 5 Kwong Min Road, Singapore 628708. The company is situated in Singapore.

Accounting convention

The financial statements of the company as the reporting entity have been prepared in accordance with the Financial Reporting Standards in Singapore (“FRSs”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

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 2017

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows 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. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 FRS 39.

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 revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting year measured by entity's progress towards complete satisfaction of a performance obligation satisfied over time using the input method such as costs incurred, relative to the total expected inputs to the satisfaction of that performance obligation and the amount of revenue, stage of completion, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Interest income or expense is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established. Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see below).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Construction contracts – revenues and results

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method except where this would not be representative of the stage of completion. Contract costs consist of costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed by the customer. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular contract. Recognised revenues and profits are subject to revisions during the contract in the event that the assumptions regarding the overall contract outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The work in progress contracts have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

When the outcome of a construction contract cannot be estimated reliably: (a) revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and (b) contract costs are recognised as an expense in the period in which they are incurred.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

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 for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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 recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. 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.

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).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Income tax (Continued)

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% to 9%
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 measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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 FRS 103 (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 this FRS 103.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

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 assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Financial assets (Continued)

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.
4. Available-for-sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt 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.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Financial liabilities (Continued)

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. 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. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Fair value measurement (Continued)

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.

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 FRS 105 in certain circumstances. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2B. Other explanatory information (Continued)

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.

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 16, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill and intangible assets balances in the future. Actual outcomes could vary from these estimates.

Construction contracts:

For construction contracts, revenues are recorded on the stage of completion basis. The stage of completion is determined by dividing the cumulative costs incurred as at end of the reporting year date by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete contracts in progress, and in making such estimates, judgements are required to evaluate contingencies such as potential variances in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. These estimates are based on management's business practices as well as its historical experience, and management regularly reviews underlying estimates of project profitability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

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

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and 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.

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 \$11,154,000 (2016: \$9,273,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. Related party relationships and transactions

FRS 24 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 financial guarantees 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	
	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	2,395	2,733

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

	Group	
	2017 \$'000	2016 \$'000
Remuneration of directors of the company	1,336	2,095
Fees to directors of the company	168	137

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 FRS 108 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) Project 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, including dividends from investment holding.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. Financial information by operating segments (Continued)

4B. Profit or loss from continuing operations and reconciliations

	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					
Inter-segment expenses	7,945	9,790	(27)	3,007	20,715
Adjusted EBITDA	1,757	1,250	–	(3,007)	–
Finance costs	9,702	11,040	(27)	–	20,715
Depreciation	(643)	(586)	–	–	(1,229)
	(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
Continuing operations 2016					
Revenue by segment					
Total revenue by segment	60,453	21,468	4,943	(4,943)	81,921
Inter-segment sales	–	–	(4,943)	4,943	–
Total revenue	60,453	21,468	–	–	81,921
Recurring EBITDA					
Inter-segment expenses	11,876	6,207	(4,698)	4,943	18,328
Adjusted EBITDA	3,580	1,363	–	(4,943)	–
Finance costs	15,456	7,570	(4,698)	–	18,328
Depreciation	(719)	(259)	–	–	(978)
	(2,190)	(598)	–	–	(2,788)
	12,547	6,713	(4,698)	–	14,562
Unallocated:					
Interest income					115
Income tax expenses					(1,994)
Profit from continuing operations					12,683

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. Financial information by operating segments (Continued)

4C. Assets and reconciliations

	Project services \$'000	Maintenance services \$'000	Others \$'000	Group \$'000
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, prepayments and deposits				25,735
Property, plant and equipment				22,716
Other non-current assets				29,552
Total group assets				151,309
2016				
Reportable segment assets	6,365	2,289	4,274	12,928
Unallocated:				
Cash and cash equivalents				32,325
Inventories				7,894
Trade and other receivables, prepayments and deposits				19,264
Property, plant and equipment				17,063
Other non-current assets				22,451
Total group assets				111,925

4D. Liabilities and reconciliations

	Project services \$'000	Maintenance services \$'000	Others \$'000	Group \$'000
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
2016				
Reportable segment liabilities	873	280	–	1,153
Unallocated:				
Trade and other payables				12,791
Other financial liabilities				28,085
Income tax payable and deferred tax liabilities				3,092
Total group liabilities				45,121

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. Financial information by operating segments (Continued)

4E. Geographical information

Group	Revenue		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
China	25,753	26,441	4,549	4,826
Singapore	74,746	63,557	47,719	34,688
Elimination	(8,962)	(8,077)	–	–
	91,537	81,921	52,268	39,514

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 \$2,280,000 (2016: \$1,420,000) 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.

4G. Information about major customers

	Group	
	2017 \$'000	2016 \$'000
Top 1 customer in more than one segment	13,021	8,125
Top 2 customers in more than one segment	23,922	13,142
Top 3 customers in more than one segment	28,832	17,695

5. Revenue

	Group	
	2017 \$'000	2016 \$'000
Revenue from construction contracts	14,044	14,517
Rendering of services revenue	49,179	52,237
Sale of goods	26,193	15,085
Other income	2,121	82
	91,537	81,921

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. Interest income

	Group	
	2017 \$'000	2016 \$'000
Interest income	163	115

7. Other gains and (other losses)

	Group	
	2017 \$'000	2016 \$'000
Allowance for impairment on trade receivables – loss	(20)	(34)
Foreign exchange adjustments (losses)/gains	(1,568)	212
(Loss)/gain on disposal of property, plant and equipment	(84)	86
Government grant	366	408
Inventories write down reversal/(written down)	60	(42)
Others	321	269
Net	(925)	899
Presented in profit or loss as:		
Other gains	747	975
Other losses	(1,672)	(76)
Net	(925)	899

8. Administrative expenses

The major component include the following:

	Group	
	2017 \$'000	2016 \$'000
Employee benefits expense (Note 10)	7,683	6,691

9. Finance cost

	Group	
	2017 \$'000	2016 \$'000
Interest expense	1,229	978

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. Employee benefits expense

	Group	
	2017 \$'000	2016 \$'000
Short term employee benefits expense	29,433	24,161
Contributions to defined contribution plan	4,056	3,590
Total employee benefits expense	33,489	27,751

11. Income tax

11A. Components of tax expense recognised in profit or loss include:

	Group	
	2017 \$'000	2016 \$'000
<u>Current tax expense:</u>		
Current tax expense	1,463	2,040
Over adjustments in respect of prior periods	(249)	(67)
Subtotal	1,214	1,973
<u>Deferred tax expense:</u>		
Deferred tax expense	242	21
Over adjustments in respect of prior periods	12	–
Subtotal	254	21
Total income tax expense	1,468	1,994

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% (2016: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017 \$'000	2016 \$'000
Profit before tax	16,734	14,677
Income tax expense at the above rate	2,845	2,495
Expenses not deductible for tax purposes	442	237
Income not subject to tax	(940)	(402)
Over adjustments to tax in respect of prior periods	(237)	(67)
Effect of different tax rates in different countries	20	53
Stepped income exemption and tax rebate	(270)	(247)
Others	(392)	(75)
Total income tax expense	1,468	1,994

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

11. Income tax (Continued)

11B. Deferred tax expense recognised in profit or loss includes:

	Group	
	2017 \$'000	2016 \$'000
Excess of book over tax depreciation on plant and equipment	279	104
Tax loss carryforwards	(85)	–
Others	60	(83)
Total deferred income tax expense recognised in profit or loss	254	21

11C. Deferred tax balance in the statements of financial position:

	Group	
	2017 \$'000	2016 \$'000
From deferred tax liabilities recognised in profit or loss:		
Excess of book value of plant and equipment over tax values	(1,285)	(1,006)
Acquisition of subsidiary	(1,865)	–
Tax loss carryforwards	85	–
Others	(33)	27
Net balance	(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.

12. 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	
	2017 \$'000	2016 \$'000
Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders	15,266	12,748
	'000	'000
Denominators: weighted average number of equity shares		
Basic	393,140	393,969
Diluted	393,140	393,969

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

12. 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.

13. Dividends on equity shares

	Group and Company			
	Rate per share			
	2017 cents	2016 cents	2017 \$'000	2016 \$'000
Final tax exempt (one-tier) dividend paid	0.73	0.65	2,874	2,561
Interim tax exempt (one-tier) dividend paid	0.65	0.54	2,566	2,115
Total dividends paid in the year	1.38	1.19	5,440	4,676

In respect of the current reporting year, the directors propose that a final dividend of 0.873 cents per share with a total of \$3,432,000 be paid to shareholders after the annual general meeting. There are no income tax consequences. 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. There are no income tax consequences of the dividends to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

14. Property, plant and equipment

	Leasehold properties \$'000	Plant and equipment \$'000	Total \$'000
<u>Group</u>			
<u>Cost:</u>			
At 1 January 2016	11,091	35,782	46,873
Foreign exchange adjustments	–	(183)	(183)
Additions	–	1,420	1,420
Disposals	–	(693)	(693)
At 31 December 2016	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
<u>Accumulated depreciation:</u>			
At 1 January 2016	2,529	25,800	28,329
Foreign exchange adjustments	–	(167)	(167)
Depreciation for the year	772	2,016	2,788
Disposals	–	(596)	(596)
At 31 December 2016	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
<u>Carrying value:</u>			
At 1 January 2016	8,562	9,982	18,544
At 31 December 2016	7,790	9,273	17,063
At 31 December 2017	11,562	11,154	22,716

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

14. Property, plant and equipment (Continued)

Allocation of the depreciation expense:

	Group	
	2017	2016
	\$'000	\$'000
Cost of sales	1,332	1,332
Administrative expenses	1,583	1,456
Total	2,915	2,788

Certain items are under finance lease agreements (see Note 25A).

Leasehold properties at a carrying value of \$11,562,000 (2016: \$7,790,000) are mortgaged or pledged as security for the bank facilities (see Note 25B).

15. Investments in subsidiary

	Company	
	2017	2016
	\$'000	\$'000
Movements during the year. At cost:		
Balance at beginning of the year and end of the year	1,350	1,350
Carrying value in the books of the company comprising:		
Unquoted equity shares at cost	1,350	1,350
Net book value of subsidiary	56,811	50,060

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

15. Investments in subsidiary (Continued)

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	
	2017 \$'000	2016 \$'000
Nordic Flow Control Pte. Ltd. (a) Singapore Integration, assembly, trading, importing and exporting of hydraulic systems and marine components	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
Austin Energy (Asia) Pte Ltd (a) Singapore Provision of construction, scaffolding, insulation, painting and fireproofing services	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
Ensure Engineering Pte Ltd (acquired on 28 April 2017) (a) Singapore Chemical and engineering activities for marine, manufacturing refineries, utilities and petrochemical industries	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
Multiheight Marine Pte Ltd (a) Singapore Repairing ships, tankers and other ocean going vessels and providing scaffolding works	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 (Suzhou Allpro Certified Public Accountants Co., Ltd.)	1,347	1,347

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

15. Investments in subsidiary (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	
	2017	2016	2017	2016
	\$'000	\$'000	%	%
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 commenced member's voluntary liquidation during the reporting year.

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.

16. Goodwill

	Group	
	2017	2016
	\$'000	\$'000
Balance at beginning of the year	22,451	22,451
Arising from acquisition of subsidiary (Note 27)	7,101	–
Balance at end of the year	29,552	22,451

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	
	2017	2016
	\$'000	\$'000
Name of subsidiary:		
Multiheight Scaffolding Pte Ltd	12,292	12,292
Austin Energy (Asia) Pte Ltd	10,159	10,159
Ensure Engineering Pte Ltd	7,101	–
Net book value at end of the year	29,552	22,451

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

16. Goodwill (Continued)

The goodwill was tested for impairment at the end of the reporting year. No impairment allowance was recognised 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:

	2017	2016
<u>Asset or CGU Valuation technique and Unobservable inputs Discounted cash flow method:</u>		
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%	17.1%
Austin Energy (Asia) Pte Ltd	17.6%	17.5%
Ensure Engineering Pte Ltd	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.	0%	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.

17. Assets held for sale under FRS 105

Four leasehold properties are held for sale following the decision of management in September 2017 to sell. One of the properties was sold on 12 January 2018 for \$3,425,000. The sale is expected to be completed for the other properties by 2018.

	2017 \$'000
<u>Group:</u>	
Assets held for sale:	
Leasehold property at net book value (Note 14)	13,419
Liabilities associated with assets classified as held for sale:	
Bank loan (Note 25B)	12,245
Net assets held for sale	1,174

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

18. Inventories

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Raw material, consumables and supplies	9,673	7,894	–	–
Carbon emission trading units	3,614	–	3,614	–
	13,287	7,894	3,614	–
Inventories are stated after allowance				
Movements in allowance:				
Balance at beginning of the year	772	790	–	–
Acquisition of subsidiary	578	–	–	–
(Reversed)/charge to profit or loss included in (other gains) and other losses	(60)	42	–	–
Reversed to profit or loss included in cost of sales	(30)	(38)	–	–
Foreign exchange adjustments	2	(22)	–	–
Balance at end of the year	1,262	772	–	–
Raw materials, consumables and supplies used	21,805	20,157	–	–

There are no inventories pledged as security for liabilities.

18A. Construction contracts in progress

	Group	
	2017 \$'000	2016 \$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	4,869	8,938
Less progress payments received and receivable to date	(2,723)	(7,346)
Net amount arising from construction contracts at end of the year	2,146	1,592
Included in the accompanying statements of financial position as follows:		
Under trade receivables (Note 19)	2,146	2,465
Under other liabilities (Note 26)	–	(873)
	2,146	1,592
Amount of contract retention receivables as an asset under trade receivables (Note 19)	621	1,087
Unbilled contract revenue as an asset under trade receivables (Note 19)	–	852

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

19. Trade and other receivables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables:				
Outside parties	20,784	16,820	1,379	–
Less allowance for impairment	(259)	(126)	–	–
Subsidiaries (Note 3)	–	–	9,933	15,958
Receivables from customers on construction contracts (Note 18A)	2,146	2,465	–	–
Retention receivables on construction contracts (Note 18A)	621	1,087	–	–
Unbilled contract revenue (Note 18A)	–	852	–	–
Unbilled revenue	4,807	5,337	–	–
Net trade receivables – subtotal	28,099	26,435	11,312	15,958
Other receivables:				
Deposit to secure services	–	522	–	–
Other receivables	995	146	–	–
Net other receivables – subtotal	995	668	–	–
Total trade and other receivables	29,094	27,103	11,312	15,958
Movements in above allowance on trade receivables:				
Balance at beginning of the year	126	236	–	–
Charge for trade receivables to profit or loss included in other losses	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	259	126	–	–

20. Other assets

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Prepayments	1,448	4,553	315	4,276
Deposits to secure services	1,502	536	–	–
	2,950	5,089	315	4,276

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

21. Cash and cash equivalents

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not restricted in use	40,291	32,325	12,698	8,388

The interest earning balances are not significant.

21A. Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of \$204,000 (2016: \$218,000) acquired by means of finance leases.

21B. Reconciliation of liabilities arising from financing activities:

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

	2015 \$'000	Cash flows \$'000	Non-cash changes \$'000		2016 \$'000
Finance lease liabilities	391	(123)	218	(a)	486

(a) Acquisition (Note 21A)

22. Share capital

	Number of shares issued '000	Share capital \$'000	Treasury shares \$'000	Total \$'000
<u>Group and Company</u>				
Ordinary shares of no par value:				
Balance at beginning of the year				
1 January 2016	395,331	22,439	(856)	21,583
Treasury shares purchased #a	(2,156)	–	(423)	(423)
Balance at end of the year				
31 December 2016	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

22. Share capital (Continued)

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 2017, during the reporting year, the company acquired 62,500 ordinary shares (2016: 2,156,000 ordinary shares) on the Singapore Stock Exchange and held as treasury shares. The total is 6,887,100 (2016: 6,824,600) ordinary shares.

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	
	2017 \$'000	2016 \$'000
Net debt:		
All current and non-current borrowings excluding finance leases	46,613	27,599
Less cash and cash equivalents	(40,291)	(32,325)
Net debt (cash)	6,322	(4,726)
Adjusted capital (less goodwill)	47,062	44,353
Debt-to-adjusted capital ratio	13.4%	N.M.

N.M. – Not meaningful

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

23. Other reserves

	Group	
	2017 \$'000	2016 \$'000
Foreign currency translation reserve (Note 23A)	280	272
Statutory reserve (Note 23B)	235	235
Total at the end of the year	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.

23A. Foreign currency translation reserve

	Group	
	2017 \$'000	2016 \$'000
At beginning of the year	272	432
Exchange differences on translating foreign operations	8	(160)
At end of the year	280	272

23B. Statutory reserve

	Group	
	2017 \$'000	2016 \$'000
At beginning and end of the year	235	235

The subsidiaries in China are 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

24. Trade and other payables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables:				
Outside parties and accrued liabilities	14,382	12,486	962	2,527
Trade payable – subtotal	14,382	12,486	962	2,527
Other payables:				
Other payables	308	140	–	–
Other payables – acquisition of subsidiary #a	7,809	–	–	–
Deposit from customer	–	165	–	–
Other payable – subtotal	8,117	305	–	–
Total trade and other payables	22,499	12,791	962	2,527
Presented as:				
Trade and other payables, current	16,798	12,791	962	2,527
Other payables, non-current	5,701	–	–	–
	22,499	12,791	962	2,527

#a. This is for the contingent liability payable to the vendors for the acquisition of Ensure Engineering Pte Ltd (Note 27).

25. Other financial liabilities

	Group	
	2017 \$'000	2016 \$'000
Non-current:		
Financial instruments with floating interest rates:		
Bank loans (secured) (Note 25B)	7,575	6,477
Financial instruments with fixed interest rates:		
Finance leases (Note 25A)	399	368
Total non-current portion	7,974	6,845
Current:		
Financial instruments with floating interest rates:		
Bank loans (secured) (Note 25B)	7,000	9,128
Bank loans (Note 25C)	17,500	7,699
Invoice financing (Note 25C)	2,293	4,295
Financial instruments with fixed interest rates:		
Finance leases (Note 25A)	158	118
Total current portion	26,951	21,240
Total non-current and current	34,925	28,085

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

25. Other financial liabilities (Continued)

The non-current portion is repayable as follows:

	Group	
	2017 \$'000	2016 \$'000
Due within 2 to 5 years	7,974	6,845

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

	2017 2.3% to 3.1%	2016 1.5% to 3.4%
Bank loans and bill payable		

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

	2017 2.0%	2016 2.0% to 3.0%
Finance leases		

25A. Finance leases

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Group			
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

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Group			
2016			
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

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 (2016: 5 to 7 years).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

25. Other financial liabilities (Continued)

25B. 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 14 and 17).
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.
 - b. Loan repayable in 1 instalment of \$312,500 and 5 quarterly instalments of \$937,500 from November 2017 (Note 17).
 - 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 16 monthly instalments of \$1,000,000 from July 2017.

25C. Bank loans and invoice financing

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. Loan repayable in 12 monthly instalments of \$167,000 from October 2016. The loan was fully repaid during the reporting year.
 - b. Short term borrowings (invoice financing and money market loans) with an average maturity period of 1 to 3 months and are settled at the end of maturity period.
 - c. Loan repayable in 16 quarterly instalments of \$250,000 over 4 years from July 2017. Although the loan is for a period of 4 years from July 2017, 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 2017

26. Other liabilities

	Group	
	2017 \$'000	2016 \$'000
Due to customers on construction contracts (Note 18A)	–	873
Deferred revenue	498	280
Total other liabilities	498	1,153

The deferred revenue was for advance billings on maintenance contracts.

27. 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 15 for the principal activities). The transaction was accounted for by the acquisition method of accounting.

The consideration transferred is as follows:

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

#a. This is 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) are based on an expected cost of borrowing rate of 2.24%. An estimate is 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

27. Acquisition of subsidiary (Continued)

The fair values of identifiable assets acquired and liabilities assumed shown below for Ensure Engineering Pte Ltd are provisional as the hindsight period (of not more than twelve months) allowed by FRS 103 Business Combinations has not yet expired. Management has since finalised the purchase price allocation exercise and there was no change to the provisional fair values shown below.

	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

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 16)	7,101

The net cash outflow 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)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

27. Acquisition of subsidiary (Continued)

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 FRS 103 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:

	Group	
	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

28. 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	
	2017 \$'000	2016 \$'000
Not later than one year	2,991	2,096
Later than one year and not later than five years	2,539	709
Later than five years	2,306	718
Rental expense for the year	4,359	3,982

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

29. Financial instruments: information on financial risks

29A. 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Cash and cash equivalents	40,291	32,325	12,698	8,388
Loans and receivables	24,287	21,766	11,312	15,958
At end of the year	64,578	54,091	24,010	24,346
Financial liabilities:				
Trade and other payables				
measured at amortised cost	14,690	12,791	962	2,527
Other payables at fair value	7,809	–	–	–
Other financial liabilities				
measured at amortised cost	47,170	28,085	–	–
At end of the year	69,669	40,876	962	2,527

Further quantitative disclosures are included throughout these financial statements.

29B. 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 documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following 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.

29C. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29D. 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 consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments 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. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on debtors an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with debtors is controlled by setting limits on the exposure to individual debtors and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is significant concentration of credit risk on debtors, as the exposure is spread over a small number of counter-parties and debtors.

Note 21 discloses the maturity of the cash and cash equivalents balances.

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 (2016: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2017 \$'000	2016 \$'000
Trade receivables:		
Less than 30 days	4,121	1,965
31 – 60 days	2,785	2,030
61 – 90 days	829	1,120
91 – 180 days	1,202	786
Over 180 days	3,044	455
Total	11,981	6,356

- (b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2017 \$'000	2016 \$'000
Trade receivables:		
Over 180 days	259	126

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling \$259,000 (2016: \$126,000) that are determined to be impaired at the end of the reporting year. These are not secured.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29D. Credit risk on financial assets (Continued)

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

	Group	
	2017	2016
	\$'000	\$'000
Top 1 customer	4,213	2,139
Top 2 customers	5,594	3,767
Top 3 customers	6,382	4,806

29E. Liquidity risk – financial liabilities maturity analysis

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 (2016: 30 to 60 days). The other payables are with short-term durations. 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. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

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

	Less than 1 year \$'000	2 – 5 years \$'000	Total \$'000
Group			
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
Non-derivative financial liabilities:			
2016:			
Gross borrowings commitments	21,567	6,611	28,178
Gross finance lease obligations	131	409	540
Trade and other payables	12,791	–	12,791
At end of the year	34,489	7,020	41,509

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29E. Liquidity risk – financial liabilities maturity analysis (Continued)

	Less than 1 year \$'000	2 – 5 years \$'000	Total \$'000
<u>Company</u>			
Non-derivative financial liabilities:			
<u>2017:</u>			
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
Non-derivative financial liabilities:			
<u>2016:</u>			
Trade and other payables	2,527	–	2,527
Financial guarantee contracts	21,567	6,611	28,178
At end of the year	24,094	6,611	30,705

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

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.

	Group	
	2017 \$'000	2016 \$'000
Bank facilities:		
Undrawn borrowings facilities	56,113	50,565

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 2017

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

29F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2017 \$'000	2016 \$'000
Financial liabilities with interest:		
Fixed rates	557	486
Floating rates	46,613	27,599
Total at end of the year	47,170	28,085

The floating rate debt 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.

29G. Foreign currency risk

Analysis of amounts denominated in non-functional currency:

	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29G. Foreign currency risk (Continued)

	United States		
	Dollar	Euro	Total
	\$'000	\$'000	\$'000
Group			
2016			
Financial assets:			
Cash	10,844	25	10,869
Loans and receivables	2,513	–	2,513
Total financial assets	13,357	25	13,382
Financial liabilities:			
Borrowings	(132)	(66)	(198)
Trade and other payables	(1,170)	(128)	(1,298)
Total financial liabilities	(1,302)	(194)	(1,496)
Net financial assets (liabilities) at end of the year	12,055	(169)	11,886

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

Sensitivity analysis:

	Group	
	2017	2016
	\$'000	\$'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	(1,758)	(1,096)

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 2017

30. 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	
	2017 \$'000	2016 \$'000
Audit fees to the independent auditor of the company	175	154
Audit fees to the other independent auditors	24	23
Other fees to the independent auditor of the company	39	26

31. Changes and adoption of financial reporting standards

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

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

For the future reporting years new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

FRS No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15	1 January 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples & Amendments to Guidance on Other Standards	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

Those that are expected to have a limited impact are as follows:

SFRS(I) 9 Financial Instruments

SFRS(I) 9 Financial Instruments will replace SFRS(I) 1-39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("ECL") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, SFRS(I) 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from SFRS(I) 1-39.

On the basis of the facts and circumstances that exist as at 31 December 2017 (see accounting policy in Note 2 and disclosures in Note 29) the entity does not anticipate that the application of the new standard will have a material impact on the financial position and/or financial performance of the entity, apart from providing more extensive disclosures on the entity's financial instruments.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces other standards on revenue and the related interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). SFRS(I) 15 will be adopted in the financial statements when it becomes mandatory and the full retrospective method of transition to the new standard will be used.

On the basis of the current accounting treatment of the major sources of revenue (see accounting policy in Note 2 and disclosures in Note 5 on revenue) the management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and/or financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

SFRS(I) 16 Leases

SFRS(I) 16 Leases is effective for annual periods beginning on or after 1 January 2019 and it replaces SFRS(I) 1-17 and the related interpretations. For the lessee, the biggest change introduced is that 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 lessor, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. SFRS(I) 16 will be adopted in the financial statements when it becomes mandatory, with the following effects: For the entity's non-cancellable operating lease commitments of \$7,836,000 as at 31 December 2017 (Note 28), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under SFRS(I) 16. 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 upon the application of SFRS(I) 16) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed. 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 SFRS(I) 16 is not expected to have a material impact on the amounts recognised in the financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

Companies listed on the Singapore Exchange ("SGX") currently reporting under SFRSs are required to comply with new Singapore Financial Reporting Standards (International) (SFRS(I)s (issued by the Singapore Accounting Standards Council)) that would be equivalent to the International Financial Reporting Standards ("IFRS") (issued by the International Accounting Standards Board (IASB)) for reporting years beginning on after 1 January 2018. The new framework is referred to as SFRS(I)s. Non-listed companies may elect to voluntarily apply SFRS(I)s. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances management does not anticipate that the application of SFRS(I) 1 will have a material impact on the financial position and/or financial performance of the entity.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2018

Number of Issued Shares	400,000,000
Number of Issued Shares (excluding Treasury Shares)	393,072,900
Class of Shares	Ordinary Shares
Voting Rights (excluding Treasury Shares)	1 vote per share

As at 15 March 2018, the total number of ordinary shares held in treasury is 6,927,100^(a). The percentage of such holding against the total number of issued ordinary shares (excluding treasury shares) is 1.76%.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	% ^(b)
1 – 99	0	0.00	0	0.00
100 – 1,000	103	8.89	75,875	0.02
1,001 – 10,000	465	40.12	2,779,300	0.71
10,001 – 1,000,000	577	49.78	41,334,800	10.51
1,000,001 and above	14	1.21	348,882,925	88.76
Total	1,159	100.00	393,072,900	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 15 March 2018, approximately 24.54% 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 2018

Name	No. of Shares	% ^(b)
CITIBANK NOMINEES SINGAPORE PTE LTD	227,429,825	57.86
DBS NOMINEES PTE LTD	45,145,700	11.49
LIN CHOON HIN	44,050,000	11.21
CHANG YEH HONG	6,982,000	1.78
CHOU CHEE FATT	5,177,000	1.32
PHILLIP SECURITIES PTE LTD	3,912,300	1.00
MAYBANK KIM ENG SECURITIES PTE LTD	3,734,200	0.95
CHANG YEH FUNG	2,630,300	0.67
QUEK HUILING JOANNE	2,114,900	0.54
TAN HEE SENG	1,603,100	0.41
CHIA MENG RU	1,571,600	0.40
OCBC NOMINEES SINGAPORE PTE LTD	1,569,800	0.40
UNITED OVERSEAS BANK NOMINEES PTE LTD	1,547,800	0.39
RAFFLES NOMINEES (PTE) LTD	1,414,400	0.36
NG SENG CHOO	1,000,000	0.25
TAN KHOON SENG	1,000,000	0.25
LEE HENG SWEE	903,000	0.23
WOO KAN WENG	700,000	0.18
ONG PANG CHIAN SAMUDRA SETYA PUTRA	680,000	0.17
HSBC (SINGAPORE) NOMINEES PTE LTD	651,900	0.17
TOTAL:	353,817,825	90.03

(a) 13,000 treasury shares purchased on 13 March 2018 is not reflected as treasury shares as settlement date for these shares is 3 days.

(b) Percentage is calculated based on 393,072,900 shares (excluding shares held as treasury shares) as at 15 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2018

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2018 as recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	Number of Ordinary Shares			
	Direct Interest	%	Deemed Interest	%
Chang Yeh Hong ⁽¹⁾	6,982,000	1.78	210,717,225	53.61
Lin Choon Hin	44,050,000	11.21	–	–
Teo Ling Ling ⁽²⁾	–	–	31,989,500	8.14

(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 Thursday, 26 April 2018 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 2017 together with the Auditor's Report thereon. | Resolution 1 |
| 2. To declare a final tax exempt (one-tier) dividend of 0.873 Singapore cent per ordinary share for the financial year ended 31 December 2017. | Resolution 2 |
| 3. To re-elect Mr Chang Yeh Hong who is retiring in accordance with Article 104 of the Constitution of the Company, as a Director of the Company. | Resolution 3 |
| 4. To re-elect Ms Lee Kim Lian Juliana who is retiring in accordance with Article 104 of the Constitution of the Company, as a Director of the Company. | Resolution 4 |

Ms Lee Kim Lian Juliana shall, upon re-election as a Director of the Company, remain as member of the Audit Committee, member of the Remuneration Committee and Chairman of the Nominating Committee. Ms Lee Kim Lian Juliana shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

- | | |
|---|--------------|
| 5. To approve the Directors' fees of S\$137,000 for the financial year ending 31 December 2018, payable half-yearly in arrears. | Resolution 5 |
| 6. To approve a one-off Directors' fees of S\$30,000 for the financial year ended 31 December 2017. | Resolution 6 |
| 7. To re-appoint Messrs RSM Chio Lim LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

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 | Resolution 8 |
|---|--------------|

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:-

- | | | |
|-----|------|---|
| (a) | (i) | allot and issue shares in the capital of the Company (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 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:–

- (i) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution):
 - (A) by way of renounceable rights issues on a pro rata basis to shareholders of the Company (“Renounceable Rights Issues”), shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (iii) below); and
 - (B) otherwise than by way of Renounceable Rights Issues (“Other Share Issues”) shall not exceed 50 per centum (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (iii) 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 20 per centum (20%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (iii) below);
- (ii) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in paragraph (iii) below);
- (iii) subject to such manner of calculations 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 (i)(A) and (i)(B) above, the percentage of issued shares 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 this Resolution is passed 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 outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or sub-division of shares.
- (iv) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

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

- (v) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

See Explanatory Note (i)

9. **Renewal of Share Purchase Mandate**

Resolution 9

“THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (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) market purchases (each a “Market Purchase”) on the Singapore Exchange Securities Trading Limited (“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;

NOTICE OF ANNUAL GENERAL MEETING

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

- (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;

(d) for purposes of this Resolution:

“Maximum Limit” means 10% of the total issued ordinary shares of the Company as at the date of passing of this Resolution (excluding any 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: 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 (ii)

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) 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 allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 20% may be issued other than on a pro rata basis to shareholders, provided that, the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares and subsidiary holdings).

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time Resolution 8 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 8 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Renounceable Rights Issues is proposed under the process described in Practice Note 8.3 (Rights Issue Limit) issued by the SGX-ST on 13 March 2017 ("PN 8.3"). Under PN 8.3, the SGX-ST provisionally raised the rights issue limit in Rule 806(2) from 50% to 100% ("Enhanced Rights Issue Limit"), subject to compliance with the conditions set out therein. The Enhanced Rights Issue Limit was introduced by SGX-ST as a measure to widen the available fund-raising avenues of companies listed on the SGX-ST and unless extended further by SGX-ST, the Enhanced Rights Issue Limit will expire on 31 December 2018. The Board considers that the authority sought for the Renounceable Rights Issues is in the interest of the Company and its shareholders. Unless renewed, the mandate sought at this meeting shall expire at 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.

- (ii) The proposed Resolution 9, 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 equal access scheme) from time to time of up to 10 per cent of the total number of issued ordinary 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 4 May 2018 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 26 April 2018.

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 2018 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) Ltd are credited with shares in the Company as at 5:00 p.m. on 3 May 2018 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 2018. .

By Order Of the Board

Chia Meng Ru
Company Secretary

Date: 11 April 2018

NOTICE OF ANNUAL GENERAL MEETING

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

Notes:

- 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.

NORDIC GROUP LIMITED

(Incorporated in Singapore)

Registration No. 201007399N

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 Thursday, 26 April 2018 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 2017.		
2	To approve payment of final tax exempt (one-tier) dividend.		
3	To re-elect Mr Chang Yeh Hong as a Director.		
4	To re-elect Ms Lee Kim Lian Juliana as a Director.		
5	To approve Directors' fees of S\$137,000 for financial year ending 31 December 2018, payable half-yearly in arrears.		
6	To approve a one-off Directors' fees of S\$30,000 for the financial year ended 31 December 2017.		
7	To re-appoint Messrs RSM Chio Lim LLP as Auditor.		
SPECIAL BUSINESS			
8	To authorise the Directors to allot and issue shares.		
9	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 _____ 2018

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 11 April 2018.

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