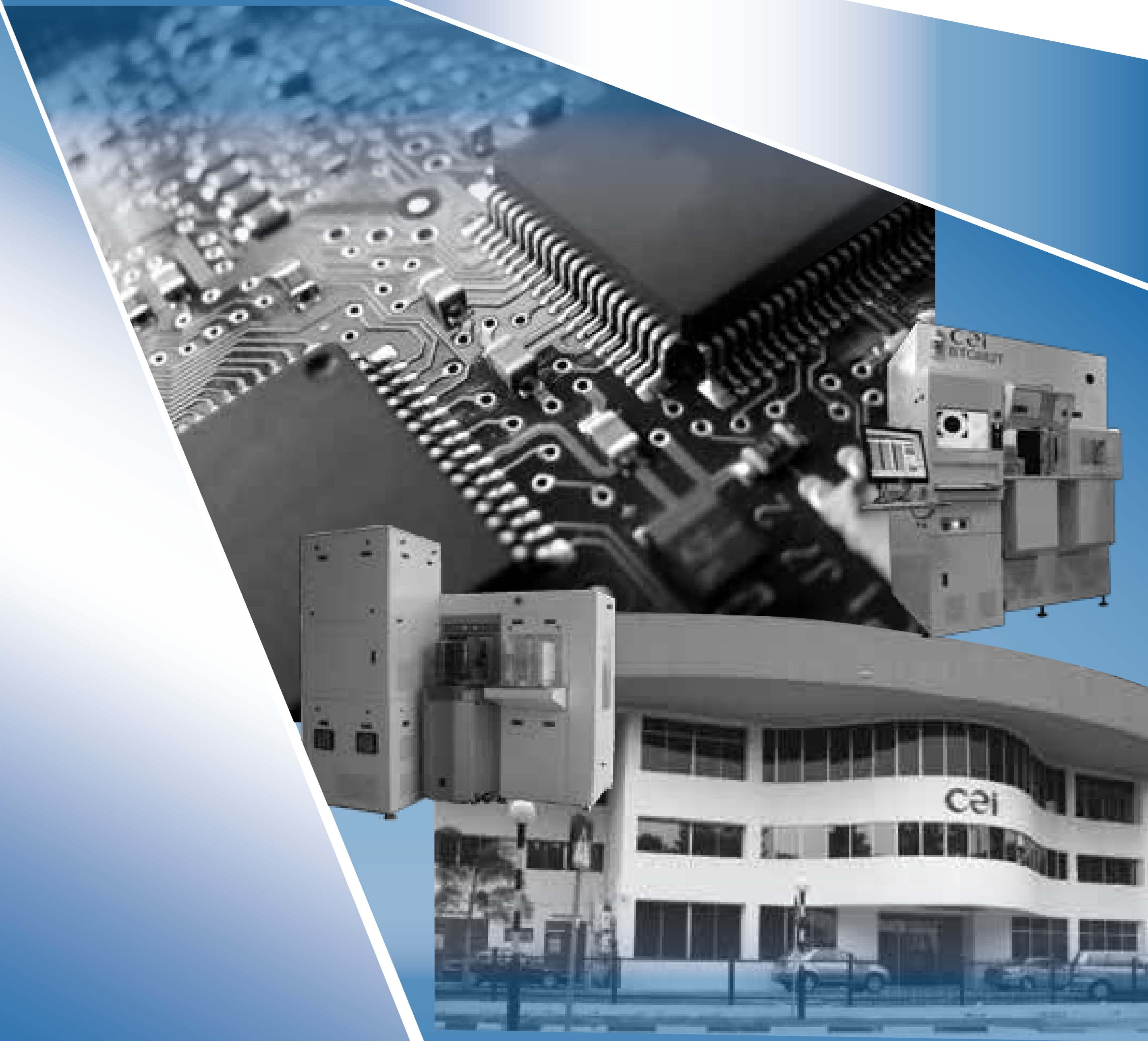
CEI Limited

Company Registration No: 199905114H



2017 ANNUAL REPORT

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CORPORATE PROFILE

CEI Limited (formerly known as CEI Contract Manufacturing Limited), was listed on the main board of the Singapore Exchange Securities Trading Limited in March 2000.

The Company provides manufacturing services for printed circuit board assembly, complete box-build assembly, equipment design & manufacturing and cable harness assembly. It is also well equipped to provide value-added services such as materials management, circuit layout, development engineering & prototype samples, metal stamping and precision machining components.

The Company serves customers in the industrial equipment market segment. These include electroluminescence displays used in industrial, transportation and medical applications; medical and health care equipment; office automation equipment such as high speed printers; analytical instruments such as gas and liquid chromatographs and measurement instruments; industrial safety controllers and environmental sensors, semiconductor equipment and SMT equipment.

The Company is ISO9001:2015, ISO13485:2016, ISO14001:2015, AS9100C, UL508A, UL817 and Nadcap AC7120 certified.

CEI Limited
2, Ang Mo Kio Avenue 12
Singapore 569707

PT Surya Teknologi
Batamindo Industrial Park
Lot 312/313 Jalan Beringin, Muka Kuning
Batam, Indonesia

CEI International Investments (VN) Limited
2, Street 6, Vietnam Singapore Industrial Park
Thuan An, Binh Duong Province
Vietnam

Board of Directors

Tien Sing Cheong
(Executive Chairman)

Tan Ka Huat
(Managing Director)

Tan Bien Chuan
(Lead Independent Director)

Gan Chee Yen
(Non-Executive Director)

Tang Martin Yue Nien
(Independent Director)

Colin Ng Teck Sim
(Independent Director)

Wang Ya Lun Allen
(Alternate Director to Gan Chee Yen)

Audit Committee

Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Gan Chee Yen
Colin Ng Teck Sim

Nominating Committee

Colin Ng Teck Sim (Chairman)
Tang Martin Yue Nien
Tien Sing Cheong
Tan Bien Chuan

Remuneration Committee

Tang Martin Yue Nien (Chairman)
Tan Bien Chuan
Gan Chee Yen
Colin Ng Teck Sim

Board Risk Committee

Tan Bien Chuan (Chairman)
Tang Martin Yue Nien
Gan Chee Yen
Colin Ng Teck Sim

Joint Company Secretaries

Teo Soon Hock
Ngiam May Ling

Registered Office

2 Ang Mo Kio Avenue 12
Singapore 569707

Share Registrar and Share Transfer Office

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

Auditor

Ernst & Young LLP
Public Accountants and Chartered Accountants

Alvin Phua Chun Yen (Engagement Partner)*
One Raffles Quay
North Tower, Level 18
Singapore 048583

*Appointed in Financial Year 2016

Solicitors

Colin Ng & Partners
600 North Bridge Road #13-01
Parkview Square
Singapore 188778

Bankers

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

The Hongkong and Shanghai
Banking Corporation Limited
21 Collyer Quay #13-02
HSBC Building
Singapore 049320

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

FINANCIAL YEAR 2017

In Financial Year (FY) 2017, the Group's Revenue of $136.8 million was 5.0% higher than FY 2016. The Gross Profit Margin is unchanged at 23.1%.

The General and Administrative Costs and Selling and Distribution Costs were higher mainly due to increase in salaries and headcounts to support higher order books in FY 2017. Finance costs were lower as a result of lower borrowings.

Taxation in FY 2017 was higher compared to FY 2016 due to $1.02 million of one-off write back of over-provision of taxation and tax incentive being recognized in FY 2016.

The Group's Profit after taxation decreased from $8.81 million to $6.53 million in FY 2017.

Earnings per share decreased from 10.16 cents to 7.53 cents, based on a fully diluted basis.

Net asset value per share decreased from 46.33 cents to 44.68 cents as at 31 December 2017, as the dividend paid in FY 2017 was higher than the underlying net profit.

Inventories increased from $20.6 million to $25.1 million to support higher order books. Trade Receivables increased from $26.0 million to $28.0 million due to higher revenue. Bank Borrowings decreased from $2.5 million to $2.0 million. Mainly as a result of these, Cash and Cash Equivalents decreased from $11.7 million to $3.0 million.

FINANCIAL YEAR 2018

As at 31 December 2017, the Group has orders on hand worth $55.4 million (31 December 2016: $46.8 million) most of which are expected to be fulfilled within the current financial year.

The company focuses on high mix low volume niche segment; providing printed circuit board and box-build assembly, equipment design, cable harness assembly and manufacturing services. It is well equipped to provide value-added services such as materials management and circuit layout. The Company also provides prototype & development engineering, metal stamping, cable harnessing and precision machined components.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semi-conductor equipment, oil and gas industries, aviation and displays for industrial applications.

The Group expects to remain profitable for FY 2018.

Dividends

The Directors recommend payment of:

(a) A one-tier tax-exempt second and final dividend of 0.40 cents per share amounting to $346,794 and

(b) A one-tier tax-exempt special dividend of 3.00 cents per share amounting to $2,600,594.

Total interim, final and special dividends declared for FY 2017 was 98.8% of the profit after taxation, which approximate to $6,450,366 or 7.44 cents per share.

Acknowledgement

My sincere appreciation to our Customers, Business Partners, Suppliers, Shareholders and Employees of CEI, for your continual support.

Tien Sing Cheong
Chairman
28 February 2018

BOARD OF DIRECTORS

Mr Tien Sing Cheong *Executive Chairman*

Appointed as Executive Director on 28 August 1999 and was last re-elected on 6 April 2016. Mr Tien is also the Executive Chairman of the Company. Mr Tien holds a Bachelor of Science in Engineering degree from the University of Hong Kong, a Master of Science degree from Stanford University, California and a Master of Business Administration degree from the University of Santa Clara, California. Mr Tien is also a Fellow of the Institution of Mechanical Engineers, United Kingdom.

Mr Tan Ka Huat *Managing Director*

Appointed as Executive Director on 28 August 1999 and also Managing Director of the Company. Mr Tan holds a Bachelor of Science (Physics) degree from Nanyang University (now known as Nanyang Technological University), a Diploma in Business Administration from the National University of Singapore and a Master of Business degree from University of Technology, Sydney. He is a Life Member of IEEE USA.

Mr Tan Bien Chuan *Lead Independent Director*

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 12 April 2017. Mr Tan is the co-founder and Managing Director of OWW Capital Partners Pte Ltd, a venture capital firm. He holds a Bachelor of Science (Hons) degree in Computer Science and Accounting from the University of Manchester, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales.

Mr Gan Chee Yen *Non-Executive Director*

Appointed as a Non-Executive Director since 28 August 1999 and was last re-elected on 16 April 2015. Mr Gan is the Chief Executive Officer of Fullerton Financial Holdings Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited. He is a member of the Board of Commissioner of PT Bank Danamon Indonesia, Tbk. He is also a Director of Surbana Jurong Private Limited and ACR Capital Holdings Pte Ltd. Mr Gan holds a Bachelor of Accountancy degree from the National University of Singapore. He has also participated in the Program for Management Development at the Harvard Business School in September 2001.

Mr Tang Martin Yue Nien *Independent Director*

Appointed as an Independent and Non-Executive Director on 9 February 2000 and was last re-elected on 6 April 2016. Mr. Tang is a private investor based in Hong Kong. He was Chairman, Asia of Spencer Stuart, a global executive search consulting firm. Mr. Tang holds a Bachelor of Science degree in Electrical Engineering from Cornell University in Ithaca, New York and a Master of Science degree from the Massachusetts Institute of Technology's (MIT) Sloan School of Management. He is in his third 5-year term as a member of the MIT Corporation and is trustee emeritus at Cornell University.

Mr Colin Ng Teck Sim *Independent Director*

Appointed as an Independent and Non-Executive Director on 1 January 2007 and was last re-elected on 12 April 2017. Mr. Ng is the founding partner of Colin Ng & Partners. He is an advocate and solicitor of the Supreme Court of Singapore. He is a member of the Disciplinary Committee of the Singapore Exchange Limited. Mr Ng graduated with a LLB (Hons) from the National University of Singapore in 1981. He also holds a Master of Business Administration (Accountancy) from Nanyang Technological University.

Mr Wang Ya Lun Allen *Alternate Director to Mr Gan Chee Yen*

Appointed as an alternate director to Mr Gan Chee Yen on 17 April 2015. Mr. Wang is a director of TIH Limited and holds a Bachelor of Technology (Accounting) from the British Columbia Institute of Technology and a Master of Arts from The Columbia University. He is also a Chartered Financial Analyst from the CFA Institute.

KEY MANAGEMENT EXECUTIVES

Ms. Belinda Thng Ah Hiang
is the Senior Director, Customer Relations Management / Marketing. Ms. Thng holds a Diploma in Industrial Management from the Singapore Polytechnic.

Mr. Heng Teck Yow
is the Senior Director, Business Development / Engineering. Mr. Heng holds a Diploma in Industrial Engineering.

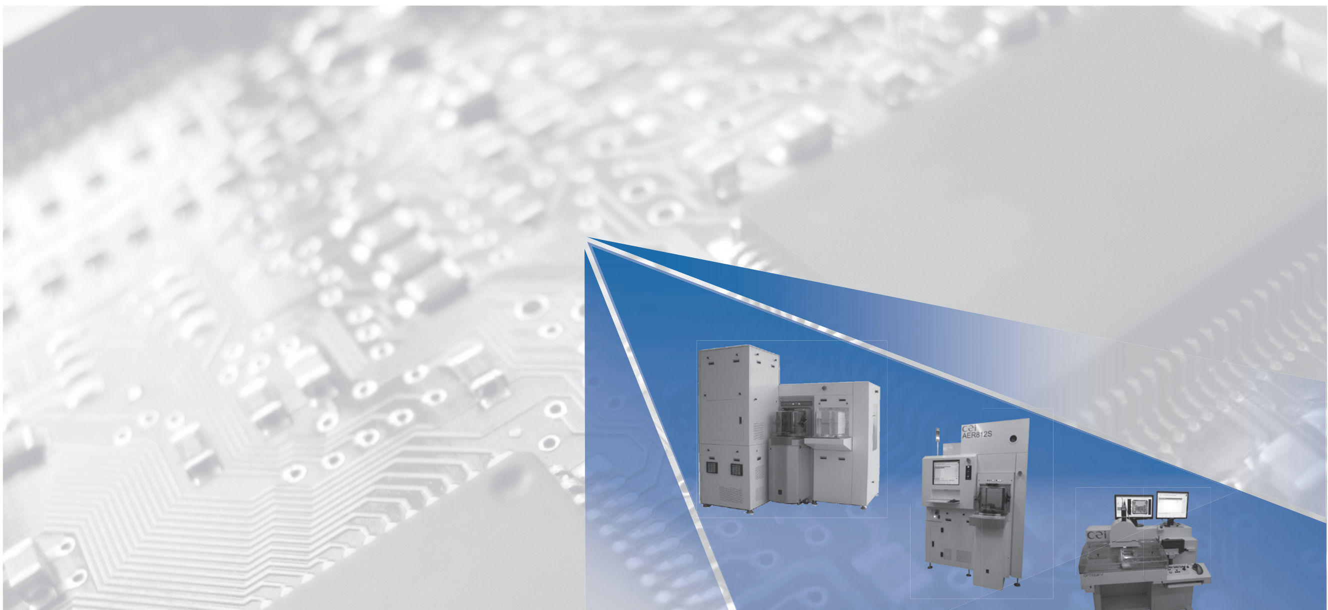
Ms. Janet Wong Heng Chai
is the Director, Materials Management. Ms. Wong holds a Bachelor of Science (Economics) degree from the University of London and a Master of Business Administration from Brunel University.

Mr. Ng Cheng Kung
is the General Manager, PT Surya Teknologi, Batam. Mr. Ng holds an Advanced Diploma in Automation in Manufacturing from the Singapore Polytechnic.

Mr. Sean Yee Chee Hong
is the General Manager, CEI International Investments (VN) Limited, Vietnam. Mr. Yee holds a Bachelor of Arts (major in Economics and Japanese Studies) and a Bachelor of Arts (Hons) degree in Japanese Studies from the National University of Singapore.

Mr. Sia Chee Hoe
is the Chief Financial Officer / General Manager (Corporate Services). Mr. Sia is a Non-Practising Member of the Institute of Singapore Chartered Accountants. He holds a qualification from the Association of Chartered Certified Accountants.

Mr. Tan Sze Meng Joseph
is the General Manager, Equipment Manufacturing Division. Mr. Tan holds a Bachelor of Science degree (major in Economics and Mathematics) from the National University of Singapore and a Graduate Diploma in Marketing Management from the Singapore Institute of Management.



SUSTAINABILITY REPORT

Towards our People & Performance

In CEI, we recognize that our people are vital to the growth and sustainability of our business. In our continuous efforts to retain our employees, we strive to engage them through our various company's practices and activities.

We engaged our employees regularly through various communication platforms. Our employees are updated on company's progress and development during company's events and orientation programme. Employees are also engaged via emails, intranet portal & notice boards and respective department meetings. Our yearly performance management review is also a platform to reward employees and an opportunity for employees to engage and provide feedback via their respective department heads.

As part of talent management, each department key staff members are identified and developed through on-the-job trainings and external courses. We also continue to provide training and development to enhance the technical and soft skills of our employees.

To promote cohesiveness and forge a sense of belonging, we engaged employees in a range of recreational activities like Dinner & Dance, sports events such as our weekly yoga, yearly bowling tournament, and sports retreat which has a variety of friendly sports competition to suit all employees of different age group. We continue to organize health and financial talks for our employees to enhance their personal well-being.

With the supervision of our Workplace Safety & Health Committee, we continue to provide a safe working environment through monthly safety inspection, annual fire drill and chemical spill exercises and safety training to new employees. We also raise our employees' safety awareness through education and communication.

Our employees continue to enjoy benefits package which includes all statutory family friendly leave, medical benefits and Company's group health insurance plan.

With engaged, motivated employees and a clear business strategy, we strive to maintain a profitable and sustainable business that rewards all stakeholders and their continual support.

Towards our Community

We continue to give back to our society through our yearly donations to support various causes and helping the special needs, the less fortunate and so forth. We also continue to support and sponsor awards and book prizes to the education institution as we believe that education is the main driver of our future.

Towards our Environment

Being an ISO 14001:2015 certified company, we are committed to environmental conservation. We communicate our Environmental Policy to new employees during orientation programme so that they are aware of our policy and practices.

Our energy conservation measures focus largely on air-conditioning and lightings. Air-conditioning systems are progressively replaced with inverters and all are programmed to switch off automatically after office hours. Lights are also switched off during lunch hours and when not in use. We have progressively switched to energy-efficient lighting such as using low-energy light-emitting diode (LED) technology.

We were awarded for running a water efficient building in 2012. As part of our efforts in conserving our water resources we continue to adopt water efficient flow rates/flush volumes at the various water fittings, and we have also newly implemented water recycling into our manufacturing process. Water awareness and education posters are also put up in office premises to remind employees to conserve water.

Our employees are also encouraged to adopt green office practices such as printing double-sided documents & re-cycling one-sided printed paper and used envelopes for internal documents. We are also working with an approved vendor who can collect and recycle used carton boxes, shrink wrap and papers. We continue to innovate and improve in document workflow and document management. As a result, we not only cut down on paper usage, it has also improved our work productivity.

In addition to paper recycling, we have also engaged a licensed recycler to properly recycle our electronic and electrical wastes ("e-waste") generated from our operations. We can help to conserve our earth's resources when we recycle our e-waste as the recycled material is used to make new products. And by doing so, we will rely less on mining for new raw materials which are limited in supply. Reducing mining will also mean less pollution.

Our overseas subsidiary has yearly contract with the local Environment Agent to assist us in maintaining green practices as well as following strict guidelines from the local authorities on chemical waste disposal.

CORPORATE GOVERNANCE REPORT

Company's Compliance or Explanation *SGX 710 & Guideline 9.3*

CEI Limited (the "Company") is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance 2012 (the "Code") which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual. The Company has complied with all principles and guidelines set out in the Code. Where there is any material deviation from the Code, an explanation has been provided within this report.

This report describes the Company's corporate governance practices that were in place throughout the financial year ended 31 December 2017 ("FY2017"). As part of the continuous effect to improve the risk governance framework, the Board Risk Committee was established in February 2013 to oversee the adequacy and effectiveness of the Group's risk management framework and policies.

A. BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS *Guideline 1.1*

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

In addition, the principal duties of the Board include:

- Setting the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control risk management, financial reporting and compliance.
- Appointing the Group Managing Director ("MD") and approving the remuneration polices and guidelines for the Board and senior management.
- Reviewing the performance of senior management and overseeing succession planning for senior management.
- Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders are understood and met.
- Identifying key shareholder groups and recognising that their perceptions affect the Company's reputation.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.
- Assume responsibility for corporate governance.

Independent Judgement *Guideline 1.2 & Guideline 4.7*

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

The members of the Board and their membership on the board committees of the Company are presented on page 3 of the annual report.

The Board comprises six members and an alternate director. There is a strong and independent element on the Company's Board. Of the six Board members, three are independent directors.

The Non-Executive Directors constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Non-Executive Directors (led by the Lead Independent Director) will have discussion amongst themselves without the presence of the Management.

Delegation by the Board *Guideline 1.3*

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

Key Features of Board Processes

Guideline 1.4

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

Type of Meetings	Board	NC	RC	AC	BRC
No. of Meetings Held	3	3	3	3	1

Name of Directors	No. of Meetings Attended				
Tien Sing Cheong	3	3	N/A	N/A	N/A
Tan Ka Huat	3	N/A	N/A	N/A	N/A
Tan Bien Chuan	3	3	3	3	1
Tang Martin Yue Nian	3	3	3	3	1
Gan Chee Yen	3	N/A	3	3	1
Colin Ng Teck Sim	3	3	3	3	1
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen)	3	N/A	N/A	N/A	N/A

Board Approval

Guideline 1.5

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

- Strategies and objectives of the Group;
- Annual budgets and business plans;
- Announcement of half-yearly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment, divestments or capital expenditure exceeding S$500,000;
- Commitments to terms loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding S$500,000, while delegating authority for transactions below those limits to senior management so as to optimise operational efficiency.

Induction and Training of Directors

Guideline 1.6

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

A newly-appointed director is given a detailed and in-depth briefing and induction into the Group by the Executive Chairman and MD as well as senior management. The director is given a tour and briefing of key facilities and activities of the Group, as well as a detailed presentation by key senior management covering the structure, business and governance practices, growth strategies of the Group and an overview of key business risks, issues and challenges the Group faces.

The Company provides training for first-time director in areas, such as accounting, legal and industry-specific knowledge as appropriate.

A briefing containing policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibition of dealings in the Company's securities, restrictions on the disclosure of price-sensitive information, corporate governance and risk management is also provided.

Briefings, Updates and Trainings Provided for Directors

Guideline 1.6 & Guideline 4.2c

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

The Board is briefed on changes to the accounting standards and regulatory updates as and when they are implemented. The MD updates the Board at each meeting on various project and investment developments of the Group.

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

The Company arranges and funds the training of its directors.

The particular of training programmes attended by the directors, as arranged and funded by the Group were as follows:

- Directors-in-Dialogue Forum: Boards and Cybersecurity organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: Boards at Risk organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: The New Age Board - Turning Uncertainty Into Breakthrough Opportunities organised by Temasek Management Services Pte. Ltd.
- Directors-in-Dialogue Forum: Boards Leadership organised by Temasek Management Services Pte. Ltd.

Formal Letter Setting out the Director's Duties and Obligations

Guideline 1.7

Upon appointment of each director, the Company would provide a formal letter to the director, setting out the director's duties and obligations under applicable laws and the listing rules of the SGX-ST.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Size and Board Composition

Guideline 2.5 & Guideline 2.6

The Board comprises six directors and an alternate director. Excluding the Executive Chairman and MD, all directors are non-executive.

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

Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers a board size of six members as appropriate. The Board believes that the current composition and size provide sufficient diversity without interfering with efficient decision-making. The directors' academic and professional qualifications are presented on page 3 of the annual report.

Directors' Independence Review

Guideline 2.1, Guideline 2.3, Guideline 2.4 & Guideline 4.3

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

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

After taking into account the views of the NC, the Board considers that the following directors are regarded as non-independent directors of the Company:

Name of director	Reasons for non-independence
Tien Sing Cheong	Mr. Tien is employed as Executive Chairman of the Group. *Guideline 2.3a*
Tan Ka Huat	Mr. Tan is employed as Managing Director of the Group. He is also the CEO of the Group. *Guideline 2.3a*
Gan Chee Yen	Mr. Gan is a non-executive director and is deemed not independent as he is employed by a substantial shareholder. *Guideline 2.3f*

Save for the abovementioned directors, all the other directors on the Board are considered by the NC and the Board to be independent directors.

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr. Tan Bien Chuan, Mr. Tang Martin Yue Nien and Mr. Colin Ng Teck Sim have served as independent directors of the Company for more than nine years since their first appointments. The Board has subjected this independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurred that Mr. Tan Bien Chuan, Mr. Tang Martin Yue Nien and Mr. Colin Ng Teck Sim continued to demonstrate strong independence in character and judgment and in the discharge of their responsibilities as directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged the Management. They have sought clarification and amplification as they deemed required, including through direct access to the Group's employees.

Further, having gained in-depth understanding of business and operating environment of the Group, they provide the Company with much needed experience and knowledge of the industry. Based on the declaration of independence received from Mr. Tan Bien Chuan, Mr. Tang Martin Yue Nien and Mr. Colin Ng Teck Sim, they have no association with the Management that could compromise their independence.

After taking into account all these factors, and also having weighed the need for Board's refreshment against tenure for relative benefit, the Board has determined Mr. Tan Bien Chuan, Mr. Tang Martin Yue Nien and Mr. Colin Ng Teck Sim continue to be considered as independent directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

The number of independent Board members meets the recommendation in the Code (for at least half of the Board to be independent) as the Executive Chairman is part of the management team.

This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the Non-Executive Directors

Guideline 2.7

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

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

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

To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to the Management.

The Group has adopted initiatives to put in place processes to ensure that NEDs have sufficient time and resources to discharge their duties effectively. These initiatives include:

- Regular informal meetings are held by the Management to brief the NEDs on prospective deals and potential developments at an early stage, before formal Board's approval is sought.
- Periodic information papers and board papers on the latest market developments and trends, and key business initiatives are circulated to NEDs on a timely basis to afford the directors time to review them.
- To provide an opportunity for the NEDs to familiarise themselves with the management team so as to facilitate the Board's review of the Group's succession planning and leadership development programme,
- Constructively challenge and help develop proposals on strategy; and
- Review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Guideline 3.1 & Guideline 3.2

The Executive Chairman and MD functions in the Company are assumed by different individuals. The Executive Chairman, Mr. Tien Sing Cheong, and the Managing Director, Mr. Tan Ka Huat, are Executive Directors.

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

The Executive Chairman:

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

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

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- Ensuring implementation policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Leading the development of senior management within the Group with the aim of assisting the training and development of suitable individuals for future director roles.

Lead Independent Director

Guideline 3.3, Guideline 3.4 & Guideline 4.1

The Board appointed Mr. Tan Bien Chuan to act as the lead independent director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Executive Chairman, the MD or the CFO has failed to provide satisfactory resolution, or when such contact is inappropriate.

All the independent directors, including lead independent director, meet at least annually without the presence of other executive and non-independent directors. The lead independent director provides feedback to the Executive Chairman after such meeting.

The lead independent director is a member of all the board committees.

PRINCIPLE 4: BOARD MEMBERSHIP

NC composition

Guideline 4.1 & Guideline 4.2

The NC comprises the following members:

- Colin Ng Teck Sim (Chairman and Independent Director)
- Tang Martin Yue Nien (Independent Director)
- Tien Sing Cheong (Executive Director)
- Tan Bien Chuan (Independent Director)

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

- Review and recommend to the Board on the appointment and re-appointment of directors (including alternate directors) and progressive renewal of the Board.
- Review the skills required by the Board, and the size of the Board.
- Ensure that the Company adheres to the board composition rules, including having independent directors make up 50% of the Board under certain circumstances.
- Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, when he/she has multiple board representations.
- Develop a process for evaluating the performance of the Board, its board committees and the contribution of each director.
- Formal assessment of the effectiveness of the Board as a whole and individual director.
- Review the training and professional development programmes for the Board.
- Review the Board succession plans for directors, in particular, the Executive Chairman and the MD.

Directors' Independence Review

Guideline 4.3 & Guideline 2.3

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

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

Each director must also confirm in the Checklist whether he considers himself independent despite not having any relationships identified in the Code.

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

The Board, after taking into account the views of the NC, determined that with the exception of Mr. Gan Chee Yen and Mr. Wang Ya Lun Allen, all the other non-executive directors are independent.

Directors' Time Commitments and Multiple Directorships

Guideline 4.4

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The guideline provides that, as a general rule, each Director should hold no more than 6 listed company board representations, after taking into specific considerations on the capacity of the directors. The guideline includes the following:

- Directors must consult the Chairman of the Board and the NC Chairman prior to accepting any new appointments as directors and other principal commitments; and
- In support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual director, and the respective directors' actual conduct on the board, in making this determination.

In respect of FY 2017, the NC was of the view that each director's directorships was in line with the Company's guideline of a maximum of 6 listed company board representations and that each director has discharged his/her duties adequately.

Succession Planning for the Board and Senior Management

Succession planning is an important part of the governance process. The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

Process for Selection and Appointment of New Directors

Guideline 4.6

The NC has put in place a formal process for the selection of new directors, including alternate directors, to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, resource from one of its substantial shareholder is consulted and executive recruitment agencies are appointed in the search process.
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.
- Alternate directors bear all the duties and responsibilities of a director.

Process for Re-Appointment of Directors

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

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

All directors are subject to retirement at regular intervals of at least once every three years. Regulations 108 (1) and 108 (2) of the Company's Constitution provides that one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-election at the Company's AGM.

In addition, Regulation 107 of the Company's Constitution provides that a newly appointed director during the financial year must retire and submit himself/herself for re-elected at the next AGM following his/her appointment. Thereafter, he or she is subject to be re- elected at least once every three years.

PRINCIPLE 5: BOARD PERFORMANCE

Guideline 5.1 & Guideline 5.2

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

Evaluation Process

The NC Chairman, in conjunction with the Chairman of the Board, conducts an annual assessment of the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director. There are two components to this assessment:

A. Board assessment; and
B. Peer evaluations.

The performance evaluation process begins with an annual meeting between the NC Chairman and the internal Company Secretary on the evaluation framework to ensure that areas of particular interest and key issues are focused on.

The internal Company Secretary sends out a customised Board Evaluation Questionnaire ("Questionnaire") to each director for completion. Each director is required to complete the Questionnaire and send the Questionnaire directly to the internal Company Secretary within ten working days.

An Explanatory Note is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions.

Based on the returns from each of the director, the internal Company Secretary prepares a consolidated report and briefs the NC Chairman and the Chairman of the Board on the report. Thereafter, the internal Company Secretary presents the report for discussion at a meeting with all the directors, chaired by the NC Chairman. The NC Chairman then holds a discussion with all directors to agree on future action plans, if any.

From the results of the 2017 evaluation, action points and issues that were discussed include:

- Board's ability to strategize and propose sound business direction as a whole.
- Compensation strategy and succession planning.

The Chairman of the Board will give feedback to the NC on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the NC will take into consideration his views in this regard.

Board Performance Criteria

The performance criteria for the board evaluation are as follows:

- Adequacy of Board meetings
- Independence component in the Board
- Board's team spirit
- Board's ability to make decision as a whole
- Board's ability to strategize and propose sound business direction as a whole
- Board's effectiveness in identifying and reviewing major concerns of the Group
- Board's effectiveness in strategizing and problem solving
- Assess Board's performance against the performance of specific targets over a five year period to determine if the Board has enhanced long-term shareholders' value.

Individual Director's Performance Criteria

Guideline 5.3

The individual director's performance criteria are categorised into five segments; namely,

- Interactive skills (whether the director works well with other directors and participate actively).
- Knowledge (the director's industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director's ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration).
- Director's duties (the director's board committee work contribution, whether the director takes his/her role as director seriously and works to further improve his/her own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration).
- Availability (the director's attendance at Board and board committee meetings, whether the director is available when needed, and his/her informal contribution via email, telephone, written notes etc are considered).
- Overall contribution, bearing in mind that each director was appointed for his/her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

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

PRINCIPLE 6: ACCESS TO INFORMATION

Complete, Adequate and Timely Information

Guideline 6.1 & Guideline 6.2

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

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors 3 working days in advance of the meeting. Any additional material or information requested by the directors is promptly furnished.

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

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

To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

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

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

On a half-yearly basis, the external Internal Auditors also provides the Board with internal audit report. This report includes:

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

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

Company Secretaries

Guideline 6.3 & Guideline 6.4

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

The internal Company Secretary assists the Executive Chairman in ensuring good information flows within the Board and its board committees and between the Management and NEDs. The internal Company Secretary also facilitates the orientation and assists with professional development as required.

As the primary compliance officer overseeing the Group's compliance with the SGX-ST Listing Manual, the Company Secretary is responsible for designing and implementing a framework for the Management's compliance with the SGX-ST Listing Manual, including advising the Management to ensure that material information is disclosed promptly.

The internal Company Secretary attends and prepares minutes for all Board and board committees meetings. In regard to the board committees, the internal Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and the Management. The internal Company Secretary assists the Chairman of the Board, 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 the removal of the Company Secretaries are subject to the Board's approval.

Independent Professional Advice

Guideline 6.5

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Remuneration Committee ("RC")

Guideline 7.1, Guideline 7.2 & Guideline 7.4

The RC comprises the following four members:

- Tang Martin Yue Nien (Chairman and Independent Director)
- Tan Bien Chuan (Independent Director)
- Gan Chee Yen (Non-Executive Director)
- Colin Ng Teck Sim (Independent Director)

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

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

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's share options plan.
- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- Review the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC from time to time and where necessary seeks advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Guideline 8.1 & Guideline 8.2

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating employees. The Group's compensation framework comprises fixed pay, short-term and long-term incentives. The Group subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees. The level and structure of remuneration of directors and key management personnel are aligned with the long-term interest and risk policies of the Company.

Remuneration of Executive Directors and Key Management Personnel

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

The compensation structure is designed such that the percentage of the variable component of key management personnel's remuneration increases as they move up the organisation. The variable component also depends on the actual achievement of corporate targets and individual performance objectives.

Executive directors do not receive directors' fees.

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

a) Fixed remuneration
b) Variable bonus
c) Other benefits
d) Share Performance Plan and Restricted Share Plan

a) Fixed remuneration

The fixed remuneration comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors and key management personnel.

b) Variable bonus

Variable bonus is an annual remuneration component which varies according to the Group's and the individual's performance objectives. To link rewards to performance, the more senior the executive in the Group, the higher is the percentage of the variable bonus against total compensation.

The performance objective of the Group is profit after tax.

The RC believes that profit after tax best reflects the financial health and performance of the Group's business and is also a key performance measure used by other companies in similar industry, which allows for general comparability of performance.

The RC also believes that it is an appropriate measure as it reflects overall earnings performance and requires the Management to be responsible for, and manage every line item on, the consolidated income statement.

Additionally, in making its decision regarding appropriate performance objectives, the RC also considered the following factors relative to profit before tax and profit after tax:

- Each executive director and key management personnel believe he or she can meaningfully contribute to the achievement of these performance objectives.
- Maintaining the consistency of the objectives over a number of years allows for more accurate measurement and comparison of, and reward for, the desired performance from year to year.
- Profit before tax is used in our incentive plans for other employees, and thus, the interests of the entire organisation are aligned to achieve the same goals.
- They are not overly complex metrics and easily understood, providing for clear "light-of-sight".

c) Other benefits

The Group provides benefits consistent with local market practice, such as medical benefits, club membership, employee discounts and car allowance. Eligibility for these benefits will depend on individual salary grade and length of service.

d) Share Performance Plan and Restricted Share Plan

The executive directors and key management personnel are eligible for the Share Performance Plan whereas the NEDs are eligible for the Restricted Share Plan.

Remuneration of Non-Executive Directors

Guideline 8.3

The RC reviews the scheme put in place by the Company for rewarding the NEDs to ensure that the compensation is commensurate with effort, time spent and responsibilities of the NEDs.

The RC seeks to ensure that NEDs are not over-compensated to the extent that their independence may be compromised.

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for NEDs remains unchanged from FY2017.

The fees for NEDs comprise a basic retainer fee, additional fees for appointment to board committees and a travel reimbursement for directors who were required to travel out of their country or city of residence to attend board meetings and board committee meetings which did not coincide with Board meetings. The Chairman of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The directors' fees payable to NEDs is subject to shareholders' approval at the Company's AGMs.

The Restricted Share Plan is in place for NEDs. To better align with shareholders' interests, the Restricted Share Plan is to award NEDs the Company's shares of not more than one-third of their fees in shares while they remain on the Board.

Use of Contractual Provisions for Executive Directors

Guideline 8.4

The service contracts with executive directors contain reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive directors or key management personnel.

Remuneration of Directors

Guideline 9.1, SGX 1207.12, Guideline 9.2, Guideline 9.3 & Guideline 9.4

A breakdown showing the level and mix of each individual director's remuneration for FY 2017 is as follows:

Directors' Remuneration					
	Fees	**Salary**	**Bonus**	**Benefits**	**Total**
Name	**$**	**$**	**$**	**$**	**$**
Tien Sing Cheong	-	250,509	216,679	7,983	475,171
Tan Ka Huat	-	299,469	221,259	18,586	539,314
Tan Bien Chuan	62,000	-	-	-	62,000
Tang Martin Yue Nien	56,000	-	-	-	56,000
Gan Chee Yen	49,000	-	-	-	49,000
Colin Ng Teck Sim	56,000	-	-	-	56,000

Notes:

Directors' Fees paid in FY2017 were approved by shareholders as a lump sum at the AGM for FY2016.

For Senior Executives Remuneration (Who Are Not Directors of the Company), disclosure of the top five executives' remuneration in bands of $250,000 is disclosed in the Notes to the Financial Statements.

In view of the competitive nature of the Company's business and to ensure retention of its key management team, the Company has decided not to disclose the breakdown of each key management remuneration. The RC reviewed the remuneration packages and terms of employment of each of the key management person reporting directly to the MD on an annual basis.

There are no aggregate amount of termination, retirement and post-employment benefits granted to directors, the MD and top key management personnel (who are not directors or the MD) for FY 2017.

There is no employee in the Group, who is an immediate family of a director or the MD during FY2017.

C. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

Guideline 10.1, Guideline 10.2 & Guideline 10.3

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Board members receive monthly financial and business reports from the Management. Such reports keep the Board members informed of the Company's and the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax profit by operating segments compared against budgets, together with explanations for significant variances for the month and year-to-date.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with half-yearly and annual financial reports. Results for the half-year are released to shareholders within 45 days from the end of the half-year. Annual results are released within 60 days from the financial year-end. In presenting the annual and half-yearly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

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

For the financial year under review, the MD and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Guideline 11.1, Guideline 11.2, Guideline 11.4 & Rule 1207(10)

The Board, with the assistance from the BRC and AC, is responsible for the governance of risk by ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to the requirements in the SGX-ST's Listing Manual and the Code. The BRC was established to strengthen its risk management processes and framework.

The BRC is guided by its terms of reference. Specifically, the BRC assists the Board to:

- Determine the Group's levels of risk tolerance and risk policies.
- Oversee the Management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Make the necessary recommendation to AC and the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance with the SGX-ST's Listing Manual and the Code.
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board approved the Group Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. Reference was also made to the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board.

The BRC assists the Board to oversee the Management in the formulation, update and maintenance of an adequate and effective risk management framework while the AC reviews the adequacy and effectiveness of the risk management and internal control system.

At the management level, a Risk Management Committee (RMC) comprising key management personnel is responsible for directing and monitoring the development, implementation and practice of Enterprise Risk Management (ERM) across the Group.

The RMC reports to the BRC during the BRC meetings. The Company maintains a risk checklist and risk management report which identifies the material risks. Internal controls are put in place to mitigate those risks. Business and corporate executive heads in the Group review and update the risk checklist and risk management report regularly. The risk checklist and risk management report are reviewed by the BRC, the AC and the Board. The BRC also reviews the approach of identifying and assessing risks and internal controls in the risk checklist and risk management report.

On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every half-yearly.

The Board has received written assurance from the MD and the CFO that, to the best of their knowledge and efforts:

(a) The financial records of the Group have been properly maintained and the financial statements for FY2017 and give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operation, compliance and information technology risks.

The MD and CFO have obtained similar assurance from the business and corporate executive heads in the Group.

Opinion on the Adequacy and Effectiveness of Internal Control and Risk Management Systems

Guideline 11.3 & Rule 1207(10)

The AC sought the views of the external auditors in making assessment of the internal control over financial reporting matters. In addition, based on the Group Risk Management Framework established and maintained by the Group, the work performed by the RMC and the internal audit function as well as the written assurance received from the MD and the CFO, the Board with the concurrence of the AC and BRC, is of opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 31 December 2017.

The Board notes that the system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen.

Furthermore, the Board also acknowledges that no system of internal controls and risks management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

PRINCIPLE 12: AUDIT COMMITTEE

Guideline 12.1, Guideline 12.2, Guideline 12.3 & Guideline 12.4

The AC comprises the following four members:

- Tan Bien Chuan (Chairman and Independent Director)
- Tang Martin Yue Nien (Independent Director)
- Gan Chee Yen (Non-Executive Director)
- Colin Ng Teck Sim (Independent Director)

The Chairman of the AC, Mr. Tan Bien Chuan, is by profession a Chartered Accountant. The AC Chairman has accounting, auditing and risk management expertise and experience. The other members of the AC have many years of experience in business management, finance and legal services. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

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

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

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

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board.

- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational compliance and information technology controls and risk management systems.
- Review the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures.
- Review the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors.
- Recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors.
- Review IPTs in accordance with the requirements of the SGX-ST's Listing Manual and the Company's Shareholders' Mandate for IPTs.

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

Summary of the AC's Activities *Guideline 12.5, Guideline 12.8 & Rule 1207(6)(c)*

The AC met thrice during the year under review. Details of members and their attendance at meetings are provided in page 7. The CFO, the internal Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The AC met the external auditors and internal auditors once a year separately, without the presence of the Management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during FY2017 are summarised below:

Financial Reporting

The AC met on a half-yearly basis and reviewed the half-yearly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the annual financial statements and also discussed with the Management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the Management in preparing the annual financial statements. The AC focused particularly on:

- Significant adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to external auditor's attention during their audit together with their recommendations.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External Audit Processes

The AC manages the relationship with the Group's external auditors, on behalf of the Board. During FY2017, the AC carried out its annual assessment of the cost-effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution as set out in the Notice of the Annual General Meeting to shareholders for the re-appointment of Ernst & Young LLP.

Pursuant to the requirement in the SGX-ST's Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP's audit partner for the Company took over from the previous audit partner with effect from 1 January 2016. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST's Listing Manual.

Auditor Independence

Guideline 12.6, Rule 1207(6)(a) & Rule 1207(6)(b)

In order to maintain the independence of the external auditors, the external auditors have specific policy which governs the conduct of non-audit work by them. This policy prohibits them from, *inter alia*:

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by the Management;
- Acting as advocate for the Group; or
- Creating a mutuality of interest between the auditors and the Group, for example being remunerated through a success fee structure.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a yearly report setting out the non-audit services, such as, tax returns and compliance services provided by Ernst & Young LLP and the fees charged. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for the past two years is disclosed in the Notes to the Financial Statements.

Having undertaken a review of the non-audit services provided during the year, the AC remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provide to the Group. Moreover, the AC is satisfied that these services were provided efficiently by the external auditors as a result of their existing knowledge of the business.

Whistle-blowing

Guideline 12.7

The Board on the recommendation of the AC approved and put in place the Whistle-Blowing Policy and Procedure for Reporting Impropriety in Matters of Financial Reporting and Other Matter (the "Policy").

The AC also reviewed the adequacy of the whistle-blowing arrangements instituted by the Group through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle-blowing matters are reviewed monthly by the AC Chairman and half-yearly by the AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The policy is communicated to staff via e-mail and through the Company's intranet. On an ongoing basis, the Policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control. The staffs were advised that they would not be intimidated or restrained from reporting any impropriety to the AC Chairman. Also, the identity of the complainant would be kept confidential unless by law required to reveal or the identity of the complainant is already publicly known by the Board of Directors opined that it would be in the best interest of the Group to disclose the identity.

Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged to AC Chairman, CEI Limited, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, which are managed independently by an external service-provider.

Upon receipt of such complaint, the AC Chairman in consultation with fellow members would exercise discretion on how to proceed with the investigation, thereafter recommend any remedial of legal action to be taken, where necessary. All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle-blowing matters are reviewed monthly by AC Chairman and yearly by the AC members. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The AC Chairman has received no complaint as at the end of this report.

PRINCIPLE 13: INTERNAL AUDIT

Guideline 13.1, Guideline 13.2, Guideline 13.3, Guideline 13.4 & Guideline 13.5

The Group outsources its internal audit function to BDO LLP. The internal audit is an independent function within the Group. The Internal Auditor reports directly to the AC functionally and to the MD administratively.

As a corporate member of the Singapore Chapter of the Institute of Internal Auditors ("IIA"), the internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by IIA. The internal audit function successfully completed its external Quality Assurance Review and continues to meet or exceed the IIA Standards in all key aspects.

The AC approves the hiring, removal, evaluation and compensation of the Internal Auditors. The scope of authority and responsibility of the internal audit function is approved by the AC.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group's internal audit approach is aligned with the Group's Risk Management Framework by focusing on key financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of, the Management. The internal audit plan is reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the MD, the external auditors and relevant senior management.

The professional competence of the internal auditors is maintained that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

The Internal Auditor presents the internal audit findings to the AC. The AC meets with the Internal Auditor once a year, without the presence of the Management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including the AC.

During FY2017, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with the Management, the Internal Auditors, and external auditors.

The AC considered and reviewed with the Management and the Internal Auditor on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group;
- Significant internal audit observations and the Management's response thereto; and
- Budget and staffing for the internal audit functions.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the internal audit team is adequately resourced.

Interested Person Transactions

The AC reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. Management reports to the AC the IPTs at every AC meeting.

The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS

Guideline 14.1

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

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

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

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Disclosure of information on a timely basis

Guideline 15.1, Guideline 15.2, Guideline 15.3 & Guideline 15.4

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

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

The Group's corporate website is the key resource of information for shareholders. In addition to the half-yearly financial results materials, it contains a wealth of investor related information on the Group, including annual reports, share prices, SGXNET announcements and factsheets.

Interaction with shareholders

Enquiries from shareholders, analysts and the press are handled by specifically designated members of senior management in lieu of dedicated investor relations team. On suitable occasions, the Company would organise trips for shareholders to its factory in Batam to provide an insight of its business operations in Batam.

The Company's main dialogue with its shareholders, which includes institutional and retail investors, takes place at its AGMs. Shareholders are encouraged to attend AGMs. The Board and the management, as well as the external auditor, are in attendance at AGMs to address shareholders' questions on issues relevant to the Company and resolutions proposed at the AGMs.

Dividend Policy *Guideline 15.5*

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Guideline 16.1, Guideline 16.2, Guideline 16.3, Guideline 16.4 & Guideline 16.5

The Company supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in an English language daily newspaper in Singapore, as well as posted on the company website at www.cei.com.sg.

Shareholders can vote in person or appoint not more than two proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

The Company's Constitution also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend and vote at the general meetings.

There are separate resolutions at general meetings on each substantially separate issue.

All directors attend general meetings. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC are present to address shareholders' queries.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management, and to make these minutes available to shareholders upon their request.

All resolutions are voted by electronic polling. The detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced through SGXNET.

SECURITIES TRANSACTIONS

Rule 1207 (19)

The Company has issued a Policy on Share Dealings to key employees of the Company, setting out the implications of insider trading and Rule 1207 (19) of the Listing Manual issued by the Singapore Exchange Securities Trading Limited. To further provide guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct was modelled after Rule 1207 (19) of the Listing Manual. The Company Secretary informs the directors, senior management and senior accounting personnel that they should not deal in the Company shares during the period commencing one month before half-year and full financial year announcements of the Company's financial statements. In addition the Directors, senior management and senior accounting personnel are discouraged from dealing in the Company's securities on short-term considerations. The Company Secretary also reminds the offence of insider trading under the Securities and Futures Act for the directors and employees to deal in the Company shares when they are in possession of unpublished material price-sensitive information in relation to the Company shares.

The Directors have complied with Rule 1207 (19) of the Listing Manual issued by the Singapore Exchange Securities Trading Limited with regard to dealing in the Company's shares.

There is no material contract of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder for the financial year ended 31 December 2017. [SGX-ST Listing Rule 1207(8)]

On behalf of the Board,

Tien Sing Cheong	Tan Ka Huat
Director	Director

Singapore
28 February 2018

RISK IDENTIFICATION, MANAGEMENT POLICIES AND PROCESSES

Operating and business risks and associated management responses and policies may be summarised as follows:

(i) **Customers**
Today, the Group has more than 77 customers, of which the top 5 customers account for 51% of FY 2017 revenue.

Over the years, the Group has increased its customer base and decreased dependency on any one customer account.

(ii) **Availability and pricing of components**
We procure components needed in manufacturing for our customers. Some of these customers' components are available only from a single supply source. In the event that such suppliers are unable to supply the customised components, we may not be able to develop an alternative source of supply in a timely manner. This will delay our production and delivery to customers and have a material adverse impact on our financial results.

Furthermore, the price of electronic components will increase during periods of shortage. Any significant increase in such purchase price, which cannot be absorbed by the customers, will have a material adverse effect on the financial results.

Working with the customers to accept alternate suppliers is an on-going effort.

(iii) **Currency exchange**
Our sales revenue is denominated mainly in US dollars. Our purchases of components are denominated in US dollars. The percentages of our sales and expenses denominated in foreign currencies in FY 2017 are set out as follows:

	US Dollar
Sales in US dollars as a percentage of total revenue	95%
Purchases in US dollars and Euros as a percentage of total costs	55%

Given that the Singapore dollar is our functional currency, we have net exposures in US dollar receivables. Therefore, depreciation in the US dollar relative to the Singapore dollar will have an unfavourable effect on our financial results.

We will continue to monitor our foreign exchange exposure and are using hedging instruments to manage our foreign exchange risk on an ongoing basis.

(iv) **Industry competition**
We continue to focus on the high mix / low-to-moderate volume segment of the PCBA, Box-Build and equipment manufacturing. We are not in any position to prevent competitors from entering into the market.

(v) **Dependence on key management personnel**
The success of the Group depends on the continued services of our key management personnel.

The Group encourages succession planning to ensure that there is timely backup.

On behalf of the Board,

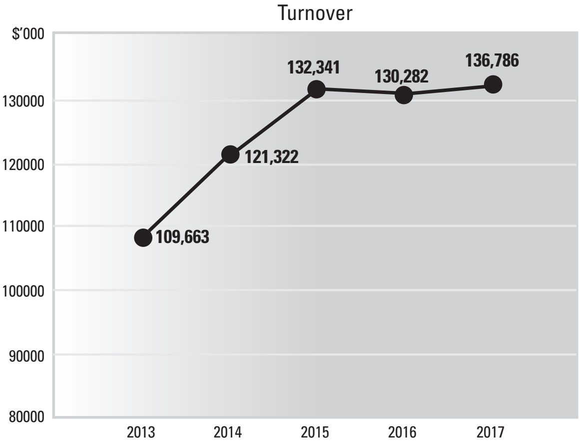
Tien Sing Cheong
Director

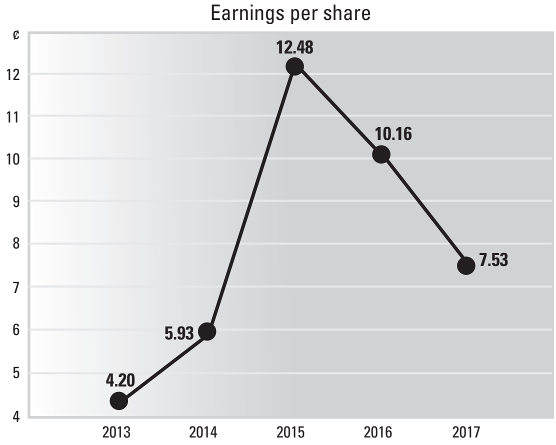
Tan Ka Huat
Director

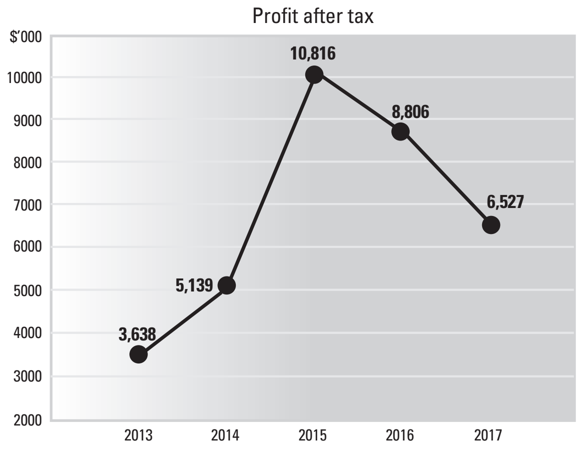
Singapore
28 February 2018

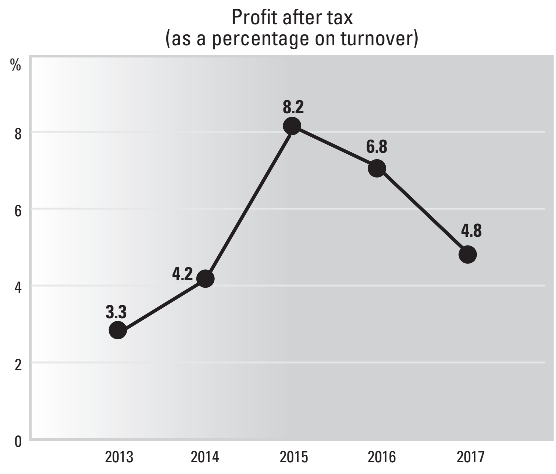
FINANCIAL HIGHLIGHTS

5-YEAR PERFORMANCE OF THE GROUP









Directors' Statement and Audited Financial Statements
31 December 2017

CEI Limited and Subsidiary Companies
(Formerly known as CEI Contract Manufacturing Limited)

Directors

Tien Sing Cheong	(Executive Chairman)
Tan Ka Huat	(Managing Director)
Tan Bien Chuan	
Gan Chee Yen	
Tang Martin Yue Nien	
Colin Ng Teck Sim	
Wang Ya Lun Allen	(Alternate Director to Gan Chee Yen)

Company Secretaries
Teo Soon Hock
Ngiam May Ling

Registered Office

Address:	No. 2 Ang Mo Kio Avenue 12 Singapore 569707
Telephone:	(65) 6481 1882
Fax:	(65) 6578 9755
Email:	companysecretary@cei.com.sg

Bankers
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar
Boardroom Corporate and Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditor
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge (appointed in Financial Year 2016): Alvin Phua Chun Yen

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Directors' Statement

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

Opinion of the directors

In the opinion of the directors,

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

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

Directors

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

Tien Sing Cheong	(Executive Chairman)
Tan Ka Huat	(Managing Director)
Tan Bien Chuan	
Gan Chee Yen	
Tang Martin Yue Nien	
Colin Ng Teck Sim	
Wang Ya Lun Allen	(Alternate Director to Mr Gan Chee Yen)

In accordance with Article 107 of the Company's Articles of Associations, Mr. Tien Sing Cheong and Mr. Gan Chee Yen will retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as described under "Directors' interest in shares and debentures", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

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

	Direct interest	
Name of director	**At beginning of the year**	**At end of the year**
The Company		
Ordinary shares		
Tien Sing Cheong	8,671,900	8,671,900
Tan Ka Huat	4,013,340	4,013,340
Tan Bien Chuan	469,700	469,700
Gan Chee Yen	344,300	344,300
Tang Martin Yue Nien	399,700	399,700
Colin Ng Teck Sim	157,000	157,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 8 February 2018.

Directors' Statement

By virtue of Section 7 of the Companies Act, Chapter 50, Mr. Tien Sing Cheong and Mr. Tan Ka Huat are deemed to have interests in shares of the subsidiaries of the Company, all of which are wholly-owned.

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

Options

During the financial year:

(a) No options have been granted by the Company to any person to take up unissued shares in the Company, and

(b) No shares have been issued by virtue of any exercise of option to take up unissued shares of the Company.

Audit Committee

The Audit Committee (the "AC") comprises four members, all of whom are non-executive directors. The majority of the members, including the Chairman, are independent. The members of the AC in office at the date of this report are:

Tan Bien Chuan	(Chairman and Lead Independent Director)
Tang Martin Yue Nien	(Independent Director)
Colin Ng Teck Sim	(Independent Director)
Gan Chee Yen	(Non-Executive Director)

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

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

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

Audit Committee (cont'd)

The AC convened three meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further information regarding the AC is disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Tien Sing Cheong
Director

Tan Ka Huat
Director

Singapore
28 February 2018

Independent auditor's report to the members of CEI Limited

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

1. Provision for excess inventories

The Group is in the business of contract manufacturing of high mix low volume printed circuit board assembly, boxbuild assembly, cable harness assembly and system assembly, and, design and manufacturing of own equipment for semiconductor industry.

As at 31 December 2017, the total raw materials amounted to $19.6 million. Due to the nature of the Group's business, there may be situations where there are excess inventories that may not have future usage as at 31 December 2017. As disclosed in Note 3.1 (b), the management determines excess inventories based on future raw materials required to fulfil customers' orders. Then, the management estimates the necessary amount of provision to write down the value of those inventories that have no future usage at that date.

We focused on this area because the gross inventory is material to the financial statements, and, there is uncertainty in the future consumption of those excess inventories.

We evaluated the reasonableness of the provision for excess inventory determined by the management by understanding how the management forecasts their future raw materials usage. We engaged our IT specialist to assist us in checking the reliability of those reports that the management used in determining forecasted material usage, which are based on committed or confirmed customers' orders. We then compared the raw materials on hand against its forecasted material usage and checked the amount of the inventories that may require write-down. Further, we assessed the adequacy of the disclosures related to inventories in Note 12 to the consolidated financial statements.

Independent auditor's report to the members of CEI Limited (cont'd)

Key audit matters (cont'd)

2. Impairment assessment on goodwill

As at 31 December 2017, the goodwill is carried at $1.1 million which represents 13% of the Group's total non-current assets. The goodwill arose from the business combination in 2008 and was allocated to the Group's Singapore-Batam cash-generating unit (CGU). The recoverable amount of this CGU is determined based on the cash flows projections of the business. The annual impairment test involved management exercising significant judgement and making assumptions about future market and economic conditions.

We considered the robustness of management's budgeting process by comparing the actual financials against previous forecast and projections. We assessed and tested the reasonableness of those key assumptions used in the impairment assessment which includes revenue, gross margin and other assumptions used in the projections. We also involved our internal valuation specialist to assist us in reviewing the reasonableness of the long term growth rate and discount rate used in computing the recoverable amount. We have also performed sensitivity analysis on changes in these key assumptions to changes in the recoverable amount of the CGU. Further, we focused on the adequacy of the Group's disclosures in Note 9 to the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other information other than the financial statements and auditor's report thereon

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of CEI Limited (cont'd)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Alvin Phua Chun Yen.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 February 2018

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	Group 2017 $	Group 2016 $
Revenue	4	136,786,504	130,281,591
Cost of sales		(105,182,118)	(99,889,268)
Gross profit		31,604,386	30,392,323
Other income		2,804	25,219
General and administrative costs		(19,077,568)	(16,997,956)
Selling and distribution costs		(4,686,122)	(4,180,310)
Finance costs		(34,470)	(97,000)
Share of results of an associated company		82,900	107,000
Profit before taxation	5	7,891,930	9,249,276
Taxation	6	(1,364,956)	(442,975)
Profit after taxation		6,526,974	8,806,301
Other comprehensive income - net of tax			
Foreign currency translation		53,808	(6,522)
Total comprehensive income for the financial year attributable to owners of the Company		**6,580,782**	**8,799,779**
Earnings per share			
Basic	7	7.53 cents	10.16 cents
Diluted	7	7.53 cents	10.16 cents

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

Balance Sheets
As at 31 December 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
ASSETS					
Non-current assets					
Property, plant and equipment	8	4,802,817	5,590,761	2,288,500	2,024,344
Goodwill	9	1,063,464	1,063,464	1,063,310	1,063,310
Investments in subsidiaries	10	–	–	5,106,770	3,918,437
Investments in an associated company	11	1,339,140	1,301,240	581,900	481,900
Deferred tax assets	6	839,246	773,140	209,246	213,940
		8,044,667	8,728,605	9,249,726	7,701,931
Current assets					
Inventories	12	25,062,302	20,625,769	24,915,113	20,499,341
Trade receivables	13	27,958,127	25,971,955	27,804,188	25,891,086
Other receivables	14	433,533	189,103	323,061	76,826
Prepayments and advances to suppliers		362,178	663,302	206,070	497,119
Amounts due from a subsidiary company	15	–	–	336,750	1,472,525
Cash and cash equivalents	16	3,044,019	11,698,440	2,419,165	10,962,134
		56,860,159	59,148,569	56,004,347	59,399,031
Total assets		64,904,826	67,877,174	65,254,073	67,100,962
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	17	20,817,453	20,661,475	19,324,313	19,400,204
Amounts due to subsidiary companies	15	–	–	3,635,669	2,905,600
Bank borrowings	18	2,001,247	2,501,183	2,001,247	2,501,183
Provision for taxation		1,556,371	1,657,794	1,370,867	1,473,185
Advance billings to customers		950,678	1,035,722	950,678	1,035,722
Other liabilities	19	844,830	1,856,595	844,830	1,856,595
		26,170,579	27,712,769	28,127,604	29,172,489
Net current assets		30,689,580	31,435,800	27,876,743	30,226,542
Total liabilities		26,170,579	27,712,769	28,127,604	29,172,489
Net assets		38,734,247	40,164,405	37,126,469	37,928,473
Equity attributable to owners of the Company					
Share capital	20	23,897,299	23,897,299	23,897,299	23,897,299
Treasury shares	20	(836,625)	(836,625)	(836,625)	(836,625)
Retained earnings		15,943,376	17,427,342	14,065,795	14,867,799
Foreign currency translation reserve		(269,803)	(323,611)	–	–
Total equity		**38,734,247**	**40,164,405**	**37,126,469**	**37,928,473**
Total equity and liabilities		**64,904,826**	**67,877,174**	**65,254,073**	**67,100,962**

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

Statements of Changes in Equity
For the year ended 31 December 2017

Group	Share capital (Note 20) $	Treasury shares (Note 20) $	Retained earnings $	Foreign currency translation reserve $	Total equity $
2017					
At 1 January 2017	23,897,299	(836,625)	17,427,342	(323,611)	40,164,405
Profit for the financial year	–	–	6,526,974	–	6,526,974
Other comprehensive income for the financial year	–	–	–	53,808	53,808
Total comprehensive income for the financial year	–	–	6,526,974	53,808	6,580,782
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 21)	–	–	(8,010,940)	–	(8,010,940)
At 31 December 2017	23,897,299	(836,625)	15,943,376	(269,803)	38,734,247
2016					
At 1 January 2016	23,897,299	(836,625)	17,290,887	(317,089)	40,034,472
Profit for the financial year	–	–	8,806,301	–	8,806,301
Other comprehensive income for the financial year	–	–	–	(6,522)	(6,522)
Total comprehensive income for the financial year	–	–	8,806,301	(6,522)	8,799,779
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 21)	–	–	(8,669,846)	–	(8,669,846)
At 31 December 2016	23,897,299	(836,625)	17,427,342	(323,611)	40,164,405

Company	Share capital (Note 20) $	Treasury shares (Note 20) $	Retained earnings $	Total equity $
2017				
At 1 January 2017	23,897,299	(836,625)	14,867,799	37,928,473
Profit after tax, being the total comprehensive income for the financial year	–	–	7,208,936	7,208,936
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 21)	–	–	(8,010,940)	(8,010,940)
At 31 December 2017	23,897,299	(836,625)	14,065,795	37,126,469
2016				
At 1 January 2016	23,897,299	(836,625)	15,116,987	38,177,661
Profit after tax, being the total comprehensive income for the financial year	–	–	8,420,658	8,420,658
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 21)	–	–	(8,669,846)	(8,669,846)
At 31 December 2016	23,897,299	(836,625)	14,867,799	37,928,473

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

Consolidated Cash Flow Statement
For the year ended 31 December 2017

	2017 $	2016 $
Cash flows from operating activities		
Profit before taxation	7,891,930	9,249,276
Adjustments for:		
Depreciation of property, plant and equipment	2,058,545	2,153,006
Interest income	(2,804)	(25,219)
Interest expense	34,470	97,000
Reversal of allowance for impairment loss of investment in an associate	100,000	–
Fair value (gain)/loss on forward contracts	(957,880)	576,774
Share of results of an associated company	(82,900)	(107,000)
Reversal of provision for obsolescence	(220,067)	(309,103)
Unrealised exchange loss/(gain)	1,277,549	(101,961)
Operating cash flows before changes in working capital	10,098,843	11,532,773
Increase in receivables and prepayments	(3,066,148)	(1,118,953)
(Increase)/decrease in inventories	(4,216,466)	3,893,482
(Decrease)/increase in creditors	(236,314)	942,284
Cash flows from operations	2,579,915	15,249,586
Interest received	2,804	25,219
Income tax paid	(1,532,485)	(2,355,641)
Interest paid	(34,408)	(118,679)
Net cash flows from operating activities	**1,015,826**	**12,800,485**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,358,115)	(584,385)
Dividend received from an associated company	145,000	145,000
Net cash flows used in investing activities	(1,213,115)	(439,385)
Cash flows from financing activities		
Dividends paid	(8,010,940)	(8,669,846)
Repayments of loans and borrowings	(500,000)	(5,000,000)
Net cash flows used in financing activities	(8,510,940)	(13,669,846)
Net decrease in cash and cash equivalents	(8,708,229)	(1,308,746)
Effect of exchange rate changes on cash and cash equivalents	53,808	(6,522)
Cash and cash equivalents at beginning of the year	11,698,440	13,013,708
Cash and cash equivalents at end of the year (Note 16)	3,044,019	11,698,440

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

1. Corporate information

CEI Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 2 Ang Mo Kio Avenue 12, Singapore 569707.

The principal activities of the Company are those of contract manufacturing and design and manufacture of proprietary equipment. Contract manufacturing services include (a) assemblies of printed circuit board, box-build, prototype and equipment, and (b) value add engineering works such as circuit layout and functional design. The Company also designs and manufactures its own brand of proprietary equipment for the semiconductor industry. The principal activities of the subsidiary and associated companies are set out in Note 10 and 11 to the financial statements.

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

The financial statements are presented in Singapore Dollars ("SGD" or "$") to the nearest dollar, unless otherwise indicated.

Convergence with International Financial Reporting Standards

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

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognized on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify debit amount of $323,611 foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

2.2 *Changes in accounting policies*

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

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

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

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

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (December 2017)	
-Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2018

The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

(a) For completed contracts, the Group plans not to restate completed contracts that beginning and end within the same year or are completed contracts at 1 January 2017, and

(b) For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018. The FRS 115 states that an entity transfers control of a good or service over time (and, therefore, satisfies a performance obligation and recognizes revenue over time) if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
(b) the entity's performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created or enhanced; or
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the Group is unable to demonstrate that control transfer over time, the presumption is that control transfers at a point in time.

Based on the preliminary impact assessment of adopting FRS 115, the Group assessed that the revenue arose from contract manufacturing business is recognized at a point in time when the customer has control over the goods and the Group has an enforceable right to payment for the goods delivered. The Group does not expect any significant impact to arise when the Group adopts the FRS 115.

FRS 109 *Financial Instruments*

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

The Group plans to adopt the new standard on the required effective date without restating prior periods' information. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

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

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

Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12 month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model the Group does not expect any significant impact to arise from these changes.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

In addition to the above FRS 115, FRS 109 and FRS 116, the directors also expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation and business combination

(a) ***Basis of consolidation***

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

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

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

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

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

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

(b) ***Business combinations and goodwill***

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

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

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

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.7. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 *Functional and foreign currency*

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

(a) *Foreign currency transactions*

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

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

(b) *Consolidated financial statements*

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Leasehold land	-	Over the remaining lease period
Leasehold buildings	-	Shorter of lease period or 25 years
Plant and machinery	-	3 - 5 years
Motor vehicles	-	5 - 6 years
Office furniture, fittings and equipment	-	5 years
Computer equipment	-	2 years
Renovation	-	5 years

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

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

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

2.7 *Goodwill*

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

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

The cash-generating unit to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

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

2.8 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 *Subsidiary companies*

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

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

2.10 *Associated companies*

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

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

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

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

2.10 *Associated companies (cont'd)*

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associated company is accounted for at cost less any impairment losses.

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

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

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

2.11 *Financial instruments (cont'd)*

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

De-recognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

(ii) ***Financial liabilities at amortised cost***

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Offsetting of financial instruments*

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

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

2.12 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

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

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

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

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

Inventories are stated at the lower of costs (determined principally on standard costs which approximate the actual costs) and net realisable value.

Cost of finished goods and work-in-progress include cost of direct materials, labour and an appropriate portion of fixed and variable factory overheads.

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

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

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

2.15 *Provisions*

General

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

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

2.16 *Borrowing costs*

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

2.17 *Employee benefits*

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement plans***

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave is expected to be settled wholly before twelve months after the reporting period is recognised for services rendered by employees up to the end of the reporting period. The net total of service costs, net interest or the liability and remeasurement of the liability are recognised in profit or loss.

2.18 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

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

2.19 *Revenue*

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

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

2.19 *Revenue (cont'd)*

(a) *Sales of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

2.20 *Taxes*

(a) *Current income tax*

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

2.20 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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

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

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

(c) *Sales tax*

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

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

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

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

2.21 *Share capital and share issuance expenses*

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

2.22 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Treasury shares do not carry voting rights and no dividends are allocated to them respectively.

2.23 *Contingencies*

A contingent liability is:

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

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

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

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

2.23 *Contingencies (cont'd)*

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

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

3. Significant accounting estimates and judgements

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

3.1 *Key sources of estimation uncertainty*

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

(a) *Impairment of goodwill*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill as well as a sensitivity analysis are set out in Note 9. The carrying amount of goodwill as at 31 December 2017 is $1,063,464 (2016: $1,063,464).

(b) *Inventory obsolescence and decline in net realisable value*

An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amounts are disclosed in Note 12 to the financial statements.

3.2 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

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

3.2 *Judgements made in applying accounting policies (cont'd)*

(a) *Impairment of investments in subsidiaries*

The carrying values of investments in subsidiaries that are effectively quasi-equity loans are reviewed for impairment in accordance with FRS 36 *Impairment of Assets*. CEI International Investments (Vietnam) Limited recorded losses of $579,489 in current financial year (2016: Loss of $553,058). After taking into account the fair value of the property of CEI International Investments (Vietnam) Limited as assessed in Note 8 (a), the recoverable value of its investment in subsidiaries is higher than its carrying value.

No impairment loss were recognised in 2017 and 2016 to write down the carrying value of investment in CEI International Investments Pte Ltd and advances to CEI International Investments (Vietnam) Limited. The carrying value of the investments in subsidiaries is approximately $2,107,000 (2016: $920,000).

(b) *Determination of functional currency*

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

Management assessed that Singapore Dollar is the Company's functional currency as it is the currency used to determine the selling price of products quoted to its customers in US Dollar. In addition, part of the material costs, major part of the salaries and expenses, and all of the financing activities were also in Singapore Dollar. While there may be some mixed indicators, it is the opinion of the management that Singapore Dollar is the dominant currency and therefore the functional currency of the Company.

4. Revenue

Revenue represents the net invoiced value of goods sold.

5. Profit before taxation

This is stated after charging/(crediting) the following:

	Group	
	2017	**2016**
	$	**$**
Audit fees paid to:		
- Auditor of the Company	134,000	134,000
- Other auditors	22,982	23,103
Non audit fees paid to		
- Auditor of the Company	18,800	20,800
Depreciation of property, plant and equipment	2,058,545	2,153,006
Reversal of provision for excess inventories	(220,067)	(309,103)
Interest income on fixed deposits	(2,804)	(25,219)
Foreign exchange loss/(gain)	1,650,637	(96,375)
Operating lease expenses	489,795	281,542
Staff costs:		
- Central Provident Fund contributions	2,078,009	2,026,944
- Salaries, wages, bonuses and other costs	16,643,029	14,642,372
Fair value (gain)/loss on derivatives	(957,880)	576,774
Finance costs on bank borrowings	34,470	97,000

6. Taxation

(a) *Major components of income tax expense*

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

	Group	
	2017	**2016**
	$	**$**
Consolidated income statement		
Current income tax:		
Current income tax	(1,529,219)	(1,677,938)
Tax credits recognised	98,157	452,199
Over-provision in respect of previous years	–	665,000
	(1,431,062)	(560,739)
Deferred income tax:		
Origination and reversal of temporary differences	66,106	117,764
Income tax expense recognised in profit or loss	(1,364,956)	(442,975)

(b) *Relationship between tax expense and accounting profit*

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

	Group	
	2017	**2016**
	$	**$**
Profit before taxation	7,891,930	9,249,276
Income tax at statutory tax rate of 17% (2016: 17%)	(1,341,628)	(1,572,377)
Adjustments:		
Non-deductible expenses	(215,928)	(96,926)
Income not subject to taxation	24,650	24,650
Effect of partial tax exemption and tax relief	69,793	84,479
Tax credits	98,157	452,199
Over-provision in respect of previous years	–	665,000
	(1,364,956)	(442,975)

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

The Group has tax losses of approximately $1,672,000 (2016: $1,650,000) attributable to the subsidiary company in Vietnam, which are available for offset against future profits of the subsidiary company arising within 5 years from the year the losses were incurred. No deferred tax asset is recognised due to uncertainty of recovery. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Vietnam.

6. Taxation (cont'd)

(c) *Deferred income tax*

Deferred income tax as at 31 December 2017 and 2016 relates to the following:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Deferred tax assets/(liability)				
Provision for excess inventories	92,235	129,646	92,235	129,646
Other provisions	487,817	301,646	259,331	184,158
Differences in depreciations for tax purposes	292,470	332,482	(121,594)	(60,715)
Others	(33,276)	9,366	(20,726)	(39,149)
Net deferred tax assets	839,246	773,140	209,246	213,940

(d) *Tax consequences of proposed dividends*

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 21).

7. Earnings per share

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

Diluted earnings per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential options into ordinary shares. There has been no share options outstanding in 2017 and 2016.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2017	**2016**
	$	**$**
Profit for the year attributable to ordinary shareholders for basic and diluted earnings per share	6,526,974	8,806,301

	2017 No. of Shares	**2016 No. of Shares**
Weighted average number of ordinary shares for basic earnings per share computation*	86,698,463	86,698,463
Weighted average number of ordinary shares adjusted for the effects of dilution*	86,698,463	86,698,463

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions. There has been no treasury shares transaction in 2017 and 2016.

8. Property, plant and equipment

Group	Leasehold land and buildings $	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost							
As at 1 January 2016	10,007,961	17,487,190	1,070,640	1,021,777	2,148,157	1,105,748	32,841,473
Additions	–	101,588	130,753	209,814	96,460	45,770	584,385
Disposal/write-off	–	(820,795)	(400,000)	(88,860)	(195,376)	–	(1,505,031)
As at 31 December 2016 and 1 January 2017	10,007,961	16,767,983	801,393	1,142,731	2,049,241	1,151,518	31,920,827
Additions	–	897,020	82,215	132,228	180,171	66,481	1,358,115
Disposal/write-off	–	(706,949)	(69,000)	(37,557)	(80,404)	(10,100)	(904,010)
Exchange differences	(38,377)	(94,552)	(3,236)	–	(4,526)	–	(140,691)
As at 31 December 2017	9,969,584	16,863,502	811,372	1,237,402	2,144,482	1,207,899	32,234,241
Accumulated depreciation							
As at 1 January 2016	6,512,921	14,730,617	735,166	798,563	1,924,120	980,703	25,682,090
Depreciation charge for the financial year	656,803	1,043,639	126,596	101,808	168,823	55,337	2,153,006
Disposal/write-off	–	(808,683)	(400,000)	(88,744)	(195,362)	–	(1,492,789)
Exchange differences	(2,304)	(9,438)	(23)	–	(476)	–	(12,241)
As at 31 December 2016 and 1 January 2017	7,167,420	14,956,135	461,739	811,627	1,897,105	1,036,040	26,330,066
Depreciation charge for the financial year	656,442	952,236	94,246	145,903	145,028	64,690	2,058,545
Disposal/write-off	–	(705,950)	(68,996)	(36,234)	(78,432)	(7,817)	(897,429)
Exchange differences	(12,767)	(43,831)	(470)	–	(2,690)	–	(59,758)
As at 31 December 2017	7,811,095	15,158,590	486,519	921,296	1,961,011	1,092,913	27,431,424
Net carrying amount							
As at 31 December 2016	2,840,541	1,811,848	339,654	331,104	152,136	115,478	5,590,761
As at 31 December 2017	2,158,489	1,704,912	324,853	316,106	183,471	114,986	4,802,817

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

Company	Leasehold land and buildings $	Plant and machinery $	Motor vehicles $	Office furniture, fitting and equipment $	Computer equipment $	Renovation $	Total $
Cost							
As at 1 January 2016	1,884,705	3,647,463	927,308	872,643	1,780,640	1,105,748	10,218,507
Additions	–	550	–	209,814	69,950	45,770	326,084
Disposal/write-off	–	(16,700)	(400,000)	(86,235)	(174,141)	–	(677,076)
As at 31 December 2016 and 1 January 2017	1,884,705	3,631,313	527,308	996,222	1,676,449	1,151,518	9,867,515
Additions	–	754,380	38,500	109,670	121,998	66,481	1,091,029
Disposal/write-off	–	(67,850)	(5,000)	(31,210)	(75,144)	(10,100)	(189,304)
As at 31 December 2017	1,884,705	4,317,843	560,808	1,074,682	1,723,303	1,207,899	10,769,240
Accumulated depreciation							
As at 1 January 2016	796,905	2,989,160	591,834	656,732	1,615,610	980,703	7,630,944
Depreciation charge for the financial year	151,789	334,974	119,478	98,235	129,166	55,337	888,979
Disposal/write-off	–	(16,392)	(400,000)	(86,232)	(174,128)	–	(676,752)
As at 31 December 2016 and 1 January 2017	948,694	3,307,742	311,312	668,735	1,570,648	1,036,040	7,843,171
Depreciation charge for the financial year	151,788	289,451	64,388	143,353	107,819	64,690	821,489
Disposal/write-off	–	(67,848)	(4,996)	(30,087)	(73,172)	(7,817)	(183,920)
As at 31 December 2017	1,100,482	3,529,345	370,704	782,001	1,605,295	1,092,913	8,480,740
Net carrying amount							
As at 31 December 2016	936,011	323,571	215,996	327,487	105,801	115,478	2,024,344
As at 31 December 2017	784,223	788,498	190,104	292,681	118,008	114,986	2,288,500

(a) *Property, plant and equipment held by CEI International Investments (Vietnam) Limited*

CEI International Investments (Vietnam) Limited recorded losses of $579,489 in current financial year (2016: Loss of $553,058). The carrying values of property, plant and equipment are reviewed for impairment in accordance with FRS 36 Impairment of Assets.

Based on valuation by independent valuer, Savills Vietnam Co. Ltd, the fair value of the property held by CEI International Investments (Vietnam) Limited is determined to be approximately $2,479,500 (2016: $2,025,800) by reference to open market values on an existing use basis. The date of valuation is 6 December 2017 (2016: 7 December 2016). The carrying value of the property, plant and equipment is $922,641 (2016: $1,177,783).

No impairment loss is required as the estimated fair value is in excess of its carrying value.

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

(b) *Details of leasehold land and buildings held through subsidiary companies are as follows:*

Location	Description	Tenure	Land Area (sqm)
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	21 April 1998 to 18 December 2019 (option to extend till 18 December 2039)	5,788
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	12 November 2008 to 18 December 2019 (option to extend till 18 December 2039)	5,793
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Detached single-storey factory with mezzanine floor	6 March 2002 to 11 February 2046	5,000
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Land parcel	7 December 2004 to 11 February 2046	4,500
Ang Mo Kio Industrial Park II, Singapore (this is held by the parent company)	Detached three-storey factory building	1 March 2004 to 28 February 2023 (option to extend till 28 February 2053)	2,617

9. Goodwill

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Goodwill, at cost	3,918,464	3,918,464	3,918,310	3,918,310
Less: Allowance for impairment	(2,855,000)	(2,855,000)	(2,855,000)	(2,855,000)
	1,063,464	1,063,464	1,063,310	1,063,310

Impairment testing of goodwill

The goodwill arose from the business combination in year 2008 and was allocated to the Company's group of cash-generating units. There is no change in the nature and operation of the business.

The recoverable value of the group of cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period.

Key assumptions used in the value in use calculations

The calculations of value in use for the cash generating units are most sensitive to the following assumptions:

Growth rates - The management has adopted forecasted sales growth rate of 3% per annum from 2018 to 2022 (2016: -1% per annum for 2017 and 3% per annum from 2018 to 2021) and 2% (2016: 2%) growth rate for the terminal value computation from the 5th year to perpetuity. The forecasts estimated growth rate does not exceed the average long-term growth rate for the relevant market. The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the cash generating units.

9. Goodwill (cont'd)

Key assumptions used in the value in use calculations (cont'd)

Budgeted gross profit margins - Gross profit margins are based on expected material costs and manufacturing labour and overhead.

The pre-tax discount rate applied to the cash flow projections is 9.5% (2016: 9.5%) per annum. Discount rate represents the current market assessment of the risks specific to the cash-generating units, regarding the time value of money and the risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

There are no reasonably possible changes in the above key assumptions used to determine the cash generating unit's recoverable amount that would cause the cash generating unit's carrying amount to materially exceed its recoverable amount.

Impairment loss recognised

No impairment loss in 2017 and 2016 has been recognised in the profit or loss to write-down the carrying amount of the goodwill.

10. Investments in subsidiaries

	Company	
	2017	**2016**
	$	**$**
Unquoted shares, at cost	5,493,376	5,493,376
Less: Allowance for impairment	(1,574,939)	(1,574,939)
	3,918,437	3,918,437
Advances to a subsidiary company	5,121,394	3,933,061
Less: Allowance for impairment	(3,933,061)	(3,933,061)
	1,188,333	–
	5,106,770	3,918,437

The advances were mainly made to CEI International Investments (Vietnam) Limited. The advances are non-trade related, unsecured, interest-free and repayable only when the cash flows of the subsidiary company permits. The advances are effectively quasi-equity loans to the subsidiary company.

No impairment loss were recognised in 2017 and 2016 in the profit and loss to write down the carrying value of investment in CEI International Investments Pte Ltd and CEI International Investments (Vietnam) Limited.

10. Investments in subsidiaries (cont'd)

Details of the subsidiary companies as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost 2017 $	Company Cost 2016 $	Percentage of equity held 2017 %	Percentage of equity held 2016 %
Subsidiary companies Held by the Company					
CEI International Investments Pte Ltd [(1)] (Singapore)	Investment holding (Singapore)	2,494,341	2,494,341	100	100
PT Surya Teknologi Batam[(2)] (Indonesia)	Printed circuit board assembly and contract manufacturing (Indonesia)	2,999,035	2,999,035	100	100
		5,493,376	5,493,376		
Subsidiary companies Held through CEI International Investments Pte Ltd					
CEI International Investments (VN) Ltd [(3)] (Vietnam)	Printed circuit board assembly and contract manufacturing (Vietnam)			100	100
Clean Energy Innovation Pte Ltd [(4)]	Invest in technology, and to manufacture and distribute related products of the investment (Singapore)			100	100

[(1)] Audited by Ernst & Young LLP, Singapore.
[(2)] Audited by JAS & Rekan, Drs Sukimto Sjamsuli. Ernst & Young LLP, Singapore audited certain balances for the audit of consolidated financial statements.
[(3)] Audited by Ernst & Young Vietnam Limited.
[(4)] This subsidiary is dormant from the date of incorporation.

11. Investments in an associated company

	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Unquoted shares, at cost	608,000	608,000	608,000	608,000
Share of post-acquisition reserves	757,240	819,340	–	–
Impairment losses	–	(100,000)	–	(100,000)
Others	(26,100)	(26,100)	(26,100)	(26,100)
	1,339,140	1,301,240	581,900	481,900

There was no allowance for impairment as at 31 December 2017 (2016: $100,000). The reversal of allowance for impairment loss of investment in an associate was credited to statement of comprehensive income during the current financial year.

Dividend of $145,000 (2016: $145,000) was received from an associate during the current financial year.

11. Investments in associated company (cont'd)

(a) Details of the associated company as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost 2017 $	Company Cost 2016 $	Percentage of equity held 2017 %	Percentage of equity held 2016 %
Associated company Held by the Company					
Santec Corporation Pte Ltd [(1)] (Singapore)	Precision engineering, stamping and tool and die making (People's Republic of China)	608,000	608,000	25.7	25.7

[(1)] Audited by Diong T.P. & Co.

(b) The summarised financial information of Santec Corporation Pte Ltd based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

	2017 $'000	2016 $'000
Summarised balance sheet		
Current assets	6,203	6,552
Non-current assets	763	775
Total assets	6,966	7,327
Current and total liabilities	(1,384)	(1,247)
Net assets	5,582	6,080
Proportion of the Group's ownership	25.7%	25.7%
Group's share of net assets	1,434	1,562
Impairment losses	–	(100)
Other adjustments*	(95)	(161)
Carrying amount of the investment	1,339	1,301
Summarised statement of comprehensive income		
Revenue	8,077	7,704
Profit after tax	140	540

*Other adjustments significantly relate to foreign currency translation reserve.

12. Inventories

	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Balance sheets:				
Raw materials	19,651,282	15,194,304	19,504,093	15,067,876
Work-in-progress	2,499,182	2,350,819	2,499,182	2,350,819
Finished products	2,911,838	3,080,646	2,911,838	3,080,646
Total inventories at lower of cost and net realisable value	25,062,302	20,625,769	24,915,113	20,499,341

12. Inventories (cont'd)

	Group and Company	
	2017	2016
	$	$
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	105,182,118	99,889,268
Reversal of provision for obsolescence	(220,067)	(309,103)

The reversal of provision for inventory obsolescence was made when the related inventories were subsequently utilized in the production or sold above their carrying value.

13. Trade receivables

Trade receivables are non-interest bearing and majority on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. These receivables are not secured.

Approximately 97% (2016: 99%) of the trade receivables are denominated in United States Dollar.

Receivables that are past due but not impaired:

The Group has trade receivables amounting to $6,689,670 (2016: $4,577,138) that are past due at the respective balance sheet date but not impaired. There are no significant collection risks as the customers are of good credit standings and have no history of payment default. These receivables are unsecured and the analysis of their aging at the respective balance sheet dates are as follows:

	2017	2016
	$	$
Trade receivables past due:		
1 – 30 days overdue	5,768,945	3,730,514
31 – 60 days overdue	624,112	724,209
61 – 90 days overdue	104,875	–
More than 90 days overdue	191,738	122,415
	6,689,670	4,577,138

There is no trade receivables that are individually impaired as at 31 December 2017 and 2016.

14. Other receivables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Deposits	243,154	189,103	132,682	76,826
Fair value of forward contracts (Note 24(d))	140,880	–	140,880	–
Net sales tax receivables	49,499	–	49,499	–
	433,533	189,103	323,061	76,826

15. Amounts due from/to subsidiary companies

(a) *Amounts due from a subsidiary company*

The amounts due from a subsidiary company are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) *Amounts due to subsidiary companies*

The trade balances due to subsidiary companies are unsecured, interest-free and repayable on demand.

16. Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and on hand.

Cash at banks earn certain minimum interest at banks' deposit rates.

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollars	1,682,390	1,231,631	1,293,422	984,364
Euro	42,037	57,094	42,037	57,094

17. Trade payables and accruals

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Trade payables	15,887,739	15,332,744	15,540,730	15,079,081
Accruals for operating expenses	4,929,714	5,328,731	3,783,583	4,321,123
	20,817,453	20,661,475	19,324,313	19,400,204

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

Included in trade payables are the following amounts denominated in foreign currencies:

	Group and Company	
	2017	2016
	$	$
United States Dollars	7,821,153	8,342,047
Euro	18,608	56,981
Sterling Pound	207,243	84,826

18. Bank borrowings

The bank loans are unsecured and bear interest at about 1.44% to 1.75% (2016: 1.22% to 3.20%) per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

A reconciliation of liability arising from financing activity is as follows:

	Group and Company			
	2016	Cash flow	Increase in accrued interest	2017
	$	$	$	$
Bank borrowings	2,501,183	(500,000)	64	2,001,247

19. Other liabilities

	Group and Company 2017 $	2016 $
Deposits by customers	844,830	1,039,595
Fair value of forward contracts (Note 24(d))	–	817,000
	844,830	1,856,595

The deposits by customers are all denominated in United States Dollar.

20. Share capital and treasury shares

	Group and Company 2017 $	2016 $
(a) *Share capital*		
Issued and fully paid:		
Balance at beginning and end of financial year		
86,698,463 (2016: 86,698,463) ordinary shares	23,897,299	23,897,299
(b) *Treasury shares*		
Balance at beginning and end of year		
1,235,750 (2016: 1,235,750) ordinary shares	836,625	836,625

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

Treasury shares relate to ordinary shares of the Company that is held by the Company. There were no shares acquired by the Company during the 2017 and 2016 financial years.

21. Dividends

	Company 2017 $	2016 $
(a) *Dividends declared and paid during financial year*		
Interim dividends:		
- Exempt (one-tier) for 2017: 1.040 cents (2016: 1.040 cents) per share	901,664	901,664
Special dividends:		
- Exempt (one-tier) for 2017: 3.000 cents (2016: 3.760 cents) per share	2,600,956	3,259,862
Final dividends:		
- Exempt (one-tier) for 2016: 0.400 cents (2015: 0.400 cents) per share	346,794	346,794
Special dividends:		
- Exempt (one-tier) for 2016: 4.800 cents 2015: 4.800 cents) per share	4,161,526	4,161,526
	8,010,940	8,669,846

21. Dividends (cont'd)

(b) *Proposed but not recognised as a liability as at 31 December*

Dividends on ordinary shares, subject to shareholders' approval at AGM:		
- Final exempt (one-tier) dividend for 2017: 0.400 cents (2016: 0.400 cents) per share	346,794	346,794
- Special exempt (one-tier) dividend for 2017: 3.000 cents (2016: 4.800 cents) per share	2,600,954	4,161,526
	2,947,748	4,508,320

22. Commitments

Operating lease commitment – as lessee

The Group has entered into lease agreement for land which will expire in February 2023. The annual rent is subject to revision in March every year to market rate but will not exceed 5.5% of the rent for each immediately preceding year.

The Group also entered into a three year lease agreement for a production premises which will expire in March 2020, with an option to extend the lease for another three years.

The Group's and Company's operating lease expense was $489,795 and $281,542 for the financial years ended 31 December 2017 and 2016 respectively.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group and Company	
	2017	**2016**
	$	**$**
Not later than one year	549,172	385,570
Later than one year but not later than five years	1,102,817	785,046
Later than five years	26,033	182,060
	1,678,022	1,352,676

23. Related party transactions

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

In addition to the related party information disclosed elsewhere in the financial statements, there are no other significant transactions between the Group and related parties who are not members of the Group during the financial year.

(b) *Compensation of directors and other key management personnel*

	Group	
	2017	**2016**
	$	**$**
Salaries, wages, bonuses and other costs	3,001,460	3,095,222
Central Provident Fund	113,503	128,614
Total	3,114,963	3,223,836
Comprise amounts paid to:		
Directors of the Company	1,227,125	1,365,416
Other key management personnel	1,887,838	1,858,420
Total	3,114,963	3,223,836

23. Related party transactions (cont'd)

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

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

The table below shows the ranges of gross remuneration of the directors of the Company:

	2017	2016
Number of directors of the Group in remuneration bands:		
$500,000 to $749,999	1	2
$250,000 to $499,999	1	–
Below $250,000	4	4
Total	6	6

The table below shows the ranges of gross remuneration of the top 5 executives (excluding directors) of the Company:

	2017	2016
Number of executives of the Group in remuneration bands:		
$250,000 to $499,999	4	3
Below $250,000	1	2
Total	5	5

24. Financial risk management objectives and policies

The Group and Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the financial years under review, that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

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

There has been no change to the Group's exposure to these financial risks on the manner in which it manages and measures the risks for 2017.

(a) *Liquidity risk*

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

The Group's and the Company's liquidity risk management policy is to match the maturities of financial assets and liabilities and to maintain sufficient liquid financial assets and stand-by credit facilities.

All the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments and have a maturity profile of less than a year.

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

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

	Group	
	2017	**2016**
	$	**$**
Financial assets:		
Trade receivables	27,958,127	25,971,955
Deposits under other receivables	243,154	189,103
Cash and cash equivalents	3,044,019	11,698,440
Total undiscounted financial assets	31,245,300	37,859,498
Financial liabilities:		
Trade payables and accruals	20,817,453	20,661,475
Other liabilities	844,830	1,039,595
Bank borrowings	2,007,479	2,509,071
Total undiscounted financial liabilities	23,669,762	24,210,141
Total net undiscounted financial assets	7,575,538	13,649,357

	Company	
	2017	**2016**
	$	**$**
Financial assets:		
Trade receivables	27,804,188	25,891,086
Deposits under other receivables	132,682	76,826
Amounts due from a subsidiary company	336,750	1,472,525
Cash and cash equivalents	2,419,165	10,962,134
Total undiscounted financial assets	30,692,785	38,402,571
Financial liabilities:		
Trade payables and accruals	19,324,313	19,400,204
Other liabilities	844,830	1,039,595
Amounts due to subsidiary companies	3,635,669	2,905,600
Bank borrowings	2,007,479	2,509,071
Total undiscounted financial liabilities	25,812,291	25,854,470
Total net undiscounted financial assets	4,880,494	12,548,101

(b) *Interest rate risk*

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

The Group's policy is to manage interest cost by using fixed rate debt arrangements. Information regarding the interest rates of the Group's bank borrowings are in Note 18.

Sensitivity analysis for interest rate risk

At 31 December 2017, if interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's net profit would be approximately $15,000 (2016: $19,000) higher/lower, arising from lower/higher interest expense on bank borrowings.

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

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2017		**2016**	
	$'000	**%**	**$'000**	**%**
By Country:				
United States	5,774	21	5,499	21
Europe	8,916	32	9,882	38
Asia Pacific	13,268	47	10,591	41
	27,958	100	25,972	100

As at 31 December 2017, 35% (2016: 35%) of the Group's trade receivables are due from 2 (2016: 2) major customers who has operations in the United States, Europe and Asia Pacific. There is no significant credit risk as these companies are of good credit standing and have no history of payment defaults.

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

(d) *Foreign currency exchange risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in United States Dollar.

Approximately 95% (2016: 98%) of the Group's sales for the financial year ended 31 December 2017 is denominated in United States Dollars whilst approximately 87% (2016: 91%) of purchases for the financial year ended 31 December 2016 is denominated in foreign currencies. The Group's foreign currency denominated trade receivables, trade payables and accruals, bank borrowings and other liabilities at the respective balance sheet dates are disclosed in Notes 13, 17, 18 and 19 respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. These balances at the respective balance sheet dates are disclosed in Note 16.

Based on confirmed customers' orders and revenue forecast, the Group's main operating entity uses forward currency contracts to hedge the net currency exposures. The forward currency contracts must be in the same currency as the hedged item. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2017, the Group had hedged 6.3% (2016: 12.9%) of its foreign currency denominated sales, for which firm commitments existed at the balance sheet date. The table below summarises the open forward foreign currency contracts as at the respective balance sheet dates.

	2017		2016	
	Contractual notional amount $'000	Estimated fair value (Note 17) $'000	Contractual notional amount $'000	Estimated fair value (Note 17) $'000
Foreign exchange forward contracts to deliver United States dollars and receive Singapore dollars	8,153	141	16,548	(817)

The maturity date of the foreign exchange forward contracts ranged from 1 to 6 months.

The Group does not apply hedge accounting for such foreign currency denominated sales and purchases.

Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD"), with all other variables held constant, of the Group's net profit and equity.

	2017 $'000	2016 $'000
USD		
- strengthened by 5%	1,005	870
- weakened by 5%	(1,005)	(870)

25. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group has complied with externally imposed capital requirements and loan covenants to which it was subjected to.

The Group monitors capital using the net tangible asset value and current ratio of the Group. The Group's policy is to keep the net tangible asset value at not less than $15 million, and to maintain a current ratio of more than 1.0. The net tangible assets values and current ratios of the Group as at 31 December are as follows:

	Group	
	2017	**2016**
Net tangible assets	37,670,783	39,100,941
Current ratio	2.17	2.13

26. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

(a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2017			
	Quoted price in active markets (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial asset:				
Derivatives (Note 17)				
- Forward currency contracts	–	141	–	141

	Group 2016			
	Quoted price in active markets (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial liability:				
Derivatives (Note 17)				
- Forward currency contracts	–	(817)	–	(817)

26. Fair value of financial instruments (cont'd)

(a) *Fair value of financial instruments that are carried at fair value (cont'd)*

Fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) and

- Level 3 - Unobservable inputs for the asset or liability.

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

Determination of fair value

Fair value is determined directly by reference to their published market bid price at balance sheet date.

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

Cash and cash equivalents, amount due to a subsidiary company (current), trade and other receivables and other payables and bank borrowings (current)

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

(c) *Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

Amounts due from subsidiary companies

The amounts due from subsidiary companies have no repayment terms as disclosed in Note 15. Accordingly, the fair values of the amounts are not determinable as the timing of the future cash flows cannot be estimated reliably.

27. Segment information

For management purposes, the Group is monitored by geographical segments. Management reviews regularly the segment results in order to assess the segment performance and is a distinguishable component of the Group that is engaged in providing goods or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

The Group's geographical segments are based on the origin of customers' purchase orders. The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2017 and 2016 and certain asset and liability information regarding geographical segments at 31 December 2017 and 2016.

	Asia-Pacific		USA		Europe		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment turnover								
Sales	62,468	58,478	25,075	23,415	49,243	48,388	136,786	130,281
Cost of sales	(46,929)	(43,957)	(18,478)	(17,068)	(39,775)	(38,864)	(105,182)	(99,889)
Segment result	15,539	14,521	6,597	6,347	9,468	9,524	31,604	30,392
Interest income	–	–	–	–	–	–	3	25
Depreciation of property, plant and equipment	–	–	–	–	–	–	(2,059)	(2,153)
Interest expense	–	–	–	–	–	–	(34)	(97)
Fair value gain/(loss) on financial instruments	–	–	–	–	–	–	958	(577)
Unallocated expenses	–	–	–	–	–	–	(22,663)	(18,448)
Share of results of associated company	83	107	–	–	–	–	83	107
Profit before taxation							7,892	9,249
Taxation							(1,365)	(443)
Net profit for the year	`						6,527	8,806

Information about major customers

There are two major customers that each contributed more than 10% of the Group's Revenue:

(1) Revenue amounts to $21,223,683 (2016: $20,889,821) arising from sales in Asia Pacific, USA and Europe.
(2) Revenue amounts to $19,583,681 (2016: $23,115,561) arising from sales in Asia Pacific, USA and Europe.

	Asia-Pacific		USA		Europe		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other geographical information								
Trade receivables and inventories	25,374	16,662	10,508	13,699	17,138	16,237	53,020	46,598
Interests in associated company	1,339	1,301	–	–	–	–	1,339	1,301
Unallocated assets *	–	–	–	–	–	–	10,546	19,978
Total assets							64,905	67,877
Unallocated and total liabilities							26,171	27,713

* Capital expenditures of approximately $1,358,115 (2016: $584,385) and depreciation charge of approximately $2,058,545 (2016: $2,153,006) relate to that of the unallocated assets.

27. Segment information (cont'd)

The Group's assets are based mainly in Singapore, Indonesia, and Vietnam where the Group operates:

The following table presents the asset information regarding geographical segments at 31 December 2017 and 2016.

	Singapore		Indonesia		Vietnam		Consolidated	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Segment assets	58,008	60,079	2,644	3,569	1,851	1,865	62,503	65,513
Goodwill	1,063	1,063	–	–	–	–	1,063	1,063
Interests in associated company	1,339	1,301	–	–	–	–	1,339	1,301
Total assets	60,410	62,443	2,644	3,569	1,851	1,865	64,905	67,877
Capital expenditure	1,091	326	172	61	95	197	1,358	584

28. Categories of financial assets and liabilities

(a) *Loans and receivables*

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Trade receivables	27,958,127	25,971,955	27,804,188	25,891,086
Deposits under other receivables	243,154	189,103	132,682	76,826
Amount due from a subsidiary company (Note 15)	–	–	336,750	1,472,525
Cash and cash equivalents (Note 16)	3,044,019	11,698,440	2,419,165	10,962,134
	31,245,300	37,859,498	30,692,785	38,402,571

(b) *Financial liabilities measured at amortised cost*

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Trade payables and accruals (less accrued employees benefits) (Note 17)	19,622,023	19,520,675	18,552,336	18,644,794
Amounts due to subsidiary companies (Note 15)	–	–	3,635,669	2,905,600
Bank borrowings (Note 18)	2,001,247	2,501,183	2,001,247	2,501,183
Other liabilities (less fair value of forward contracts) (Note 19)	844,830	1,039,595	844,830	1,039,595
	22,468,100	23,061,453	25,034,082	25,091,172

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 February 2018.

Statistics of Shareholdings as at 20 March 2018

Number of issued and paid-up shares (excluding treasury shares)	:	86,698,463
Number of treasury shares held	:	1,235,750
Number of subsidiary holdings held	:	Nil
Issued and fully paid-up capital	:	S$23,897,299
Class of shares	:	Ordinary
Voting rights	:	One vote per share

The percentage of treasury shares held against the total issued shares (excluding treasury shares) is 1.43%.

Statistics of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	293	7.63	14,028	0.02
100 - 1,000	814	21.21	420,824	0.49
1,001 - 10,000	1,887	49.15	8,185,918	9.44
10,001 - 1,000,000	835	21.75	39,571,024	45.64
1,000,001 and above	10	0.26	38,506,669	44.41
Grand Total	3,839	100.00	86,698,463	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tien Sing Cheong	8,671,900	10.00
2.	Republic Technologies Pte Ltd	7,840,800	9.04
3.	TIHT Investment Holdings Pte Ltd	7,840,800	9.04
4.	DBS Nominees (Private) Limited	4,172,342	4.81
5.	Tan Ka Huat @ Kaharianto Tanmalano Or Tan Kylie	2,500,000	2.88
6	Goh Han Peng (Wu Hanping)	2,430,000	2.80
7	Tan Ka Huat @ Kaharianto Tanmalano	1,475,340	1.70
8	Ng Cheng Kung Or Neo Chwe Yong	1,442,190	1.66
9	United Overseas Bank Nominees (Private) Limited	1,106,142	1.28
10	UOB Kay Hian Private Limited	1,027,155	1.18
11	Kuan Bon Heng	915,750	1.06
12	Heng Teck Yow	800,850	0.92
13	Lim Sea Leang	730,304	0.84
14	Choo Kang Looi @ Chew Kang Looi	675,000	0.78
15	OCBC Securities Private Limited	634,400	0.73
16	Phillip Securities Pte Ltd	573,473	0.66
17	Koh Sew Lean	560,000	0.65
18	OCBC Nominees Singapore Private Limited	543,383	0.63
19	Chin Teck Keong	541,020	0.62
20	Tan Bien Chuan	469,700	0.54
	Total	44,950,549	51.85

Statistics of Shareholdings as at 20 March 2018 (cont'd)

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Indirect/ Deemed Interest	%
Tien Sing Cheong	8,671,900	10.00	-	-
Republic Technologies Pte Ltd	7,840,800	9.04	7,840,800[(1)]	9.04
Temasek Holdings (Private) Limited	-	-	15,681,600[(2)]	18.09
Temasek Capital (Private) Limited	-	-	15,681,600[(2)]	18.09
Seletar Investments Pte Ltd	-	-	15,681,600[(2)]	18.09
TIHT Investment Holdings Pte Ltd	7,840,800	9.04	-	-
Killian Court Pte. Ltd.	-	-	7,840,800[(1)]	9.04
TIH Limited	-	-	7,840,800[(1)]	9.04
ASM Ventures Limited	-	-	7,840,800[(1)]	9.04
ASM Asia Recovery (Master) Fund	-	-	7,840,800[(1)]	9.04
ASM Asia Recovery Fund	-	-	7,840,800[(1)]	9.04
ASM Hudson River Fund	-	-	7,840,800[(1)]	9.04
Argyle Street Management Limited	-	-	7,840,800[(1)]	9.04
Argyle Street Management Holdings Limited	-	-	7,840,800[(1)]	9.04
Kin Chan	-	-	7,840,800[(1)]	9.04
Li Yick Yee Angie	-	-	7,840,800[(1)]	9.04
V-Nee Yeh	-	-	7,840,800[(1)]	9.04

Notes:
(1) Republic Technologies Pte Ltd, Killian Court Pte. Ltd., TIH Limited, ASM Ventures Limited, ASM Asia Recovery (Master) Fund, ASM Asia Recovery Fund, ASM Hudson River Fund, Argyle Street Management Limited, Argyle Street Management Holdings Limited, Kin Chan, Li Yick Yee Angie and V-Nee Yeh are deemed to have an interest in 7,840,800 shares held by TIHT Investment Holdings Pte Ltd.
(2) Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd are deemed to have an interest in 7,840,800 shares held by Republic Technologies Pte Ltd and TIHT Investment Holdings Pte Ltd.

Based on the information available to the Company, approximately 65.90% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were in the hands of the public. Therefore, the Company has complied with Rule 723 of the SGX Listing Manual.

CEI LIMITED

(Company Registration No. 199905114H)
(Incorporated in Singapore with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

AS WE WILL BE USING MOBILE PHONES FOR POLLING, SHAREHOLDERS ATTENDING THE ANNUAL GENERAL MEETING ARE REQUESTED TO BRING THEIR SMART PHONES.

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of CEI LIMITED (the "Company") will be held at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Friday, 20 April 2018 at 10.15 a.m. for the following purposes:

AS ORDINARY BUSINESS

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

2. To declare a one-tier tax-exempt second and final dividend of 0.40 cents per share for the year ended 31 December 2017 (2016: 0.40 cents per share). (Resolution 2)

3. To declare a one-tier tax-exempt special dividend of 3.00 cents per share for the year ended 31 December 2017 (2016: 4.80 cents per share). (Resolution 3)

4. To re-elect the following Directors of the Company retiring pursuant to Regulation 108 of the Company's Constitution:

   Mr Tien Sing Cheong (Resolution 4)
   Mr Gan Chee Yen (Resolution 5)

   Mr Tien Sing Cheong will, upon re-election as a Director of the Company, remain as Chairman of the Board and a member of the Nominating Committee and will be considered non-independent.

   Mr Gan Chee Yen will, upon re-election as a Director of the Company, remain as a member of the Audit, Remuneration and Board Risk Committees and will be considered non-independent.

5. To approve the payment of Directors' fees of S$223,000 for the year ended 31 December 2017 (2016: S$223,000). (Resolution 6)

6. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (Resolution 7)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications:

ORDINARY RESOLUTION

8. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

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

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

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

AS SPECIAL BUSINESS (cont'd)

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

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

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

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

By Order of the Board

Teo Soon Hock
Secretary
Singapore, 5 April 2018

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to shareholders.

For 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) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 2 Ang Mo Kio Avenue 12 Singapore 569707 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

CEI LIMITED
Company Registration No. 199905114H
(Incorporated In The Republic of Singapore)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ NRIC No:/Passport No: ______________
of ____
being a *member/members of CEI 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 the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Friday, 20 April 2018 at 10.15 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Numbers of Votes For (1)	Numbers of Votes Against (1)
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2	Payment of proposed one-tier tax-exempt second and final dividend		
3	Payment of proposed one-tier tax-exempt special dividend		
4	Re-election of Mr Tien Sing Cheong as a Director		
5	Re-election of Mr Gan Chee Yen as a Director		
6	Approval of Directors' Fees amounting to S$223,000		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue shares		

(1) If you wish to exercise all your votes "For" or "Against", please tick within the box given. Alternatively, please indicate the number of votes as appropriate.

Dated this ______________ day of ______________ 2018

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

CEI LIMITED
Company Registration No. 199905114H
(Incorporated In The Republic of Singapore)

PROXY FORM (Cont'd Page 2)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares 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, Cap. 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, Cap. 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 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 registered office of the Company at 2 Ang Mo Kio Avenue 12 Singapore 569707 not less than seventy-two (72) 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, Cap. 50.

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 5 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 shall 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 seventy-two (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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Telephone / Facsimile	:	Tel: (65) 6481 1882 Fax: (65) 6578 9755
Address	:	2 Ang Mo Kio Avenue 12 Singapore 569707
Contact	:	Tan Ka Huat, Managing Director Email: tankh@cei.com.sg