

# **ADVANCING**

FOR A SUSTAINABLE GROWTH

ANNUAL REPORT 2016

## OUR MISSION

Advancing innovations in engineering science.

## OUR VISION

To be the most advanced organisation  
in engineering science.

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# ABOUT US

## CORPORATE VALUES

### ADHERENCE

To Advanced's Ethical Principles

### CARE

For Our Stakeholders, The Community, The Environment And Respect For The Rights, Differences And Dignity Of Others

### EXCELLENCE

Is A Virtue We Fully Commit To All Stakeholders

## VALUE PROPOSITION

Innovative Engineering Technologies & Solutions

### Organic Growth

- Pursue high value contracts in key industries & markets
- Extend geographical footprint
- Strengthen & integrate our Sales & Engineering teams

### Strategic Technologies & Products

- Build strategic alliances with global leaders in process technologies & equipment
- Broaden Clean Energy-related businesses, products & services
- Enhance environmental solutions in process technologies, products & services

### Strategic Investments

- Strategic technologies & equipment
- Clean Energy technologies, businesses, products & services
- Environmental solutions products & services

### Capabilities Investment

- Implement ongoing training and development programmes
- Recruit additional high calibre specialists

## CREATING VALUE BY

### FOCUSING

on geographical markets and market sectors which exhibit strong growth trends.

### DEVELOPING

solutions capabilities tailored to the requirements of customers worldwide.

### EXPANDING

in emerging economies where our total solutions give us competitive advantage.

### SUCCEEDING

through the consistent execution of our proven strategy for growth.



# OUR BUSINESS

Advanced's two key business divisions comprise Engineering Services & Equipment and Clean Technologies.

## Engineering Services & Equipment

- Design, consultancy and turnkey engineering services
- Design, fabrication and supply of process equipment, technologies, analytical and instrumentation systems for oil & gas and petrochemical industries
- Field services (installation, commissioning, maintenance & training)

The division is composed of 3 segments namely :

### 1. Advanced Analyser Technologies



Incorporated in United Kingdom, **Analytical Technology & Control Limited ("ATAC")** specialises in the design, manufacture and supply of a range of online analysers for the process and quality controls of refinery products, as well as a range of analysers for measuring calorific values of natural gas compositions in gas plants.



US-based **ATOM Instrument, LLC ("ATOM")** specialises in the engineering of laboratory and online elemental analysers for total sulfur-nitrogen applications in liquid, solids and gases. It also provides practical and innovative measurement solutions to the petroleum, petrochemicals and pipeline industries.



US-based **Guided Wave Inc ("GWI")** specialises in online optical measurements for process analytical chemistry. With over 20 years of experience and more than 600 installed systems worldwide, GWI designs complete UV / VIS / NIR instrument systems and sample conditioning systems that are used continuously, both online and real-time under the rigours of the manufacturing plant environment.



French process viscometry specialist, **Sofraser S.A.S ("Sofraser")**, is a world leader in the research, design and manufacture of process instruments for inline, on reactor, instant, and permanent viscosity measurement across the petrochemicals & chemicals, oil & gas, polymer, printing and paint industries. With a 40-year track record, it invented the first vibrating rod viscometer at resonance frequency, and provides OEM solutions for online, portable and lab viscometers which are implemented via a compact and easy-to-use system for applications ranging from quality control to goods delivery control.



## 2. Advanced System Solutions



Established in Singapore, with factories and offices in Singapore, China, United States and Middle East.

**Advanced CAE ("CAE")** is an expert designer and provider of process analyser systems, metering skids and related services to the oil and gas, petrochemical, pharmaceutical and semiconductor industries.



## 3. Advanced Plant Solutions



Based in Germany, **ZMK Technologies GmbH** develops and manufactures customised special valves e.g. main transfer and decoke line valves for ethylene plants, different types of valves for FCC units or isolation valves for coke production plants; it overhauls special valves, supplies the respective spare parts and inspects valves offering solutions to improve them.



## Clean Technologies

- Provide innovative solutions to improve the environment by reducing / eliminating Green House Gas (GHG) emissions, GHG by-products and other pollutants from the environment
- Clean Development Mechanism (CDM) project development and technologies to produce energy
- Industrial effluent treatment
- Provide proprietary, state-of-the-art technology for waste water treatment solutions



# OUR SYSTEMS & PRODUCTS

## 1) BALL VALVES

High quality standard and customised ball valves for speciality industrial use such as coal-gasification / liquefaction, LNG, PTA etc.

## 2) BOILING POINT ANALYSER

Continuous measurement of a single distillation point with short response time making it ideal for process control.

## 3) CATALYST METERING PACKAGE

Transfers catalyst, in paste form, in a precise quantity in a polypropylene plant.

## 4) CHEMICAL DOSING SYSTEM

Automatically injects a precise quantity of various chemicals for the treatment of products and protection of plant equipment.

## 5) CLEARVIEW® DB PHOTOMETER

A true dual-beam, process-proven filter photometer that can measure up to six parameters (chemical concentrations and physical parameters) at one or two independent monitoring points in liquid or gas process streams.

## 6) GAS ODORISATION SYSTEM

Odorises natural gas / town gas / LPG due to safety regulations. We supply de-odorisation systems as well.

## 7) LUMINOS TDL GAS ANALYSER

Utilizes a tuneable diode laser for precise measurements, even at very low concentrations. This online analyser measures H<sub>2</sub>O, H<sub>2</sub>S, CO<sub>2</sub>, CO and O<sub>2</sub> rapidly and only requires at-site maintenance and calibration.

## 8) MIVI SENSOR

Tuning-type viscometer (vibration at resonance frequency). Precise and robust, the Sofraser MIVI sensor provides continuous measurement combined with superior quality for production environment. The pioneer and proven solution for the market of process viscosity instrumentation.

## 9) NEAR INFRARED (NIR) ONLINE PROCESS ANALYSER

NIR-O is Guided Wave's next generation Near Infrared (NIR) online process analyser. Coupled with Guided Wave's optically-matched, industry-proven process insertion Probes, Flow Cells, and Fiber Optic Cables, NIR-O is designed for continuous use in liquid and gas phase applications within the chemical, petrochemical, hydrocarbon processing, polymer, and consumer product markets.



**10) PROCESS ANALYSER SYSTEM**

Consisting of analysers, sample conditioning system and shelter, it is used mainly in the process and quality controls in manufacturing.

**11) SAMPLING CONDITIONING SYSTEMS**

A Sample Conditioning System delivers a representative sample to Process Analysers for measurement. It is a prerequisite for analyser reliability. Sample Conditioning Systems are inclusive of sample extraction, sample transport line, pressure regulating / boosting, sample cooling / temperature maintaining, flow regulating, filtration, calibration facilities, sample disposal, etc.

**12) PROCESS CLOUD POINT ANALYSER**

A completely automatic online process stream analyser for measuring cloud point. Multiple sample types can be analysed by a single analyser and due to

the "smart amplification" of the maintenance free cell it can detect clouding in traditionally difficult samples such as coloured diesels and bio-diesels. Simple to operate with a GUI that allows parameters to be user configurable, shows real time and historical data and makes maintenance very easy. It also has the added capabilities of auto calibration / validation and remote access control.

**13) SPECIALITY VALVES**

Double Disc Through Conduit Type Gate Valves for main transfer and decoking lines of olefin production units, Single / Double Disc Control Valves for FCC units and Deheading / Unheading & Isolation Valves for coker units.

**14) THERMOSET-LT (LITE VERSION)**

Automated, simple and inexpensive analyser for online viscosity measurement at reference temperature.

**15) VISCOMETER<sup>+</sup>**

The Viscometer<sup>+</sup> is an online analyser for determining the viscosity of petroleum blended products and feed stocks. The results obtained correlate with the standard test methods utilised by all the worlds refineries, ASTM D445 / D2170.

**16) TOTAL SULFUR ANALYSER**

The analyser is an online process analyser utilizing patented Excimer UV Fluorescence (EUVF) technology to measure Total Sulfur in a variety of applications such as monitoring refinery flare gas, blending and refinery grade fuels.

9



11



13



15



10



12



14



16



# ASSOCIATED PARTNERS

## Analysers & Systems



Specialising in online analytical instrumentation, brands including Mass Spectrometer.



Specialises in Wobbe Index, Heating Value (BTU), Combustion Air Requirement analysers; Online EDXRF analysers for element analysis in liquids and total sulphur analysis in petroleum products.

## Specialty Valves & Equipment



High quality and reliable specialty ball valves in various exotic alloy materials for severe application in the PE / PP, LNG, Corrosive Acid, Coal Gasification and Catalyst Industries.



Develops, designs, manufactures and distributes air distribution systems globally, cooling and heating systems for installation in ceilings and facades, as well as cleanroom components and systems for process industries.



A leading supplier of engineering, equipment and materials for high temperature processes in mineral processing, petrochemicals, refineries, and many other industrial facilities.

## Process Technologies



A world leader in areas such as petroleum hydrotreating & hydroconversion, Fluidised Catalytic Cracking (FCC) gasoline desulfurisation, catalytic reforming, Benzene-Toluene-Xylenes (BTX) production & purification, selective hydrogenation, Claus and Tail Gas Treatment (TGT).



*“As we move into 2017 we may  
**continue to face the same  
challenge in the Group’s core  
business.** China just experienced  
its slowest economic growth in  
26 years and it is expected to slow  
down further in 2017.”*



# MESSAGE TO SHAREHOLDERS

**DEAR** *Shareholders,*

On behalf of the Board of Advanced Holdings Ltd (“Advanced” or “Group”), I am pleased to present to you our Annual Report for the financial year ended December 31, 2016 (“FY2016”), and to go through some of the highlights and challenges encountered by the Group during the year.

Last year I predicted two key factors which would contribute to a difficult business environment for Advanced, namely China’s growth slowdown and the troubles in the oil and gas industry. Both of these factors, as well as volatile foreign exchange rates and an uncertain global economy, proved to be serious challenges for us throughout the year.

As we move into 2017 we may continue to face the same challenge in the Group’s core business. China just experienced its slowest economic growth in 26 years<sup>1</sup> and it is expected to slow down further in 2017<sup>2</sup>. While growth may be slower than previous years it is by no means stagnant and we will strive to secure business in our key markets in China.

The Oil Market is recovering after a turbulent year in 2016 albeit slowly and with no sign of a quick return to figures seen in previous years<sup>3</sup>. With that said, it is still a recovery and therefore can only be seen positively when compared to this time last year. Moreover, the demand for oil is only expected to grow for the foreseeable future<sup>4</sup>.

## Disposal of Applied Engineering Pte Ltd

On 22 September 2016, the Group entered into a conditional share purchase agreement with an individual buyer to sell the Group’s entire shareholding interest at a consideration of approximately S\$9.1 million. This was approved by shareholders on 5 January 2017 and completed on 19 January 2017. This disposal allows us to re-strategise our financial and capital resources, enabling expansion into other businesses and letting us take advantage of other investment opportunities.

## FY2016 Financial Review

The Group reported an 11.8% year-on-year decrease in revenue to S\$94.1 million from S\$106.6 million in FY2015. Gross profit margin for the year fell slightly from 20.4% to 19.4%. As projects were put on hold throughout the Oil & Gas and Chemical & Petrochemical industries, increased competitive pressure, applied downward force on project margins.

China and Singapore accounted for 32.8% and 22.2% of our total sales in FY2016 respectively. Both markets continue to be important revenue drivers for us. Revenue contribution from Vietnam saw a marked decrease as a large-scale project neared completion towards the end of the year. Contribution from Europe improved significantly to S\$10.6 million for FY2016. Sales in the USA and Other Asian Countries also improved from S\$4 million and S\$13.1 million a year



<sup>1</sup> <http://www.tradingeconomics.com/china/gdp-growth-annual>

<sup>2</sup> <http://money.cnn.com/2017/01/19/news/economy/china-fourth-quarter-gdp-economic-growth/>

<sup>3</sup> <https://knoema.com/yxtpab/crude-oil-price-forecast-long-term-2017-to-2030-data-and-charts>

<sup>4</sup> <http://www.bp.com/en/global/corporate/energy-economics/energy-outlook/energy-overview-the-base-case.html>

ago, to S\$6 million and S\$18 million respectively in FY2016. In the meantime, contribution from the Middle East fell to S\$3.4 million from S\$6.3 million in FY2015.

We've remained diligent about managing our costs wherever possible. Distribution and marketing costs decreased 10.4% from S\$8.8 million to S\$7.9 million with lower variable selling expenses. Administrative expenses saw a slight drop of 1.9%, while Other Operating Expenses also fell 17.5% as R&D spending was scaled down with a project completed in the last quarter of FY2016.

The uncertain global economic conditions and continued weakness in oil prices also saw the Group recognising further impairment losses of S\$1.7 million on its goodwill and intangible assets in FY2016. Taking this into account, the Group reported a net loss attributable to the owners of the Company of S\$1.8 million as compared to a profit of S\$0.9 million in FY2015. The Group's cash holdings are extremely healthy, standing at S\$46.2 million as at 31 December 2016, compared to S\$33.6 million as at 31 December 2015.

### Future Outlook

We expect to see the current challenging business conditions continue for the Group. The Oil and Gas industry's slow recovery, growth slowdown in China and volatile foreign exchange rates are just some of the pitfalls that will require us to be diligent and act prudently if we are to navigate them successfully.

Our plans to setup manufacturing facilities for our System Integration Business in United Arab Emirates and Saudi Arabia are currently ongoing. Once completed, they will give us a solid presence in a region with vast potential.

Our new manufacturing facilities in the United States and Germany are complete. We are now well position to capitalise on these resources and expand our market in those regions.

The Group has been looking towards diversification as a business strategy, broadening our horizons offers new opportunities. With that in mind, Advanced has entered into a non-binding term sheet in relation to the proposed acquisition of Agricore Global Pte Ltd. The Board and I believe with this acquisition we can further diversify our business interests, pursue higher recurring and sustainable revenue, and help limit risk exposure.

We will continue to explore other opportunities for investment and expansion, both organic and inorganic, with forethought and prudence.

### Appreciation

I would like to take this opportunity to thank our loyal shareholders for your encouragement and unwavering support. As a gesture of appreciation, I am pleased to announce that the Board has proposed a first and final dividend of 2.5 cents per share (tax exempt one-tier) for FY2016.

Yours Sincerely,  
**DR WONG KAR KING**  
Managing Director

# FINANCIAL HIGHLIGHTS

|                                            | 2012    | 2013*   | 2014*   | 2015*<br>(Restated) | 2016           |
|--------------------------------------------|---------|---------|---------|---------------------|----------------|
| Revenue (\$'000)                           | 109,132 | 114,155 | 91,343  | 109,329             | <b>94,084</b>  |
| Profit (Loss) after tax (\$'000)           | 4,526   | 6,413   | (1,972) | 992                 | <b>(2,230)</b> |
| Shareholders' equity (\$'000)              | 67,272  | 74,397  | 71,449  | 71,239              | <b>68,753</b>  |
| Cash and cash equivalents (\$'000)         | 32,897  | 25,908  | 14,442  | 33,588              | <b>46,176</b>  |
| Earnings (Losses) per share "EPS" (cents)# | 4.33    | 6.49    | (1.71)  | 0.92                | <b>(1.80)</b>  |
| Dividend per share "DPS" (cents)#          | 5.10    | 2.70    | 0.90    | -                   | <b>2.50</b>    |
| Net asset value per share "NAV" (cents)#   | 66.43   | 73.47   | 70.55   | 70.35               | <b>67.89</b>   |
| Current ratio (times)                      | 2.06    | 1.77    | 1.77    | 1.93                | <b>2.19</b>    |

\* Include discontinued operation, presented separately in the financial statements.

# For meaningful comparison, the EPS, DPS and NAV for financial years 2012 to 2014 were restated based on the total number of issued shares excluding treasury shares of 101,268,367 after the share consolidation of three shares into one effected on 7 December 2015



## Revenue (\$M)



**109.1**  
2012



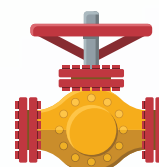
**114.2**  
2013\*



**91.3**  
2014\*



**109.3**  
2015\*



**94.1**  
2016



## Profit (Loss) After Tax (\$M)



**4.5**  
2012



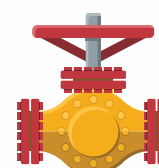
**6.4**  
2013\*



**(2.0)**  
2014\*



**1.0**  
2015\*  
(Restated)



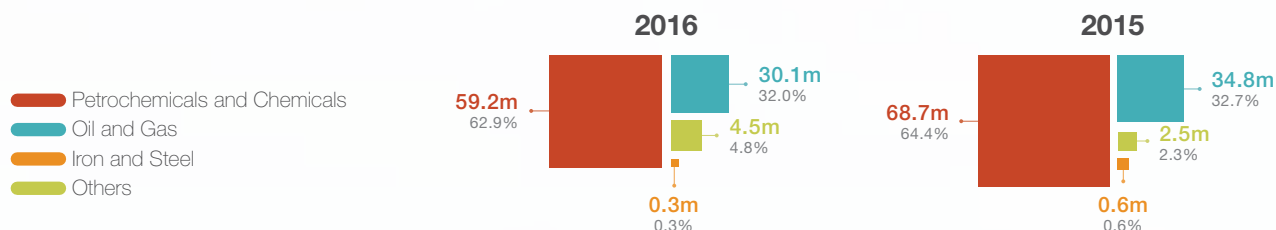
**(2.2)**  
2016



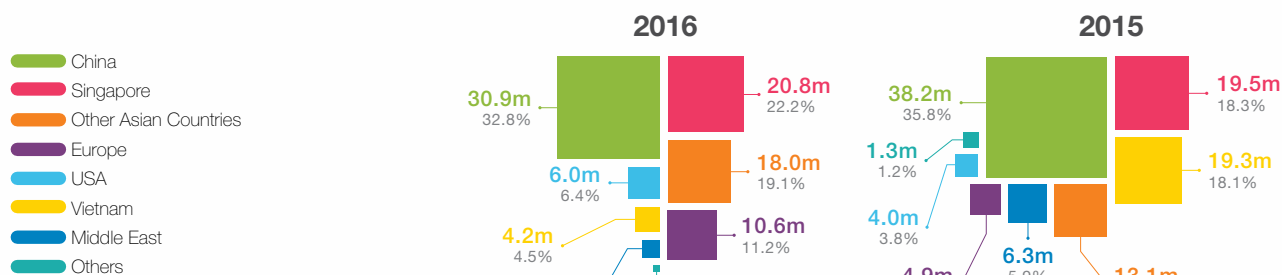
## Two Years Comparison (\$'000) *(For continuing operations)*



## Revenue By Industry (\$M) *(For continuing operations)*



## Revenue By Geographical Market (\$M) *(For continuing operations)*



# BOARD OF DIRECTORS



## DR CHOO BOY LEE EMILY

(Non-Executive Chairman)

Dr Choo was appointed to the Board on February 19, 2004. Prior to her appointment, Dr Choo was the Contracts & Purchasing Manager of the Group's subsidiary, Advanced Controls Pte Ltd, for a period of two years. Dr Choo was previously a lecturer in Nanyang Technological University School of Electrical and Electronic Engineering from 1990 to 2002. A graduate of The Queen's University of Belfast, United Kingdom, Dr Choo holds a Bachelor of Science, Electrical and Electronic Engineering (First Class Honours) and a Doctorate in Electronic Engineering.



## DR WONG KAR KING

(Managing Director)

Dr Wong is the founder and Managing Director of the Advanced Group and was appointed to the Board on February 19, 2004. His key responsibilities include the overall management and operations of the business, in addition to formulating business strategies poised at spearheading the Group's growth forward. Dr Wong has 32 years of experience in technical sales and marketing. He also spent three years in the field of research and development. Prior to establishing the Group in 1992, Dr Wong worked in Rotork PLC (in England) and subsequently Rotork Asia (in Singapore) from 1987 to 1992. Dr Wong graduated from The Queen's University of Belfast, United Kingdom with a Bachelor Degree in Engineering (First Class Honours) and a Doctorate in Engineering. He was conferred the Outstanding Entrepreneur Award at the Asia Pacific Entrepreneurship Awards 2013 organised by Enterprise Asia and was later crowned the EY Entrepreneur Of The Year 2014 led by Ernst & Young in Singapore.



**LIM BOON CHENG**  
(Lead Independent Director)

Mr Lim was appointed as an Independent Director of the Board on April 1, 2013. He comes with more than 30 years of experience in the accounting industry, primarily in auditing, financial accounting and business advisory work. Mr Lim sits on the boards of several companies and he is well-regarded in the accounting industry, having been Chairman of the Public Accounting Practice Committee of the Institute of Singapore Chartered Accountants ("ISCA") from 2008 to 2012 when he was a Council Member of the Institute. Currently, he still serves as a trainer with the ISCA's Public Practice Programme, a compulsory course for any applicant wishing to register as a public accountant in Singapore. Prior to joining Advanced, he was the Managing Partner and subsequently the Chairman of the accounting firm, LTC LLP, until his retirement from the practice in March 2012. Mr Lim is a Fellow of ISCA and a Fellow of the Institute of Chartered Accountants Ireland. He holds a Master of Business Administration degree from the University of Ulster, Northern Ireland, United Kingdom.



**DR HO CHOON HOU**  
(Independent Director)

Dr Ho Choon Hou was appointed as an Independent Director of the Board on January 4, 2013. Dr Ho sits on several boards including Cordlife Group Ltd and Stemlife Bhd where he is the Non-executive director of both companies and serves as an independent director of Mclean Technologies Berhad. He is also a Principal at Southern Capital Group Limited, a private equity firm, where he is responsible for the origination and execution of investments. Prior to that, Dr Ho held various medical portfolios in the healthcare industry. From 2004 to 2007, he served as Project Office Head and subsequently Deputy Director at National Healthcare Group where he was involved in directing special projects and investments and held general management responsibilities. Dr Ho holds a Bachelor of Medicine and Bachelor of Science from The University of Sheffield, as well as a Masters in Medicine (Surgery) from the National University of Singapore. He also obtained his Masters of Business Administration (Honours) from The University of Chicago (The Graduate School of Business).

# KEY MANAGEMENT



## **CHEN ZHEN RICHARD**

**(Chief Representative of Beijing Rep Office & Deputy General Manager PRC Operations)**

Mr Chen is the Group's Deputy General Manager responsible for managing the Group's sales and marketing in the PRC. Prior to joining the Group in 2006 as a Sales Manager, Mr Chen was a chief representative of a Beijing-based Australian company since 1997 which specialised in harbour facilities and grain handling system. Mr Chen holds a Bachelor of Economy from China Agricultural University and a Master in Business Administration (MBA) from University of International Business and Economy.

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## **CHUA CHEE HOW**

**(Chief Financial Officer)**

Mr Chua first joined the company in 2009 as the Corporate Finance Manager and was promoted to Chief Financial Officer in March 2017. In addition to the finance and accounting function, he is also responsible for compliance, corporate governance as well as mergers and acquisitions activities of the Group. Prior to joining the Group, Mr Chua has more than 10 years of transaction support, corporate finance and audit experience with established accounting firms in Singapore and Australia, including Deloitte & Touche and Ernst & Young. He is currently a member of Chartered Accountants Australia and New Zealand, and holds a Bachelor's Degree in Accountancy from Nanyang Technological University.

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## **DEBRA HALL**

**(Vice President, Sales & Marketing, Analytical Products, Americas)**

Debra Hall was appointed Vice President, Sales & Marketing, Analytical Products, Americas of the Group in May 2015. Ms Hall is responsible for the sales and marketing direction in the Americas for the Group's subsidiaries of Guided Wave, Inc., ATOM, ATAC, Sofraser and Advanced CAE. Her responsibilities include overall sales & business development by creating sales & marketing strategies, best-in-class processes, managing budgets, evaluating sales team performance and retaining brand image among the business groups. She joins the company with over 20 years of experience in industrial analyser Sales Management. Prior to joining the Group, Ms Hall worked as Global Director of Sales for Control Instruments Corp., an Advanced Holdings partner and leading manufacturer of Flammable Gas and Vapor Analysers for online process control. Ms Hall has a Bachelor's Degree in Electrical Engineering from New Jersey Institute of Technology.

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## **NORBERT MARX**

**(Senior Managing Director, ZMK Technologies GmbH)**

Mr Marx is the Senior Managing Director at ZMK Technologies GmbH ("ZMK") which he founded in 2014. He is responsible for the strategic orientation of ZMK with respect to current and future market needs. Prior to founding ZMK, he worked for a large valve manufacturer and accumulated 43 years of experience in the chemical and petrochemical industry, first as a project manager and then later as vice president. During this time, he built up wide-ranging contacts in refineries, petrochemical plants, EPC's and licensors throughout the world. Mr Marx is also the holder of several patents for special valves.



### **QUAH KIM TECK**

**(Managing Director, Advanced CAE Global Operations)**

Mr Quah has been fronting Advanced CAE Pte Ltd ("CAE") for more than 20 years, covering engineering, project management as well as sales and marketing of process analyser systems for the oil and gas industry. He is a chemical engineer by profession and is well recognised in the field of process analyser systems. Prior to assuming his new role as Managing Director, Mr Quah had been involved for some years laying the groundwork for CAE's global growth infrastructure as General Manager. With his expertise, he is well equipped to lead CAE towards further growth as well as in establishing global markets. Mr Quah holds a Bachelor's Degree in Chemical Engineering from the National University of Singapore.

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### **RÜDIGER KLEIN**

**(Managing Director, ZMK Technologies GmbH)**

Rüdiger Klein took over the position of Managing Director upon joining ZMK Technologies GmbH ("ZMK") in January 2015. He has 22 years of experience working on projects around the globe and serving customers with special requirements in the petrochemical and chemical industry. In addition to his wealth of experience, he has built a comprehensive network of contacts and is valued by his customers for his expertise as a technical solution provider. Mr Klein is looking forward to establishing ZMK in a future-oriented manner and one of his main objectives is the development of new products with the potential to explore new markets. He holds a diploma in Mechanical Engineering from the University of Applied Sciences in Aachen.

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### **STEPHEN JAMES EDWARD MCRAE**

**(Finance & Managing Director, Analytical Technology & Control Ltd)**

Mr McRae joined Analytical Technology & Control Ltd ("ATAC") in 2010. Appointed as the Finance & Managing Director on January 1, 2015, he is responsible for managing ATAC's finance and overall business operations and development. He previously held the roles of Finance Manager and Finance Director before his current appointment. Prior to joining the Group, he spent 20 years with Blue Circle PLC and Lafarge SA which are world leaders in cement as well as FTSE100 and CAC40 listed companies respectively. Mr McRae last held the position of Industrial Finance Leader for Lafarge's over £400m UK cement operations. Mr McRae, who is ACMA / GCMA qualified (Chartered Institute of Management Accountants), brings with him many years of experience in working with and leading teams across multiple large complex manufacturing plants.

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### **SUSAN JANETTE FOULK**

**(President, Guided Wave Incorporated)**

Ms Foulk was appointed to her current role as President of Guided Wave Incorporated ("GWI") on April 1, 2012. She is responsible for formulating and implementing the strategic goals and objectives of GWI and managing its overall business operations and development. This includes overseeing the Engineering / R&D, Manufacturing, Service & Support, and Administration functions of GWI which is based in Rancho Cordova, California. With a background in Chemistry and Chemometric (Statistical) data modeling, she has been employed by GWI for over 29 years in a variety of capacities. She holds a Master's Degree in Analytical Chemistry from the University of North Carolina, Chapel Hill, as well as a Bachelor's in Chemistry from the University of Florida.



**TAN CHUAN YANG JET**  
(General Manager, Advanced CAE Pte Ltd)

Mr Tan joined Advanced CAE in 1996 as a System Engineer and was appointed to his current role as General Manager in 2016. He is responsible for directing and supervising company operations, office management, procurement & logistics and corporate communication & branding. With his 25 years of knowledge and experience in the process analyser system industry, he has been instrumental in formulating and implementing strategies to improve overall operating processes, raising efficiencies and performances for our business. Mr Tan holds a diploma in Process Engineering from Singapore Polytechnic and a Master of Business Administration from Nanyang Technological University, Singapore.



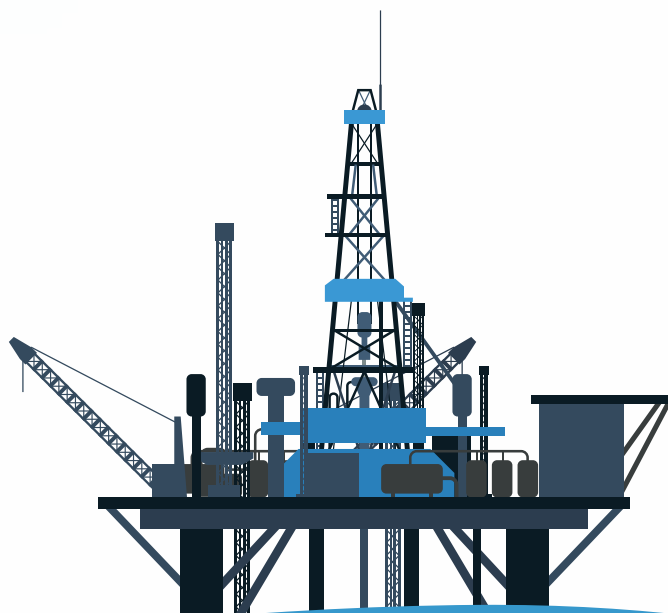
**TEO SIOK SAN SAMANTHA**  
(Vice President, Group Business Development)

Ms Teo was appointed the Vice President, Group Business Development of the Group in January 2016. Her primary responsibilities include identifying and developing new businesses for the group, as well as enhancing the client engagement process for each entity. She will also be looking to better the sales and marketing efforts for targeted businesses. Ms Teo brings with her more than 15 years of experience in business development, sales and marketing, in addition to her knowledge and network developed over the years in the offshore marine, oil and gas industries. She holds a Bachelor's Degree in Computer Science from the National University of Singapore.

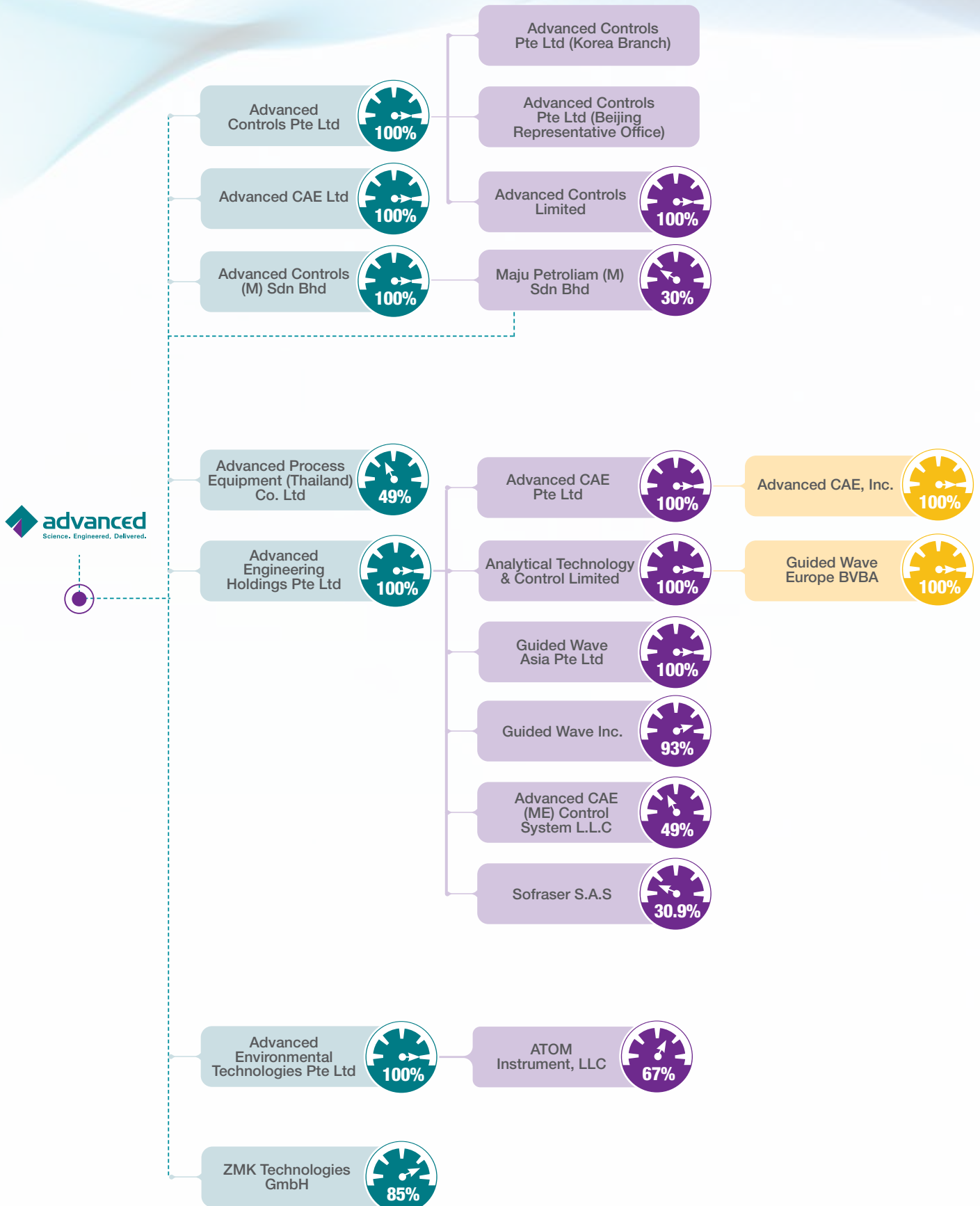


**YANG XIAO FEI**  
(General Manager, PRC Operations)

Ms Yang is responsible for managing the Group's sales and marketing in the People's Republic of China ("PRC"). Prior to joining the Group in 2000 as a Division Sales Manager, she was the General Manager of Beijing Huawei Energy Technology Co. Ltd where she was instrumental in establishing contacts and developing business opportunities in the Oil & Gas industry. She holds a Degree in Bachelor of Economics, majoring in Accountancy, from the Beijing Forestry University, School of Economics and Finance.



# GROUP STRUCTURE



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dr Choo Boy Lee Emily**  
(Non-Executive Chairman)

**Dr Wong Kar King**  
(Managing Director)

**Mr Lim Boon Cheng**  
(Lead Independent Director)

**Dr Ho Choon Hou**  
(Independent Director)

## AUDIT COMMITTEE

**Mr Lim Boon Cheng**  
(Chairman)

**Dr Choo Boy Lee Emily**  
**Dr Ho Choon Hou**

## NOMINATING COMMITTEE

**Dr Ho Choon Hou**  
(Chairman)

**Dr Choo Boy Lee Emily**  
**Mr Lim Boon Cheng**

## REMUNERATION COMMITTEE

**Mr Lim Boon Cheng**  
(Chairman)

**Dr Choo Boy Lee Emily**  
**Dr Ho Choon Hou**

## COMPANY SECRETARY

**Ms Ong Beng Hong (LL.B)**

## REGISTERED OFFICE

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## SHARE REGISTRAR

**Tricor Barbinder Share**

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

## INDEPENDENT AUDITOR

**Deloitte & Touche LLP**

Public Accountants and  
Chartered Accountants  
6 Shenton Way  
#33-00 OUE Downtown 2  
Singapore 068809

## AUDIT PARTNER-IN-CHARGE

**Mr Kee Cheng Kong Michael**

Date of Appointment:  
Since financial year ended  
December 31, 2012

## PRINCIPAL BANKERS

**Oversea-Chinese Banking  
Corporation Limited**

65 Chulia Street  
OCBC Centre  
Singapore 049513

**DBS Bank Ltd**

12 Marina Boulevard  
DBS Asia Central @  
Marina Bay Financial  
Centre Tower 3  
Singapore 018982

**United Overseas Bank Ltd**

1 Raffles Place,  
One Raffles Place,  
Singapore 048616

**HongKong and Shanghai  
Banking Corporation Ltd**

21 Collyer Quay  
HSBC Building  
Singapore 049320



# GLOBAL PRESENCE

## SINGAPORE

Advanced Holdings Ltd  
Advanced Controls Pte Ltd  
Advanced Engineering Holdings Pte Ltd  
Advanced Environmental  
Technologies Pte Ltd  
Guided Wave Asia Pte Ltd

### Advanced CAE Pte Ltd

30 Woodlands Loop  
Singapore 738319

Tel : +65-6854 9001  
Fax: +65-6758 7389

## ASIA

### MALAYSIA

Advanced Controls (M) Sdn Bhd  
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SS20/27, 47400, Petaling Jaya,  
Malaysia

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Fax: +603-7728 6400

### INDIA

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18, Ho Chi Minh Sarani, Kolkata,  
700061, West Bengal India

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Fax: +65-6779 5400

### SOUTH KOREA

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Seoul 152-848 Korea

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Fax: +82-2 584 4206

### THAILAND

Advanced Process Equipment  
(Thailand) Co., Ltd  
267/242 Sukhumvit Road,  
Maptaphut Sub-district,  
Mueng Rayong District,  
Rayong Province  
21150 Thailand

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Fax: +66 (0) 3860-9254

## CHINA

### SHANGHAI

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### HONG KONG

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Fax: +852-8124 6168

### BEIJING

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(Beijing Representative Office)  
Suite C1018,  
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No.69 Bei Chen West Road  
Chao Yang District  
100029 Beijing, P.R. China

Tel : +86-10-5877 2833

## EUROPE & USA

### USA

Guided Wave Incorporated  
3033 Gold Canal Drive  
Rancho Cordova, CA 95670,  
USA

Tel : +1-916-638 4944  
Fax: +1-916-635 8458

### ATOM Instrument, LLC

1656 Townhurst, Suite G,  
Houston, TX 77043  
USA

Tel : +1-713-461-0034

### Advanced CAE, Inc.

16940A Grant Road,  
Cypress, TX 77429  
USA

Tel : +1-832-378 9530  
Fax: +1-832-378 9455

## EUROPE

### Guided Wave Europe BVBA

Leo de Bethunelaan, 105 /0001  
9300 Aalst,  
Belgium

Tel : +31-74-259 5390  
Fax: +31-74-259 5752

### Analytical Technology & Control Limited

Broadway, Market Lavington,  
Devizes Wiltshire SN10 5RQ  
United Kingdom

Tel : +44 (0) 1380 818411  
Fax: +44 (0) 1380 812733

### Sofraser S.A.S

Z1, 15 rue Pierre Nobel  
45700 Villemandeur  
France

Tel : +33 (0) 238 85 7712  
Fax: +33 (0) 238 85 9965

### ZMK Technologies GmbH

Forstweg 7, 52382 Niederzier  
Germany

Tel : +49 2421 39528 00  
Fax: +49 2421 39528 01

## MIDDLE EAST

### UNITED ARAB EMIRATES

#### Advanced CAE (ME) Control System L.L.C

Office Unit # 915/916,  
9th Floor Al Bateen, C2 Al Bateen,  
King Abdullah Al Saud,  
PO Box 25719 Abu Dhabi  
United Arab Emirates

Tel : +971 567332680



We will **continue to explore** other opportunities for investment and expansion, both organic and inorganic, with forethought and prudence.



# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Advanced Holdings Ltd. (the “**Company**”) is committed to ensure that high standards of corporate governance and transparency are practised for the protection of the interests of Shareholders. This statement sets out the Company’s corporate governance processes with specific reference to the Code of Corporate Governance 2012 (the “**Code 2012**”). The Company has generally complied with the spirit and intent of the Code 2012 but in areas where the Company deviates from the Code 2012, the rationale is provided.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

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

The Board is responsible for protecting and enhancing long-term shareholders’ value. It provides directions and guidance to the overall management of the Group. The Board comprises a Non-Executive Chairman, an Executive Director and two Independent Directors. The experience and competence of each Director contributes to the overall effective management of the Group.

The primary role of the Board includes the following:

- Setting and approving policies and strategies of the Group;
- Establishing a framework of prudent and effective controls which enables risks to be assessed and managed;
- Reviewing management performance;
- Reviewing the remuneration packages of the board members and key executives;
- Reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;
- Reviewing the adequacy of the Company’s internal control and the financial information reporting system;
- Approving the nomination of Directors and appointments to the Board Committees;
- Authorising major transactions such as fund raising exercises and material acquisitions;
- Setting the Company’s values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;
- Considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
- Assuming responsibility for corporate governance of the Group.

The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board Members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conducts.

To facilitate effective management, certain roles have been delegated to various Board Members by the establishment of Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. The effectiveness of each Board Committee is also closely monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

The Company’s Directors and their membership on Board Committees (if any) during the financial year under review were as follows:

| Name of Director                     | Board Membership       | Audit Committee | Nominating Committee | Remuneration Committee |
|--------------------------------------|------------------------|-----------------|----------------------|------------------------|
| Dr Choo Boy Lee Emily <sup>(1)</sup> | Non-Executive Chairman | Member          | Member               | Member                 |
| Dr Wong Kar King <sup>(1)</sup>      | Managing Director      | -               | -                    | -                      |
| Dr Ho Choon Hou                      | Independent Director   | Member          | Chairman             | Member                 |
| Mr Lim Boon Cheng                    | Independent Director   | Chairman        | Member               | Chairman               |

### Note:

<sup>(1)</sup> Dr Choo Boy Lee Emily is the spouse of Dr Wong Kar King.

# STATEMENT OF CORPORATE GOVERNANCE

The Board meets at least four times a year. Regular meetings are scheduled at least one month before the meetings are held. Ad-hoc meetings are called when there are matters requiring the Board's consideration and decision in between the scheduled meetings. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Directors are encouraged to participate in seminars or discussion groups to be kept abreast of the latest developments relevant to the Group. In addition, the Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced.

Matters which require the Board's approval include the following:

- Review of the performance of the Group and approval of the result announcements of the Group released via the SGXNET;
- Approval of the corporate strategy and direction of the Group;
- Approval of transactions involving a conflict of interest for a Substantial Shareholder or a Director and interested person transactions;
- Material acquisitions and disposals;
- Corporate and financial restructuring;
- Declaration of dividends and other returns to Shareholders; and
- Appointments of new Directors and senior management.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board's decision has been adopted by the Board.

The Directors inform the Company, from time to time, of their individual directorship in other companies outside the Group. In the event that a Director is interested in any transaction of the Group, he informs the Board accordingly and abstains from making any recommendation or decision with regard to the transaction.

The Constitution of the Company allow the Directors to participate in a Board meeting by telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to communicate as a group, without requiring the Directors' physical presence at the meeting.

The details of the number of meetings held in the year under review as well as the attendance of each Board member at those meetings are as follows:

| Name of Director                    | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-------------------------------------|-------|-----------------|----------------------|------------------------|
| <b>Number of meetings held</b>      | 5     | 4               | 1                    | 1                      |
| <b>Number of meetings attended:</b> |       |                 |                      |                        |
| Dr Choo Boy Lee Emily               | 5     | 4               | 1                    | 1                      |
| Dr Wong Kar King                    | 5     | 4*              | 1*                   | 1*                     |
| Dr Ho Choon Hou                     | 4     | 4               | 1                    | 1                      |
| Mr Lim Boon Cheng                   | 5     | 4               | 1                    | 1                      |

\* Attendance by invitation

Generally, a newly-appointed Director will be given an orientation to familiarise him/her with the Group's business and governance practices and he/she will also be given a formal letter setting out the duties and obligations of a director of a listed company.

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. The Directors are encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as directors to the Company and the Company has a training budget which can be used by the Directors to attend courses that they are interested in.

# STATEMENT OF CORPORATE GOVERNANCE

## Board Composition and Balance

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

The Company endeavours to maintain a strong and independent element on the Board with the Independent Directors making up at least half of the Board. The independence of each Independent Director is reviewed annually by the Nominating Committee.

The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the Nominating Committee, whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when it arises.

Together, the Board Members possess wide ranging experiences in the areas of strategic planning, accounting and finance and business and management in the industries which the Group operates in. Key information regarding the Directors is set out under the section entitled "Board of Directors" in this Annual Report.

The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of diversity, gender, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The Board is of the opinion that the current size of the Board is adequate, taking into account the nature and scope of the Group's operations.

The Non-Executive Directors meet at least once annually without the presence of Management.

## Chairman and Chief Executive Officer

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

The clear division of responsibilities between the Non-Executive Chairman and the Managing Director ensures proper balance of power and authority in the Group.

The positions of the Non-Executive Chairman and the Managing Director are kept separate and are held by Dr Choo Boy Lee Emily and Dr Wong Kar King respectively. Dr Choo Boy Lee Emily is the spouse of Dr Wong Kar King. The Non-Executive Chairman's duties and responsibilities include scheduling meetings, preparing Board agenda and ensuring compliance with the Code 2012. The Non-Executive Chairman leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Managing Director. The Non-Executive Chairman reviews the Board papers and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the Board meeting. The Non-Executive Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and Management, with a view of encouraging constructive relations and dialogue amongst them.

The Managing Director is responsible for the day-to-day operations of the Group and to ensure quality flow of information between the Board and the Management.

The Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Pursuant to the Code 2012, the Company has appointed Mr Lim Boon Cheng as Lead Independent Director. As Lead Independent Director, he is the contact person for Shareholders where the Shareholders have concerns and for which contact through the normal channels of the Chairman or the Managing Director has failed to resolve or is inappropriate.

The Independent Directors meet at least once annually without the presence of the other Directors.

# STATEMENT OF CORPORATE GOVERNANCE

## Board Membership

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The Nominating Committee comprises two Independent Directors and the Non-Executive Chairman:

|                       |            |
|-----------------------|------------|
| Dr Ho Choon Hou       | (Chairman) |
| Dr Choo Boy Lee Emily | (Member)   |
| Mr Lim Boon Cheng     | (Member)   |

The Nominating Committee was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The duties and functions of the Nominating Committee include the following:

- a. Recommendations to the Board on all board appointments;
- b. Re-nomination having regard to the Directors' contribution and performance;
- c. To determine annually, or whenever necessary during the year, the independence of Independent Directors, bearing in mind the relationships which would deem a Director not to be independent; and
- d. To evaluate the performance of the Board and the contributions from the Directors on a year to year basis.

For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration given to the mix of skills, knowledge and experience of the existing Board. After evaluating its selection criteria and considering the future needs of the Group, the Nominating Committee (which may use the services of a professional executive search firm), will shortlist the likely candidates, undertake background checks and invite the shortlisted candidates to an interview cum discussion that may include a briefing of the business of the Group and its expectation of its Directors' role and duties. A formal letter is sent to newly-appointed Directors upon their appointment explaining their statutory and other duties and responsibilities as a Director.

The Group also releases announcements on appointment or cessation of Directors via SGXNET.

The Company's Constitution provides that at each Annual General Meeting ("AGM"), one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, is required to retire from office by rotation. Retiring Directors are selected on the basis of those who have been the longest in office since their last election or appointment, failing which they shall be selected by lot. In addition, any newly appointed Director must retire and may submit himself for re-election at the next AGM following his appointment. Thereafter he is subject to the one-third rotation rule if re-elected. The Managing Director shall however, not be subject to retirement by rotation by virtue of Article 87 of the Constitution or be taken into account in determining the number of Directors to retire.

The Nominating Committee is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the directors may hold. As a guide, Directors of the Company should not have more than six listed company board representations and other principal commitments.

After conducting reviews, the Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

# STATEMENT OF CORPORATE GOVERNANCE

Details of the appointment of Directors including date of initial appointment and date of last re-election and directorships in listed companies, both current and for the preceding three years, are set out below:

| Name of Director                 | Age | Date of Initial Appointment | Date of Last Re-election | Present and Past Directorship in Listed Companies                                                     |
|----------------------------------|-----|-----------------------------|--------------------------|-------------------------------------------------------------------------------------------------------|
| Dr Choo Boy Lee Emily            | 56  | February 19, 2004           | April 30, 2015           | -                                                                                                     |
| Dr Wong Kar King <sup>(1)</sup>  | 55  | February 19, 2004           | -                        | -                                                                                                     |
| Dr Ho Choon Hou                  | 44  | January 4, 2013             | April 29, 2016           | Cordlife Group Limited<br>Mclean Technologies Berhad <sup>(3)</sup><br>Stemlife Berhad <sup>(3)</sup> |
| Mr Lim Boon Cheng <sup>(2)</sup> | 61  | April 1, 2013               | April 25, 2013           | -                                                                                                     |

## Notes:

- (1) Dr Wong Kar King being the Managing Director is not subject to retirement by rotation by virtue of Article 87 of the Company's Constitution.
- (2) Mr Lim Boon Cheng will retire at the forthcoming AGM pursuant to Article 91 of the Company's Constitution and will be eligible for re-election.
- (3) Listed on Bursa Malaysia

## Board Performance

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

The Board's overall performance as well as the effectiveness of its Board Committees will be evaluated by the Nominating Committee. The Nominating Committee will assess each Director's contribution to the Board. The guidelines for assessment include attendance at meetings of the Board and the Board Committees, the level and quality of participation during the meetings and any other specific contributions.

At the end of each financial year, a Board evaluation is conducted where the Directors complete a questionnaire seeking their views on various aspects of Board performance, such as Board composition, information, process and accountability. The Company Secretary then compiles the Directors' responses to the questionnaire into a summarised report and circulates the same to the Board for discussion. The Chairman will act on the results of the performance evaluation, and in consultation with the Nominating Committee, propose, where appropriate, new members be appointed to the Board or seek the resignation of Directors.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) the size and composition of the Board;
- (ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);
- (iii) the Board's access to information;
- (iv) the accountability of the Board to the Shareholders;
- (v) the observation of risk management and internal control policies by the Board; and
- (vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code 2012).

To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) his or her participation at the meetings of the Board;
- (ii) his or her ability to contribute to the discussion conducted by the Board;
- (iii) his or her ability to evaluate the Company's strength and weaknesses and make informed business decisions;
- (iv) his or her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
- (v) his or her compliance with the policies and procedures of the Group;
- (vi) his or her performance of specific tasks delegated to him or her;
- (vii) his or her disclosure of any related person transactions or conflicts of interest; and
- (viii) for Independent Directors, his or her independence from the Group and the Management.

# STATEMENT OF CORPORATE GOVERNANCE

The Board and the Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

## Access to Information

**Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

In order to ensure that the Board is able to fulfill its responsibilities, Management is required to provide timely information that requires the Board's decision and reports on material operational and financial matters of the Group. The Directors also have unrestricted access to the Company's records and information.

All Directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least three working days prior to the meeting in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- Background or explanation on matters brought before the Board for decision or information, including issues being dealt with by Management, relevant forecasts and projections;
- Minutes of the previous Board meeting; and
- Minutes of meetings of all Board Committees held since the previous meeting of the Board Committee.

In addition, the members of the Board have, at all times, independent and unrestricted access to Management, the Company Secretary and internal and external auditors on all matters whenever they deem necessary.

The Company Secretary or a representative from the Company Secretary's office attends all Board meetings and meetings of the Board Committees and is responsible for ensuring that procedures for Board meetings (including those stipulated in the Company's Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) and the SGX-ST Listing Manual, are complied with.

The Board supports the taking of any independent professional advice by a Director, at the Company's expense, if necessary, in order for the Director to effectively discharge his duties and responsibilities.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors, key management and any employee who is related to a Director or Substantial Shareholder of the Group.

The Remuneration Committee comprises two Independent Directors and the Non-Executive Chairman:

|                       |            |
|-----------------------|------------|
| Mr Lim Boon Cheng     | (Chairman) |
| Dr Choo Boy Lee Emily | (Member)   |
| Dr Ho Choon Hou       | (Member)   |

The role of the Remuneration Committee is to review and recommend to the Board a general framework of remuneration for the Board and key management personnel. It also carries out a review of the remuneration of the key executives of the Group and any employee of the Group who is related to a Director or Substantial Shareholder. It reviews and recommends the specific remuneration packages for the Executive Director and the key management personnel, as well as the administration and granting of share options or awards in accordance with any share option scheme or performance share plan of the Company. No Director or member of the Remuneration Committee is involved in deciding his own remuneration.

The Remuneration Committee may seek professional advice on remuneration matters as and when necessary. The Remuneration Committee ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

# STATEMENT OF CORPORATE GOVERNANCE

## Level and Mix of Remuneration

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

The Remuneration Committee will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The remuneration of the Managing Director is based on the service agreement entered into between Dr Wong Kar King and the Company on June 1, 2007. The service agreement will be for an initial period of 3 years, effective from June 1, 2007 and renewable thereafter. The terms of the service agreement are reviewed by the Remuneration Committee on an annual basis.

The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Director's remuneration paid in prior years in exceptional circumstances of mismanagement of financial results, or of misconduct resulting in financial loss, as they owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

The Independent Directors receive directors' fees. Such fees take into account their efforts, time spent, level of contribution and responsibilities as well as the need to pay competitive fees to attract, retain and motivate them. These fees are subject to Shareholders' approval at the AGM to be held on April 27, 2017, the notice of which is included in this Annual Report.

The remuneration policy for key executives is based largely on the Company's performance and the responsibilities and performance of each individual key executive. The Remuneration Committee reviews and recommends the remuneration packages of key executives for Board's approval.

The remuneration packages for employees who are related to any Director, Chief Executive Officer or Substantial Shareholder of the Company and the responsibilities and performance of each individual key executive is also reviewed. The Remuneration Committee reviews and recommends the remuneration packages of key executives for Board's approval.

## Disclosure on Remuneration

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

## Directors of the Company

Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the remuneration of the Company's Executive Director. The level and mix of remuneration paid to the Executive Director for the financial year ended December 31, 2016 are as follows:

| Executive Director | Remuneration Band              | Salary including CPF | Performance Bonus | Benefits | Total |
|--------------------|--------------------------------|----------------------|-------------------|----------|-------|
| Dr Wong Kar King   | Above \$750,000 to \$1,000,000 | 99%                  | -                 | 1%       | 100%  |

Remuneration paid to Non-Executive Directors comprised solely directors' fees paid quarterly in arrears and were approved by the shareholders in the AGM held on April 29, 2016. The breakdown of directors' fees for the financial year ended December 31, 2016 is as follows:

| Non-Executive Directors | Directors' Fees (S\$) |
|-------------------------|-----------------------|
| Dr Choo Boy Lee Emily   | 60,000                |
| Mr Lim Boon Cheng       | 60,000                |
| Dr Ho Choon Hou         | 50,000                |

# STATEMENT OF CORPORATE GOVERNANCE

## Key Management Personnel of the Company

The annual aggregate remuneration paid to the top key management personnel of the Company (excluding the Executive Director) for the financial year ended December 31, 2016 is \$2,373,000. Details of the remuneration paid to such key management personnel are set out below:

| Remuneration Band      | Number of Key Management Personnel | Salary including CPF | Performance Bonus | Benefits | Total |
|------------------------|------------------------------------|----------------------|-------------------|----------|-------|
| \$250,000 to \$500,000 | 3                                  | 82%                  | 18%               | -%       | 100%  |
| Below \$250,000        | 10                                 | 87%                  | 12%               | 1%       | 100%  |

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the top key executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

There are no termination, retirement and post-employment benefits granted to Directors or the key management personnel.

## Immediate Family Members of Director, Chief Executive Officer or Substantial Shareholder

There was no employee who is an immediate family member of a Director, Chief Executive Officer or Substantial Shareholder of the Company and whose remuneration exceeds \$50,000 for the financial year ended December 31, 2016. The details of such employee and her remuneration are as follows:

| Name                 | Designation                                                   | Familial Relationship      | Remuneration Band |
|----------------------|---------------------------------------------------------------|----------------------------|-------------------|
| Wong Swee Yoke Irene | Director and General Manager of Advanced Controls (M) Sdn Bhd | Sister of Dr Wong Kar King | \$0 to \$50,000   |

## ACCOUNTABILITY AND AUDIT

### Accountability

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

The Board is accountable to Shareholders while Management is accountable to the Board. The Board is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with the requirements of the SGX-ST Listing Manual. Price sensitive information is publicly announced before it is communicated to any other interested person.

In presenting the annual and quarterly financial statements to Shareholders, it is the aim of the Board to provide a detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects. Further to the above, the quarterly financial statements of the Group are also signed by the Managing Director and the Chairman of the Audit Committee, for and on behalf of the Board, confirming that it is to the best of the Board's knowledge that nothing has come to the attention of the Board, which may render the announcements relating to the Group's quarterly financial statements to be false or misleading in any material aspects. The directors' statements of the Company are also signed by the Managing Director and the Chairman of the Audit Committee. Further to the above, the Company also completes and submits compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or letters to Shareholders comply with the requirements set out in the SGX-ST Listing Manual.

# STATEMENT OF CORPORATE GOVERNANCE

## Risk Management and Internal Controls

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

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis.

The Group has implemented a system of internal controls to safeguard Shareholders' investments and the Company's assets. Proper accounting records are maintained and financial information used for business purposes and for publication is reliable. The controls are designed by Management and include, among others, the documentation of key procedures and guidelines relating to the delegation of authorities. The external auditors carry out, in the course of their statutory audit, an annual review of the effectiveness of the Group's material internal controls to the extent of their scope as laid out in their audit plan.

In the opinion of the Board, the system of internal controls maintained by the management is adequate to meet the needs of the current business environment. However, the Board notes that the review of the Group's system of internal control is a continuing process and there is always room for improvement having regard that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, natural disasters, losses, fraud or other irregularities. The system of internal controls adopted by the Group is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has received assurances from the Managing Director and the Chief Financial Officer on the integrity of the financial statements of the Group and the effectiveness of the Company's risk management and internal control systems. In particular, the Board has been assured that the financial statements give a true and fair view, in all material respects, of the Group's performance and financial position as at December 31, 2016.

Based on the audit reports and management controls in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate as at December 31, 2016 in its current business environment.

## Risk Management (Listing Rule 1207(4)(b)(iv))

The Board of Directors oversees the Group's financial risk management policies. Where there are significant risks in respect of the Group's operations, risk management practices will be put in place to address these risks.

### Financial Risk Management Policies

The Group's principal financial instruments comprise cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. Financial assets that expose the Company to financial risk consist principally of cash and cash equivalents, trade receivables, service concession receivables and other receivables. Financial liabilities that expose the Company to financial risk consist principally of trade and other payables and bank borrowings. The carrying amounts of the current financial assets and liabilities carried at amortised cost approximate to their fair values.

The Group's activities are exposed to a variety of financial risks, including the effects of changes in foreign currency rates and interest rates, along with credit and liquidity risks. The Group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. The Board reviews and agrees policies for managing each of these risks and they are summarised on the next page.

### Foreign Currency Risk

The Group's main foreign currency risk exposure results from sales transactions denominated in foreign currencies, primarily in the United States Dollar and Euro. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investment in foreign subsidiaries.

The Group's policy is to manage foreign currency exposure by way of natural hedge and this policy is reviewed quarterly by the Audit Committee. It mitigates foreign currency exposure by striving, where possible, to negotiate sale and purchase transactions in the same currency with counterparties. Exposure to foreign currency risk is monitored on an on-going basis to ensure that net exposure is at an acceptable level by entering into forward contracts as and when necessary.

# STATEMENT OF CORPORATE GOVERNANCE

## Interest Rate Risk

The Group's exposure to changes in interest rates arises primarily from the Group's fixed deposits placed with banks, loans to subsidiaries and bank borrowings.

## Credit Risk

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with banks and financial institutions that are deemed to be reputable and are regulated by a supervisory body. For trade receivables, the Group trades only with recognised and creditworthy counterparties. It is the Group's policy to perform on-going credit evaluation of its customers' financial condition. In addition, receivable balances are monitored on a monthly basis by the Management.

The carrying amount of financial assets represents the maximum credit exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Therefore, there are no significant concentrations of credit risk within the Group.

## Liquidity Risk

To manage liquidity risk, the Group prepares cashflow projections, and reviews its cash requirement on a regular basis. It maintains sufficient level of cash and cash equivalents to enable it to meet its normal operating commitments and secures committed funding facilities from financial institutions.

## **Audit Committee**

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

The Audit Committee comprises two Independent Directors and the Non-Executive Chairman:

|                       |            |
|-----------------------|------------|
| Mr Lim Boon Cheng     | (Chairman) |
| Dr Choo Boy Lee Emily | (Member)   |
| Dr Ho Choon Hou       | (Member)   |

The Audit Committee held four meetings during the financial year ended December 31, 2016. Dr Wong Kar King, the Managing Director attended all four meetings. The Group's external auditors were also present at the relevant junctures during some of these meetings. Separate sessions with internal and external auditors are also held without the presence of Management, to consider any matters which might be raised privately.

The primary responsibility of the Audit Committee is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The Audit Committee has full access to all management personnel and has full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The responsibilities of the Audit Committee include the following:

- Review the audit plan of the external auditors;
- Review scope and results of the audit and its cost effectiveness, and independence and objectivity of the external auditors;
- Review the Group's financial and operating results and accounting policies;
- Evaluate the Group's systems of internal accounting controls;
- Review the scope and results of internal procedures;
- Review and make recommendations to the Board on the re-appointment of external auditors of the Company and the Group;
- Approve remuneration of external auditors;
- Review the effectiveness of the internal audit function and ensure co-ordination between the internal and external auditors and Management;
- Review the consolidated financial statements of the Group before submission to the Board together with the external auditors' report on those financial statements;
- Review the quarterly and annual announcements as well as the related press releases on the result and financial position of the Group; and
- Review interested person transactions.

# STATEMENT OF CORPORATE GOVERNANCE

Following discussions with the Management and the external auditors, the Audit Committee has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

| Significant Matter                                             | How the Matter was Addressed by the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Construction Contracts Revenue Recognition                  | The Audit Committee reviewed the Management approach to the recognition of contract income, with reference to the percentage-of-completion method which involved the Management assessment of the stage of completion of the contract activity and the estimated total costs to completion of the contract. The Audit Committee reviewed the basis on which the revenue of the contracts has been recognised and concurred with the Management's judgments on the amounts involved. See Notes 3.2(b) and 26 to the financial statements.                                                                                                                                                                                   |
| b. Valuation of Contract Work-in-progress and Inventories      | The Audit Committee reviewed the controls over the management processes and assessments of valuing contract work-in-progress and inventories. The Audit Committee accepted the Management's judgments on the estimated costs to complete the contracts, allowance for any foreseeable losses on the contracts and the allowance for impairment in inventories. See Notes 3.2(b), 3.2(c), 10 and 11 to the financial statements.                                                                                                                                                                                                                                                                                            |
| c. Recoverability of Trade Receivables                         | The Audit Committee reviewed and challenged the Management about the recoverability of the past due trade receivables and the adequacy of the allowance for doubtful debts. These include adhering to trading with credit worthy customers, the regular credit evaluation of their financial status and close monitoring of trade receivable balances. The Audit Committee reviewed the Management's judgments on the level of the allowance for doubtful trade receivables and concluded that the net carrying amount of the trade receivables is appropriate. See Notes 3.2(a), 4(c)(iii) and 8 to the financial statements.                                                                                             |
| d. Accounting for Acquisition of ZMK Technologies GmbH ("ZMK") | The Audit Committee received the Management's papers on the finalised purchase price allocation figures arising from the acquisition of ZMK in 2015. The Audit Committee has reviewed the Management re-computation of the significant figures, including goodwill and customers for contract work in progress, for the previous financial year 2015. The Audit Committee has also received the external auditor's report on the 2015 restated figures at the conclusion of the audit. The Audit Committee concurred with the Management about the restatement of the 2015 comparative figures in the financial statements for the current financial year ended 31 December 2016. See Note 40 to the financial statements. |

The external auditors have included the above significant matters as key audit matters in their audit report for the financial year ended December 31, 2016 together with a detailed description of the audit procedures adopted (refer to pages 39 to 43 of this Annual Report).

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

The Company has also set in place whistle-blowing procedures pursuant to which staff of the Group may, in confidence/ anonymously, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by the Managing Director who will report directly to the Chairman of the Audit Committee on all such matters raised. The procedures for submission of complaints have been explained to all employees of the Group. Following investigation and evaluation of a complaint, the Audit Committee will then decide on recommended disciplinary or remedial action, if any. The action so determined by the Audit Committee to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively.

The Audit Committee has reviewed the work performed by the external auditors, Deloitte & Touche LLP, after taking into consideration the relevant guidelines issued to the Audit Committees by Singapore Exchange Trading Limited and/or the Singapore Accounting & Corporate Regulatory Authority.

# STATEMENT OF CORPORATE GOVERNANCE

After taking into consideration the adequacy of the resources and experience of Deloitte & Touche LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Deloitte & Touche LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the Group's size and structure, the Audit Committee and the Board are of the view that Deloitte & Touche LLP has been able to assist the Company in meeting its audit obligations and the Company is in compliance with Rule 712 of the Listing Manual.

Deloitte & Touche LLP is the Company's current external auditors and was appointed since November 21, 2012. In accordance with Rule 1207(6) of the Listing Manual, the audit fees payable to Deloitte & Touche LLP for their audit and non-audit services for the financial year ended December 31, 2016 are \$262,000 and \$11,000 respectively.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

The Company engages different audit firms for its subsidiaries or significant associated companies and the names of these audit firms are disclosed on Page 93 of this Annual Report. The Board and Audit Committee have reviewed the appointments of these audit firms and are of the view that the appointments of these other audit firms do not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company is in compliance with Rule 715 (when read with Rule 716) and Rule 717 of the Listing Manual.

## Internal Audit

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

The Board has an in-house internal auditor to perform the internal audit functions. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. To ensure the adequacy of the internal audit function, the Audit Committee meets at least once a year to review the internal audit findings and to approve the annual internal audit plans. The members of the Audit Committee have unrestricted access to the internal auditor on all matters whenever they deem necessary and have met the internal auditor without the presence of the Management at least once annually. The Audit Committee is satisfied with the adequacy and effectiveness of the current internal audit function and will assess the same annually.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting.

### Communication With Shareholders

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

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications. The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. All material information and financial results are released through SGXNET and where appropriate, through media releases too. A copy of the annual report, circulars pertaining to extraordinary general meetings and notice of general meetings are sent to every Shareholder.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. All press releases to explain the Group's strategy, performance and major developments are also made available on SGXNET.

# STATEMENT OF CORPORATE GOVERNANCE

The Company's website at [www.AdvancedHoldings.com](http://www.AdvancedHoldings.com), particularly in the investor relations section from which Shareholders can access, provides all publicly announced financial information, corporate announcements, press releases and annual reports.

The contact details of the investor relation team may be found on the Company's website.

## Conduct of Shareholder Meetings

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

The Group believes in encouraging shareholder participation at general meetings. The notices of general meetings setting out the agenda are despatched to Shareholders with the annual reports, explanatory notes and if necessary, letters to shareholders on the items of special business, at least 14 days before the general meetings called to pass ordinary resolutions or 21 days before general meetings called to pass special resolutions.

A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies. However, voting in absentia can only be possible if there is absolute certainty that the integrity of information and authentication of the identity of the Shareholder and proxy are not compromised. At the general meetings, Shareholders are given the opportunities to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. To facilitate participation by Shareholders, the Constitution of the Company allow Shareholders to attend and vote at general meetings of the Company by proxies. The Company ensures separate resolutions are proposed at general meetings on each distinct issue. Votes at general meetings are taken by poll.

There is an open question and answer session at each AGM during which Shareholders may raise questions or share their views regarding the proposed resolutions and the Company's business and affairs.

The external auditors and the Chairpersons of all the Board Committees are present to assist the Directors in addressing any relevant queries raised by the Shareholders. Appropriate Management personnel are also present at general meetings to respond, if necessary, to operational questions from Shareholders. The Company Secretary 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 Management, and such minutes are available to Shareholders upon their request. Results of the general meeting are also released as an announcement via SGXNET.

## ADDITIONAL INFORMATION

### INTERESTED PERSON TRANSACTIONS (Listing Rule 907)

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

If the Company does enter into an interested person transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no interested person transactions ("IPTs") that were more than \$100,000 during the financial year ended December 31, 2016. IPTs are disclosed on Page 78 of this Annual Report.

# STATEMENT OF CORPORATE GOVERNANCE

## SECURITIES TRANSACTIONS

The Board has in place a policy on share dealings. All Directors, officers and staff of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Group's first three quarters results, and during the periods commencing one month before the announcement of the Group's full year results, and ending on the date of the announcement of such results. All Directors, officers and staff of the Group are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the policy discourages trading in the Company's securities on short term considerations.

## MATERIAL CONTRACTS (Listing Rule 1207(8))

There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer or any Director or Controlling Shareholders, save for the service agreement entered into between the Company and the Managing Director and the term sheet in relation to the proposed acquisition by the Company of the entire equity interest in Agricore Global Pte. Ltd. announced on SGXNET on 23 January 2017.

## DISCLOSURE OF PERSON OCCUPYING A MANGERIAL POSITION IN THE ISSUER OR ANY OF ITS PRINCIPAL SUBSIDIARIES WHO IS A RELATIVE OF A DIRECTOR OR CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER OF THE ISSUER PURSUANT TO RULE 704(13)

| Name              | Age | Family relationship with any director and/or substantial shareholder                     | Current position and duties, and the year the position was held                                                                                                  | Details of changes in duties and position held, if any, during the year |
|-------------------|-----|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Ms Wong Swee Yoke | 56  | Sister to Dr Wong Kar King, Managing Director and Substantial Shareholder of the Company | Appointed as Director of Advanced Controls (M) Sdn Bhd on August 11, 1997.<br><br>Appointed as General Manager for Advanced Controls (M) Sdn Bhd on May 1, 2006. | Nil                                                                     |

## FINANCIAL STATEMENTS

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# DIRECTORS' STATEMENTS

The directors present their statement together with the audited consolidated financial statements of Advanced Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 44 to 115 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 December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Dr Choo Boy Lee Emily  
Dr Wong Kar King  
Mr Lim Boon Cheng  
Dr Ho Choon Hou

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except as disclosed in paragraph 3 of the directors' statement.

## 3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

| Name of directors and company<br>in which interests is held | Shareholdings registered<br>in name of director |                   | Shareholdings in which directors<br>are deemed to have an interest |                   |
|-------------------------------------------------------------|-------------------------------------------------|-------------------|--------------------------------------------------------------------|-------------------|
|                                                             | At beginning<br>of year                         | At end<br>of year | At beginning<br>of year                                            | At end<br>of year |
| <u>Advanced Holdings Ltd.</u><br>(Ordinary shares)          |                                                 |                   |                                                                    |                   |
| Dr Choo Boy Lee Emily <sup>(1)</sup>                        | 2,206,600                                       | 2,206,600         | 39,195,509                                                         | 39,195,509        |
| Dr Wong Kar King                                            | 39,195,509                                      | 39,195,509        | 2,206,600                                                          | 2,206,600         |

<sup>(1)</sup> Dr Choo Boy Lee Emily is the spouse of Dr Wong Kar King

By virtue of Section 7 of the Singapore Companies Act, Dr Choo Boy Lee Emily and Dr Wong Kar King are deemed to have an interest in the shares of all the related corporations of the Company.

The directors' interests in the ordinary shares of the Company as at January 21, 2017 were the same at December 31, 2016.

## DIRECTORS' STATEMENTS

### 4 SHARE OPTIONS

At an Extraordinary General Meeting held on April 20, 2007, the members of the Company approved and adopted the AHL Performance Share Plan (the "Share Plan"), which is applicable for 10 years commencing from the date on which it was adopted by the Company.

The Share Plan is administered by the Remuneration Committee whose members are:

Mr Lim Boon Cheng (Chairman)  
Dr Choo Boy Lee Emily  
Dr Ho Choon Hou

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

At the end of the financial year, no shares were issued under the Share Plan.

### 5 AUDIT COMMITTEE

The Audit Committee of the Company, comprising all non-executive directors, is chaired by Mr Lim Boon Cheng, an independent director, and includes Dr Ho Choon Hou, independent director, and Dr Choo Boy Lee Emily, a non-executive director. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and independent and internal auditors of the Company:

- (a) the audit plans of the internal auditors of the Group and the Company and ensured the adequacy of the Group's system of internal accounting controls and the co-operation given by the Company's management to the independent and internal auditors;
- (b) the Group's financial and operating results and accounting policies;
- (c) the quarter, half year and annual announcements on the results and financial position of the Group and the Company before their submission to the Board of Directors;
- (d) the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2016 before their submission to the Board of Directors, as well as the independent auditors' report on the financial statements of the Company and the consolidated financial statements of the Group;
- (e) effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- (f) met with the independent auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (g) 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;
- (h) the cost effectiveness and the independence and objectivity of the independent auditors;
- (i) the nature and extent of non-audit services provided by the independent auditors;
- (j) recommended to the Board of Directors the independent auditors to be nominated, approved the compensation of the independent auditors and reviewed the scope and results of the audit;
- (k) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considers appropriate; and
- (l) reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

# *DIRECTORS' STATEMENTS*

## **5 AUDIT COMMITTEE (cont'd)**

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The independent and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as independent auditors of the Group at the forthcoming AGM of the Company.

## **6 AUDITORS**

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
**Dr Wong Kar King**

.....  
**Mr Lim Boon Cheng**

March 31, 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ADVANCED HOLDINGS LTD.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Advanced Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 44 to 115.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position 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 December 31, 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the 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 judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ADVANCED HOLDINGS LTD.

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Revenue recognition</b> (Notes 26 and 3.2(b) to the financial statements)</p> <p>Contract income accounted for approximately 59% of the total revenue of the Group and is recognised based on stage of completion of individual contracts. Management's judgement is required in the estimation of the stage of completion and total cost to complete the individual contracts.</p> <p>Revenue is calculated on the proportion of total costs incurred at the reporting date compared with management's estimation of the total costs of the respective contracts.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated management's process on accounting for contract revenues and tested the key controls of contract revenue cycle.</li> <li>• Selected a sample of contracts based on a number of quantitative and qualitative factors including but not limited to, projects with significant changes in margins, significant variation and claims and performed amongst others, the following audit procedures: <ol style="list-style-type: none"> <li>1. Read the terms and conditions of the contracts signed with customers to obtain an understanding of the specific terms and risks and to identify unusual terms and conditions and make enquiries with management about any variation of these contracts;</li> <li>2. Assessed and challenged the estimated cost to complete and profit margin of individual contract through discussions with knowledgeable personnel and agreeing key estimated cost assumptions to underlying evidence such as quotation from suppliers, previous purchase invoices, labour hours and rates and relevant historical information/costs; and</li> <li>3. Assessed and evaluated post-balance sheet contract performance to consider whether accounting estimates need to be adjusted.</li> </ol> </li> <li>• Evaluated the adequacy of disclosures relating to significant accounting estimates in Notes 3.2 (b) to the financial statements.</li> </ul> |
| <p><b>Contract work-in-progress ("CIP") valuation and inventories</b> (Notes 10 and 11 to the financial statements)</p> <p>At December 31, 2016, value of work recognised in excess of progress billings was \$2.6 million and progress billings in excess of value of work recognised was \$12.2 million.</p> <p>The carrying amount of inventories of the Group as at December 31, 2016 is \$8.7 million (net of allowance amounting to \$840,000).</p> <p>The value of work done and their recoverability as well as the recoverability of inventory cost are subject to significant judgment and accounting estimates which includes assessment of whether:</p> <ol style="list-style-type: none"> <li>a) Construction projects are profitable, potential delays in projects and hence whether the allowance for foreseeable loss, if any, is adequate;</li> <li>b) Inventories are saleable and allowance for obsolete and / or slow-moving inventories is adequate; and</li> <li>c) Inventories and work-in-progress are stated at the lower of cost or net realisable value.</li> </ol> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated management's processes for valuation of CIP and inventory and tested the key controls;</li> <li>• Assessed the recoverability of CIP, by reference to subsequent collections, certifications and correspondences from customer;</li> <li>• Assessed and challenged the estimated cost to complete for ongoing projects, and evaluated adequacy of allowance for foreseeable losses;</li> <li>• Assessed and challenged the assumptions used by management regarding saleability and usability of inventories in arriving at the allowance for obsolete and/or slow-moving inventories;</li> <li>• Tested that the carrying amount of inventories are stated at the lower of cost or net realisable value by comparing the latest selling price to the carrying amount for selected samples of inventories; and</li> <li>• Evaluated the adequacy of disclosures relating to significant judgments and accounting estimates in Notes 3.2 (b) and 3.2 (c) to the financial statements.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                  |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ADVANCED HOLDINGS LTD.

## Key Audit Matters (cont'd)

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Recoverability of receivables</b> (Note 8 to the financial statements)</p> <p>Past due trade receivables amount to \$13,152,000 or 74% of total trade receivables. Allowance for doubtful receivables amount to \$54,000.</p> <p>Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>We evaluated management's processes for assessment and monitoring of credit risks and tested the key controls.</p> <p>We discussed with management, evaluated their assessment of the recoverability of the outstanding receivables and the adequacy of allowance made with focus on debts which are past due but not impaired.</p> <p>We evaluated the adequacy of disclosures relating to significant judgments and accounting estimates in Note 3.2 (a) and further information in Notes 4(c)(iii) and 8 to the financial statements.</p>                                                                                                                                                                                                                                                         |
| <p><b>Accounting for acquisition of ZMK Technologies GmbH ("ZMK")</b></p> <p>On November 4, 2015, the Group acquired an 85% majority stake in a Germany-based company, ZMK. Management reassessed and finalised the purchase price allocation ("PPA") for the acquisition of ZMK in 2016 and recorded the following:</p> <p>a. a goodwill of \$141,000 (Note 14) as opposed to the negative goodwill of \$875,000 originally estimated in 2015; and</p> <p>b. amount due to customers for contracts work-in-progress ("CIP") of \$386,000 as opposed to amount due from customer for CIP of \$1,005,000 as originally estimated in 2015.</p> <p>In arriving at the finalised PPA, management re-computed the value of CIP that should have been recognised at October 31, 2015 for each of the contracts after more detailed analysis of the cost incurred at October 31, 2015.</p> | <p>We evaluated the basis and support for management's re-computation of the revenue and WIP that should have been recognised at October 31, 2015 and December 31, 2015 for each of the contracts based on the actual cost incurred on completion of the contract, including foreseeable losses that should have been recognised as at October 31, 2015.</p> <p>We assessed the completeness and proper cut off of the cost incurred for each project at October 31, 2015.</p> <p>We assessed the variation orders (if any) for each project to ensure that the variation orders are accounted for in the correct accounting period.</p> <p>The information related to restatement of financial statements for the year ended December 31, 2015 is provided in Note 40 to the financial statements.</p> |

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Statement of Corporate Governance, Directors' Statement, Statistics of Shareholdings and Substantial Shareholders included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ADVANCED HOLDINGS LTD.

## 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.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ADVANCED HOLDINGS LTD.

## Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 year 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 Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 31, 2017

# STATEMENTS OF FINANCIAL POSITION

December 31, 2016

|                                                                         | Note | Group      |         |         | Company |         |
|-------------------------------------------------------------------------|------|------------|---------|---------|---------|---------|
|                                                                         |      | 2016       | 2015    | 2014    | 2016    | 2015    |
|                                                                         |      | (restated) |         |         |         |         |
|                                                                         |      | \$'000     | \$'000  | \$'000  | \$'000  | \$'000  |
| <b>ASSETS</b>                                                           |      |            |         |         |         |         |
| <b>Current assets</b>                                                   |      |            |         |         |         |         |
| Cash and bank balances                                                  | 7    | 46,176     | 33,588  | 14,442  | 6,187   | 7,655   |
| Trade receivables                                                       | 8    | 17,794     | 20,456  | 19,826  | 583     | 751     |
| Other receivables and prepayments                                       | 9    | 2,846      | 5,904   | 5,889   | 7,305   | 5,426   |
| Amount due from customers for contract work-in-progress                 | 10   | 2,606      | 21,140  | 18,698  | -       | -       |
| Inventories                                                             | 11   | 8,696      | 16,338  | 18,632  | -       | -       |
|                                                                         |      | 78,118     | 97,426  | 77,487  | 14,075  | 13,832  |
| Assets classified as held for sale                                      | 12   | 15,988     | -       | 18,646  | -       | -       |
| Total current assets                                                    |      | 94,106     | 97,426  | 96,133  | 14,075  | 13,832  |
| <b>Non-current assets</b>                                               |      |            |         |         |         |         |
| Property, plant and equipment                                           | 13   | 24,617     | 28,311  | 31,747  | 51      | 91      |
| Goodwill                                                                | 14   | 176        | 2,805   | 5,635   | -       | -       |
| Intangible assets                                                       | 15   | 1,397      | 1,632   | 1,670   | -       | -       |
| Investments in subsidiaries                                             | 16   | -          | -       | -       | 44,373  | 45,333  |
| Investment in an associate                                              | 17   | 153        | 75      | 365     | -       | -       |
| Investment in joint venture                                             | 18   | 519        | -       | -       | -       | -       |
| Deferred tax assets                                                     | 19   | 293        | 626     | 65      | -       | -       |
| Total non-current assets                                                |      | 27,155     | 33,449  | 39,482  | 44,424  | 45,424  |
| <b>Total assets</b>                                                     |      | 121,261    | 130,875 | 135,615 | 58,499  | 59,256  |
| <b>LIABILITIES AND EQUITY</b>                                           |      |            |         |         |         |         |
| <b>Current liabilities</b>                                              |      |            |         |         |         |         |
| Amount due to customers for contract work-in-progress                   | 10   | 12,207     | 7,941   | 4,134   | -       | -       |
| Bank borrowings                                                         | 20   | 1,566      | 6,713   | 3,633   | -       | -       |
| Trade and other payables                                                | 21   | 21,732     | 33,056  | 37,893  | 2,578   | 2,156   |
| Derivative financial instruments                                        |      | -          | -       | 485     | -       | -       |
| Provision for warranty                                                  | 22   | 578        | 1,321   | 1,598   | -       | -       |
| Income tax payable                                                      |      | 1,438      | 1,574   | 938     | 143     | 80      |
|                                                                         |      | 37,521     | 50,605  | 48,681  | 2,721   | 2,236   |
| Liabilities directly associated with assets classified as held for sale | 12   | 5,364      | -       | 5,573   | -       | -       |
| Total current liabilities                                               |      | 42,885     | 50,605  | 54,254  | 2,721   | 2,236   |
| <b>Non-current liabilities</b>                                          |      |            |         |         |         |         |
| Bank borrowings                                                         | 20   | 9,913      | 8,611   | 9,644   | -       | -       |
| Deferred tax liabilities                                                | 19   | 44         | 340     | 182     | -       | -       |
| Total non-current liabilities                                           |      | 9,957      | 8,951   | 9,826   | -       | -       |
| <b>Capital, reserves and non-controlling interests</b>                  |      |            |         |         |         |         |
| Share capital                                                           | 23   | 47,433     | 47,433  | 47,433  | 47,433  | 47,433  |
| Treasury shares                                                         | 24   | (1,837)    | (1,837) | (1,837) | (1,837) | (1,837) |
| Foreign currency translation reserve                                    |      | 784        | 1,446   | 1,654   | -       | -       |
| General reserve                                                         | 25   | 1,220      | 1,130   | 1,045   | -       | -       |
| Retained earnings                                                       |      | 21,153     | 23,067  | 23,154  | 10,182  | 11,424  |
| Equity attributable to owners of the Company                            |      | 68,753     | 71,239  | 71,449  | 55,778  | 57,020  |
| Non-controlling interests                                               |      | (334)      | 80      | 86      | -       | -       |
| Total equity                                                            |      | 68,419     | 71,319  | 71,535  | 55,778  | 57,020  |
| <b>Total liabilities and equity</b>                                     |      | 121,261    | 130,875 | 135,615 | 58,499  | 59,256  |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016

|                                                                                                                                | Note    | 2016<br>\$'000 | 2015<br>(restated)<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------|---------|----------------|------------------------------|
| <b>Continuing operations</b>                                                                                                   |         |                |                              |
| <b>Revenue</b>                                                                                                                 | 26      | 94,084         | 106,611                      |
| Cost of sales                                                                                                                  |         | (75,857)       | (84,912)                     |
| <b>Gross profit</b>                                                                                                            |         | 18,227         | 21,699                       |
| Other operating income                                                                                                         | 27      | 1,693          | 1,209                        |
| Distribution and marketing costs                                                                                               |         | (7,909)        | (8,825)                      |
| Administrative expenses                                                                                                        |         | (9,000)        | (9,178)                      |
| Other operating expenses                                                                                                       | 28      | (1,826)        | (2,213)                      |
| Other gains and losses                                                                                                         | 29      | (1,844)        | (2,737)                      |
| Finance cost                                                                                                                   | 30      | (382)          | (328)                        |
| Share of results of associate and joint venture                                                                                | 17 & 18 | (639)          | (134)                        |
| <b>Loss before income tax</b>                                                                                                  |         | (1,680)        | (507)                        |
| Income tax expense                                                                                                             | 31      | (550)          | (1,066)                      |
| Loss for the year from continuing operations                                                                                   |         | (2,230)        | (1,573)                      |
| <b>Discontinued operation</b>                                                                                                  |         |                |                              |
| Profit for the year from discontinued operation                                                                                | 32      | -              | 2,565                        |
| <b>(Loss) Profit for the year</b>                                                                                              | 33      | (2,230)        | 992                          |
| <b>Other comprehensive loss</b>                                                                                                |         |                |                              |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                                                          |         |                |                              |
| Exchange differences on translation of foreign operations representing total other comprehensive loss for the year, net of tax |         | (671)          | (253)                        |
| <b>Total comprehensive (loss) income for the year</b>                                                                          |         | (2,901)        | 739                          |
| <b>(Loss) Profit attributable to:</b>                                                                                          |         |                |                              |
| Owners of the Company                                                                                                          |         | (1,825)        | 927                          |
| Non-controlling interests                                                                                                      |         | (405)          | 65                           |
|                                                                                                                                |         | (2,230)        | 992                          |
| <b>Total comprehensive (loss) income attributable to:</b>                                                                      |         |                |                              |
| Owners of the Company                                                                                                          |         | (2,487)        | 719                          |
| Non-controlling interests                                                                                                      |         | (414)          | 20                           |
|                                                                                                                                |         | (2,901)        | 739                          |
| <b>(Losses) Earnings per share (cents)</b>                                                                                     | 34      |                |                              |
| From continuing and discontinued operations:                                                                                   |         |                |                              |
| Basic and diluted                                                                                                              |         | (1.80)         | 0.92                         |
| From continuing operations:                                                                                                    |         |                |                              |
| Basic and diluted                                                                                                              |         | (1.80)         | (1.62)                       |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2016

|                                                                                  | Note | Share<br>capital<br>\$'000 | Treasury<br>shares<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | General<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Attributable<br>to equity<br>holders of<br>the Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>equity<br>\$'000 |
|----------------------------------------------------------------------------------|------|----------------------------|------------------------------|---------------------------------------------------------|------------------------------|--------------------------------|------------------------------------------------------------------|--------------------------------------------|---------------------------|
| <b>Group</b>                                                                     |      |                            |                              |                                                         |                              |                                |                                                                  |                                            |                           |
| Balance as at<br>January 1, 2015                                                 |      | 47,433                     | (1,837)                      | 1,654                                                   | 1,045                        | 23,154                         | 71,449                                                           | 86                                         | 71,535                    |
| <b>Total comprehensive income for the year</b>                                   |      |                            |                              |                                                         |                              |                                |                                                                  |                                            |                           |
| Profit for the year<br>(restated)                                                | 40   | -                          | -                            | -                                                       | -                            | 927                            | 927                                                              | 65                                         | 992                       |
| Other comprehensive loss<br>for the year (restated)                              | 40   | -                          | -                            | (208)                                                   | -                            | -                              | (208)                                                            | (45)                                       | (253)                     |
| Total                                                                            |      | -                          | -                            | (208)                                                   | -                            | 927                            | 719                                                              | 20                                         | 739                       |
| <b>Transaction with owners, recognised directly in equity</b>                    |      |                            |                              |                                                         |                              |                                |                                                                  |                                            |                           |
| Appropriation to general<br>reserve                                              | 25   | -                          | -                            | -                                                       | 85                           | (85)                           | -                                                                | -                                          | -                         |
| Non-controlling interest<br>arising from acquisition<br>of subsidiary (restated) | 40   | -                          | -                            | -                                                       | -                            | -                              | -                                                                | 25                                         | 25                        |
| Acquisition of<br>non-controlling interest                                       | 16   | -                          | -                            | -                                                       | -                            | (18)                           | (18)                                                             | (51)                                       | (69)                      |
| Dividend                                                                         | 39   | -                          | -                            | -                                                       | -                            | (911)                          | (911)                                                            | -                                          | (911)                     |
| Total                                                                            |      | -                          | -                            | -                                                       | 85                           | (1,014)                        | (929)                                                            | (26)                                       | (955)                     |
| Balance as at December<br>31, 2015 (restated)                                    |      | 47,433                     | (1,837)                      | 1,446                                                   | 1,130                        | 23,067                         | 71,239                                                           | 80                                         | 71,319                    |
| Balance as at January<br>1, 2016 (as previously<br>reported)                     |      | 47,433                     | (1,837)                      | 1,481                                                   | 1,130                        | 24,084                         | 72,291                                                           | 266                                        | 72,557                    |
| Adjustment                                                                       | 40   | -                          | -                            | (35)                                                    | -                            | (1,017)                        | (1,052)                                                          | (186)                                      | (1,238)                   |
| Balance as at January 1,<br>2016 (restated)                                      |      | 47,433                     | (1,837)                      | 1,446                                                   | 1,130                        | 23,067                         | 71,239                                                           | 80                                         | 71,319                    |
| <b>Total comprehensive loss for the year</b>                                     |      |                            |                              |                                                         |                              |                                |                                                                  |                                            |                           |
| Loss for the year                                                                |      | -                          | -                            | -                                                       | -                            | (1,825)                        | (1,825)                                                          | (405)                                      | (2,230)                   |
| Other comprehensive loss<br>for the year                                         |      | -                          | -                            | (662)                                                   | -                            | -                              | (662)                                                            | (9)                                        | (671)                     |
| Total                                                                            |      | -                          | -                            | (662)                                                   | -                            | (1,825)                        | (2,487)                                                          | (414)                                      | (2,901)                   |
| <b>Transaction with owners, recognised directly in equity</b>                    |      |                            |                              |                                                         |                              |                                |                                                                  |                                            |                           |
| Appropriation to general<br>reserve                                              | 25   | -                          | -                            | -                                                       | 90                           | (90)                           | -                                                                | -                                          | -                         |
| Unclaimed dividend<br>returned                                                   |      | -                          | -                            | -                                                       | -                            | 1                              | 1                                                                | -                                          | 1                         |
| Balance as at December<br>31, 2016                                               |      | 47,433                     | (1,837)                      | 784                                                     | 1,220                        | 21,153                         | 68,753                                                           | (334)                                      | 68,419                    |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2016

|                                                                           | Note | Share<br>capital<br>\$'000 | Treasury<br>shares<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------------------------|------|----------------------------|------------------------------|--------------------------------|-----------------|
| <u>Company</u>                                                            |      |                            |                              |                                |                 |
| Balance as at January 1, 2015                                             |      | 47,433                     | (1,837)                      | 7,188                          | 52,784          |
| Profit for the year, representing total comprehensive income for the year |      | -                          | -                            | 5,147                          | 5,147           |
| <b>Transaction with owners, recognised directly in equity</b>             |      |                            |                              |                                |                 |
| Dividend                                                                  | 39   | -                          | -                            | (911)                          | (911)           |
| Balance as at December 31, 2015                                           |      | 47,433                     | (1,837)                      | 11,424                         | 57,020          |
| Loss for the year, representing total comprehensive loss for the year     |      | -                          | -                            | (1,243)                        | (1,243)         |
| <b>Transaction with owners, recognised directly in equity</b>             |      |                            |                              |                                |                 |
| Unclaimed dividend returned                                               |      | -                          | -                            | 1                              | 1               |
| Balance as at December 31, 2016                                           |      | 47,433                     | (1,837)                      | 10,182                         | 55,778          |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

|                                                          | Group    |            |
|----------------------------------------------------------|----------|------------|
|                                                          | 2016     | 2015       |
|                                                          |          | (restated) |
|                                                          | \$'000   | \$'000     |
| <b>Operating activities</b>                              |          |            |
| (Loss) Profit before income tax                          | (1,680)  | 2,233      |
| Adjustments for:                                         |          |            |
| Depreciation of property, plant and equipment            | 2,230    | 3,499      |
| Allowance for impairment in value of inventories         | 187      | 43         |
| Inventories written off                                  | 1        | 35         |
| Amortisation of intangible assets                        | 133      | 177        |
| (Reversal of) Allowance for doubtful trade debts         | (118)    | 110        |
| Write-off of trade receivables                           | -        | 1          |
| Loss on disposal of property, plant and equipment        | 2        | 26         |
| Share of results of associate                            | (36)     | 134        |
| Share of results of joint venture                        | 675      | -          |
| Allowance for impairment loss in a joint venture         | -        | -          |
| Impairment loss on goodwill                              | 1,605    | 2,971      |
| Impairment loss on investment in an associate            | -        | 200        |
| Impairment loss on intangible assets                     | 74       | -          |
| Gain on disposal of subsidiaries (Note A)                | -        | (1,750)    |
| Provision (Reversal of provision) for warranty           | 114      | (718)      |
| Fair value gain on currency forward contracts            | -        | (485)      |
| Interest expense                                         | 382      | 380        |
| Interest income                                          | (140)    | (211)      |
| Operating cash flows before movements in working capital | 3,429    | 6,645      |
| Inventories                                              | 7,143    | 2,494      |
| Contract work-in-progress                                | 18,412   | 789        |
| Trade receivables                                        | (999)    | 64         |
| Other receivables and prepayments                        | 3,324    | (545)      |
| Service concession receivables                           | -        | (528)      |
| Trade and other payables                                 | (10,405) | (4,829)    |
| Utilisation of provision for warranty                    | (155)    | (17)       |
| Cash generated from operations                           | 20,749   | 4,073      |
| Income tax paid                                          | (362)    | (478)      |
| Interest paid                                            | (382)    | (380)      |
| Interest received                                        | 135      | 63         |
| Net cash from operating activities                       | 20,140   | 3,278      |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

|                                                                                    | Group         |               |
|------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                    | 2016          | 2015          |
|                                                                                    |               | (restated)    |
|                                                                                    | \$'000        | \$'000        |
| <b>Investing activities</b>                                                        |               |               |
| Proceeds from disposal of property, plant and equipment                            | 22            | 729           |
| Consideration received on disposal of subsidiaries (Note A)                        | 1,241         | 12,584        |
| Net cash arising on acquisition of a subsidiary (Note B)                           | -             | 163           |
| Purchase of property, plant and equipment                                          | (3,390)       | (761)         |
| Investment in an associate                                                         | -             | (5)           |
| Investment in a joint venture                                                      | (67)          | -             |
| Acquisition of intangible assets                                                   | (38)          | (3)           |
| Acquisition of non-controlling interest (Note C)                                   | -             | (69)          |
| Deposit for investment in joint venture                                            | (1,249)       | -             |
| Loan receivable from a joint venture                                               | (1,409)       | -             |
| Deposit received on the disposal of subsidiary                                     | 2,000         | -             |
| Net cash (used in) from investing activities                                       | (2,890)       | 12,638        |
| <b>Financing activities</b>                                                        |               |               |
| Unclaimed dividend returned to the Company                                         | 1             | -             |
| Dividends paid to owners of the Company                                            | -             | (911)         |
| Proceeds from bank borrowings                                                      | 3,177         | 5,807         |
| Repayment of bank borrowings                                                       | (6,022)       | (4,205)       |
| Decrease in pledged cash and bank balances and fixed deposits                      | 183           | 97            |
| Net cash (used in) from financing activities                                       | (2,661)       | 788           |
| Net increase in cash and cash equivalents                                          | 14,589        | 16,704        |
| Cash and cash equivalents at beginning of the year                                 | 33,180        | 16,302        |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (175)         | 174           |
| <b>Cash and cash equivalents at end of the year</b>                                | <b>47,594</b> | <b>33,180</b> |

## Cash and cash equivalents for statement of cash flows comprise:

|                                                  |               |               |
|--------------------------------------------------|---------------|---------------|
| Cash and bank balances                           | 36,234        | 23,842        |
| Fixed deposits                                   | 11,579        | 9,746         |
| Cash and cash equivalents (Note 7)               | 47,813        | 33,588        |
| Less: Restricted fixed deposits (Note 7)         | (206)         | (376)         |
| Less: Restricted cash and bank balances (Note 7) | (13)          | (32)          |
|                                                  | <b>47,594</b> | <b>33,180</b> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

## Note A:

### Disposal of subsidiaries

As referred to Note 32, on August 28, 2015, the Group disposed its subsidiaries in non-core environmental technologies operation.

Details of the disposal are as follows:

### Carrying amounts of net assets over which control was lost

|                                                                                                                                              | <b>2015</b>          |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
|                                                                                                                                              | <b>\$'000</b>        |
| <b>Current assets</b>                                                                                                                        |                      |
| Cash and cash equivalents                                                                                                                    | 3,071                |
| Trade receivables                                                                                                                            | 245                  |
| Other receivables and prepayments                                                                                                            | 2,455                |
| Service concession receivables                                                                                                               | 642                  |
| Amount due from customers for contract work-in-progress                                                                                      | 406                  |
| Inventories                                                                                                                                  | 242                  |
| Total current assets                                                                                                                         | <u>7,061</u>         |
| <b>Non-current assets</b>                                                                                                                    |                      |
| Service concession receivables                                                                                                               | 7,200                |
| Property, plant and equipment                                                                                                                | 3,834                |
| Intangible asset                                                                                                                             | 4,302                |
| Deferred tax assets                                                                                                                          | 23                   |
| Total non-current assets                                                                                                                     | <u>15,359</u>        |
| <b>Current liabilities</b>                                                                                                                   |                      |
| Bank borrowings                                                                                                                              | (1,238)              |
| Trade and other payables                                                                                                                     | (4,278)              |
| Income tax payable                                                                                                                           | (73)                 |
| Total current liabilities                                                                                                                    | <u>(5,589)</u>       |
| <b>Non-current liabilities</b>                                                                                                               |                      |
| Deferred tax liabilities                                                                                                                     | (422)                |
| Total non-current liabilities                                                                                                                | <u>(422)</u>         |
| <b>Net assets derecognised</b>                                                                                                               | <u><u>16,409</u></u> |
| <b>Consideration received:</b>                                                                                                               |                      |
| Cash                                                                                                                                         | 15,703               |
| Deferred consideration                                                                                                                       | 1,241                |
| Exchange differences                                                                                                                         | 29                   |
| Total consideration                                                                                                                          | <u><u>16,973</u></u> |
| <b>Gain on disposal:</b>                                                                                                                     |                      |
| Total consideration received                                                                                                                 | 16,973               |
| Net assets derecognised                                                                                                                      | (16,409)             |
| Expenses incurred in relation to the disposal of subsidiaries                                                                                | (53)                 |
| Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries | 1,239                |
| Gain on disposal                                                                                                                             | <u><u>1,750</u></u>  |
| Total consideration received                                                                                                                 | 16,973               |
| Less: Deferred consideration receivable                                                                                                      | (1,270)              |
| Less: Expenses incurred in relation to the disposal of subsidiaries paid to date                                                             | (48)                 |
| Less: Cash and cash equivalents in subsidiaries disposed of                                                                                  | (3,071)              |
| Net cash inflow arising on disposal                                                                                                          | <u><u>12,584</u></u> |

The deferred consideration was settled in cash by the purchaser on December 6, 2016.

The effects of the disposal group on the Group's results and cash flows in the current and prior periods is disclosed in Note 32 to the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

## Note B:

### Acquisition of subsidiary (Note 16)

On November 4, 2015, the Group acquired 85% equity interest in ZMK Technologies GmbH ("ZMK"), for a cash consideration of Euro 1 (equivalent to \$1.49).

ZMK is an entity incorporated in Germany and its principal activities are to develop, manufacture, and distribute specialty valves for chemical and petrochemical markets worldwide. The Group acquired ZMK to increase the Group's range of product offerings to its customers in the future.

#### Assets acquired and liabilities assumed at the date of acquisition

The fair value of the identifiable assets acquired and liabilities assumed and the cash flow effect of the acquisition are as follows:

|                                                        | 2015<br>\$'000<br>(Restated) | 2015<br>\$'000<br>(As previously<br>reported) |
|--------------------------------------------------------|------------------------------|-----------------------------------------------|
| <b>Current assets</b>                                  |                              |                                               |
| Cash and cash equivalents                              | 163                          | 163                                           |
| Trade receivables                                      | 631                          | 631                                           |
| Other receivables and prepayments                      | 26                           | 26                                            |
| Inventories                                            | -                            | 317                                           |
| Amount due from customer for contract work-in-progress | -                            | 1,005                                         |
|                                                        | <u>820</u>                   | <u>2,142</u>                                  |
| <b>Non-current assets</b>                              |                              |                                               |
| Property, plant and equipment                          | 145                          | 145                                           |
| Intangible assets                                      | 43                           | 43                                            |
| Deferred tax assets                                    | 563                          | 51                                            |
|                                                        | <u>751</u>                   | <u>239</u>                                    |
| <b>Current liability</b>                               |                              |                                               |
| Trade and other payables                               | (1,352)                      | (1,352)                                       |
| Amount due to customer for contract work-in-progress   | (385)                        | -                                             |
|                                                        | <u>(1,737)</u>               | <u>(1,352)</u>                                |
| <b>Net Assets acquired net of liabilities assumed</b>  | <u>(166)</u>                 | <u>1,029</u>                                  |

#### Non-controlling interest

The non-controlling interest of 15% in ZMK recognised at the acquisition date was measured at 15% of the fair value of ZMK's identifiable net assets.

#### Goodwill arising on acquisition

|                                                                      | 2015<br>\$'000<br>(Restated) | 2015<br>\$'000<br>(As previously<br>reported) |
|----------------------------------------------------------------------|------------------------------|-----------------------------------------------|
| Consideration transferred*                                           | -                            | -                                             |
| Non-controlling interest                                             | 25                           | (154)                                         |
| Fair value of identifiable net (liabilities) assets acquired         | (166)                        | 1,029                                         |
| (Goodwill) Gain on bargain purchase arising on acquisition (Note 14) | <u>(141)</u>                 | <u>875</u>                                    |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

## Note B:

### Acquisition of subsidiary (Note 16) (cont'd)

#### Goodwill arising on acquisition (cont'd)

As at December 31, 2015, the fair value of ZMK's net assets was determined on a provisional basis as the final results of certain construction projects were not available by the date the financial statements were authorised for issue.

Management finalised the purchase price allocation for the acquisition of ZMK during the financial year ended December 31, 2016. As a result, certain adjustments have been made to the consolidated statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity to incorporate the adjustments made to the purchase price allocation. There is no adjustment for the purchase consideration of Euro 1.

#### Net cash inflow on acquisition of subsidiary

|                                            | \$'000     |
|--------------------------------------------|------------|
| Consideration paid in cash*                | -          |
| Cash and cash equivalent balances acquired | 163        |
|                                            | <u>163</u> |

\* - Amount less than \$1,000

#### Effect of acquisition on the results of the Group in 2015

Included in the profit for the year is profit of \$815,000 attributable to ZMK. Revenue for the period from ZMK amounted to \$2,582,000.

Had this business combination been effected at January 1, 2015, the revenue of the Group from ZMK would have been \$3,165,000 (restated) and the loss for the year from ZMK would have been \$538,000 (restated).

## Note C:

### Acquisition of non-controlling interests

In 2015, the Group acquired an additional 1.46% interest in its subsidiary, Guided Wave Incorporated ("GWI") when GWI bought back its shares from the non-controlling interests. Cash outflow as a result of acquisition of non-controlling interests via share buy-back in the subsidiary is set out below:

|                                                                      | 2015<br>\$'000 |
|----------------------------------------------------------------------|----------------|
| Non-current assets                                                   | 2              |
| Inventories                                                          | 26             |
| Trade and other receivables                                          | 18             |
| Other current assets                                                 | 13             |
| Trade and other payables                                             | (13)           |
| Net identifiable assets                                              | <u>46</u>      |
| Reduction in non-controlling interests                               | 5              |
| Loss from acquisition of non-controlling interests charged to equity | <u>18</u>      |
| Net cash outflow on acquisition of non-controlling interests         | <u>69</u>      |

In accordance with FRS 27 *Separate Financial Statements*, changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The resulting cash flows are classified as cash flows from financing activities.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 1 GENERAL

The Company (Registration Number 200401856N) is incorporated in Singapore with its principal place of business and registered office at 30 Woodlands Loop, Singapore 738319. The Company is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The financial statements are expressed in Singapore dollars ("S" or "SGD").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries, associate and joint venture are disclosed in Notes 16, 17 and 18 respectively.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 31, 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of accounting*

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

### 2.2 *Adoption of new and revised standards*

On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>2</sup>
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*<sup>2</sup>

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

- FRS 116 Leases<sup>3</sup>
- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative<sup>1</sup>
- Improvements to FRSs (December 2016)

<sup>1</sup> Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

<sup>2</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

<sup>3</sup> Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

Management has not early adopted any of the above new/amended FRSs.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

#### **FRS 109 Financial Instruments**

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109 that are currently relevant to the Group and the Company:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

#### FRS 109 Financial Instruments (cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of FRS 109. Additional disclosures will also be made in respect of financial instruments including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

#### FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition on contract revenue. Additional disclosures will also be made with respect to the amount due from (to) customers for contract work-in-progress, trade receivables and revenue, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

#### FRS 116 Leases

FRS 116 was issued in June 2016 and it will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

#### FRS 116 Leases (cont'd)

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Upon adoption of FRS 116, all obligations for non-cancellable leases (other than the exceptions above) will be recognised as liabilities with corresponding recognition of right-of-use assets. Note 36 provides information on the existing lease obligations at December 31, 2016.

#### IFRS convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

Management is currently performing a detailed analysis of the available policy choices, transition option exemption and transitional mandatory exceptions under IFRS 1 and the preliminary assessment above may be subject to changes arising from the detailed analysis.

### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 *Basis of consolidation (cont'd)*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associate and joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

### 2.4 *Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting date and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 *Business combinations (cont'd)*

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

### 2.5 *Financial instrument*

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts to present value the estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

#### (b) Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Financial instrument (cont'd)

#### (b) Financial assets (cont'd)

##### (i) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

##### (ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency of payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Financial instrument (cont'd)

#### (iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### (c) Financial liabilities and equity instruments

##### (i) Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### (ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### (iii) Treasury shares

When the Company purchases the Company's equity share capital, the consideration paid, including any directly attributable costs, is taken up directly in "Treasury Shares" and is classified as equity. When the shares are subsequently disposed or cancelled, no gains or losses on disposal or cancellation of the treasury shares are recognised.

##### (iv) Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest rate is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

##### (v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or when they expire.

##### (vi) Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.6 *Construction contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amount due from customers for contract work-in-progress. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amount due to customers for contract work-in-progress. Amounts received before the related work is performed are included in the consolidated statement of financial position, under amount due to customers for contract work-in-progress. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under amount due from customers for contract work-in-progress.

### 2.7 *Service concession arrangements*

The Group had entered into service concession arrangements with various bodies or agencies of the government in the People's Republic of China ("PRC") (the "grantors") to operate waste water treatment plants in Mumashan, Chengdu province and to supply tap water from water treatment plants in Pengxi, Sichuan province. Such concession arrangements fall within the scope of INT FRS 112 *Service Concession Arrangements* and are accounted for as follows:

#### Financial assets - service concession receivables

Under the concession arrangements, the Group will construct and/or operate the plants for a concession period of 20 years and transfer the plants to the grantors at the end of the concession periods.

The Group recognises a service concession receivable if it has a contractual right under the service concession arrangements to receive determinable payments during the concession period irrespective of the usage of the plants. Service concession receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the service concession receivable is carried at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the service concession receivable (if any), which will be used to reduce the carrying amount of the service concession receivable in its statement of financial position, (ii) interest income, which will be recognised as finance income in its income statement and (iii) revenue from operating and maintaining the plants to be recognised in profit or loss.

### 2.8 *Non-current assets held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 *Non-current assets held for sale (cont'd)*

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### 2.9 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs, sub-contracting charges and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is calculated on the following methods:

|                                  |   |                            |
|----------------------------------|---|----------------------------|
| Raw materials and finished goods | - | First-in, first-out method |
| Spare parts and consumable tools | - | Weighted average method    |

### 2.10 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

|                              |                                                         |
|------------------------------|---------------------------------------------------------|
| Properties on leasehold land | over remaining lease period ranging from 39 to 46 years |
| Leasehold improvements       | 10 years                                                |
| Plant and equipment          | 3 to 10 years                                           |
| Renovation                   | 3 to 10 years                                           |
| Motor vehicles               | 5 to 10 years                                           |
| Property on freehold land    | 33 years                                                |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

### 2.11 *Goodwill*

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indicator that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.11 *Goodwill (cont'd)*

On disposal of a subsidiary or the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 2.12 *Intangible assets*

#### (a) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

#### (b) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

#### (c) Land use rights

The cost of acquiring land use rights in the PRC are classified as land use rights and amortised on a straight line basis over the period of 47 years, which represents the remaining period to which the land use rights had been granted to the Group.

### 2.13 *Impairment of tangible and intangible assets excluding goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indicator that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Associate and joint venture

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

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

The results and assets and liabilities of associate or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use 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 reclassified to profit or loss on the disposal of the related assets or liabilities.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Associate and joint venture (cont'd)

Where a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associates are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### 2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Warranties

The Group recognises the estimated liability to repair or replace products that are still under warranty at the end of the reporting period.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation, and is calculated based on historical experience of the level of repairs and replacements. Changes in estimates are recognised in profit or loss.

### 2.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### (a) The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 **Leases (cont'd)**

#### (b) The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 2.18 **Statutory reserve**

The PRC's laws and regulations require the entities to provide for a statutory reserve which is appropriated from net income as reported in the PRC statutory financial statements. The use of this reserve is at the discretion of the entities' Board of Directors. The reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

### 2.19 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### (a) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### (b) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from construction contracts is recognised in accordance with the Group's accounting policy on "Construction Contracts" in Note 2.6.

Revenue from service and commission income is recognised when services are rendered to customers.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.19 Revenue recognition (cont'd)

#### (c) Service concession arrangements

##### (i) Construction services

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on revenue recognition on construction contracts (Note 2.6).

##### (ii) Operation services

Revenue derived from the provision of operating services under a service concession arrangement is recognised in the period in which these services are provided by the Group.

When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

#### (d) Finance income

Finance income, representing the interest income on the service concession receivables, is recognised in profit or loss using the effective interest method.

#### (e) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### (f) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been established.

#### (g) Rental income

The Group's policy for recognition of revenue from operating leases is as described above (Note 2.17).

### 2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.21 Research and development costs

Research and development cost that does not meet the recognition criteria under FRS 38 *Intangible Assets*, are recognised as an expense in the period in which it is incurred.

### 2.22 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and state-sponsored retirement benefit scheme in the PRC, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.23 *Employee leave entitlement*

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

### 2.24 *Income tax*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, associate and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

### 2.25 *Foreign currency transactions and translation*

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in SGD, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.25 *Foreign currency transactions and translation (cont'd)*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in SGD using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.26 *Cash and cash equivalents in the statement of cash flows*

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances, fixed deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. The entities in the Group trade in various currencies, hence, 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 economic environment 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' processes of determining sales prices. The functional currencies are principally the domestic currencies of the respective entities' country of operation.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) Recoverability of receivables

Management reviews its receivables for any indicator of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy and default or significant delay in payments are considered objective evidence that a receivable is impaired.

In determining this, management makes judgement as to whether there is observable information indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experienced.

The carrying amounts of the Group's trade and other receivables are disclosed in Notes 8 and 9 respectively.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (b) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable and based on the percentage-of-completion method. The percentage-of-completion is measured by reference to the stage of completion of the contract activity or cumulative contract costs incurred to-date, as a proportion of the estimated total costs for the contract.

Significant assumptions are required in determining the percentage-of-completion, the estimated total contract revenue and estimated total contract cost, as well as the recoverability of the contract costs incurred. Total contract revenue may include an estimation of the variation works recoverable from the customers to the extent it is probable that the claim on customers will succeed. In making these estimates, management relies on its past experience.

The carrying amounts of the Group's contract work-in-progress are disclosed in Note 10.

#### (c) Recoverability of inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of the inventories on hand is performed based on the most reliable evidence at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the reporting period.

The carrying amounts of the Group's inventories are disclosed in Note 11.

#### (d) Depreciation and useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The estimated useful lives reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

The carrying amounts of the Group's and Company's property, plant and equipment are disclosed in Note 13.

#### (e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Details of the impairment loss are disclosed in Note 14.

#### (f) Impairment assessment of investments in subsidiaries, an associate and a joint venture

The Group determines whether investments in subsidiaries, an associate and a joint venture are impaired in accordance with FRS 36 *Impairment of Assets*. This requires an estimation of the value in use of the subsidiaries, an associate and a joint venture. The value in use calculation requires the Group to estimate the future cash flows expected from the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverable amount of these investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. Details of the Company's investments in subsidiaries, an associate and a joint venture are disclosed in Notes 16, 17 and 18 respectively.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

(g) Provision for warranty

Provision for warranty is based on historical experience of the level of repairs and replacements. Management's estimate of the provision for warranty is based on the complexity of the projects. The Group recognises the estimated liability to repair or replace products that are still under warranty at the reporting date. The carrying amounts of the provision for warranty are disclosed in Note 22.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

|                                                            | Group         |               | Company       |               |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                            | 2016          | 2015          | 2016          | 2015          |
|                                                            |               | (restated)    |               |               |
|                                                            | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Financial assets</b>                                    |               |               |               |               |
| Loans and receivables:                                     |               |               |               |               |
| - Cash and bank balances                                   | 46,176        | 33,588        | 6,187         | 7,655         |
| - Trade receivables                                        | 17,794        | 20,456        | 583           | 751           |
| - Amounts due from customers for contract work-in-progress | 2,606         | 21,140        | -             | -             |
| - Other receivables                                        | 1,945         | 1,717         | 7,270         | 5,397         |
|                                                            | <u>68,521</u> | <u>76,901</u> | <u>14,040</u> | <u>13,803</u> |
| <b>Financial liabilities</b>                               |               |               |               |               |
| At amortised cost:                                         |               |               |               |               |
| - Trade and other payables                                 | 14,707        | 17,538        | 2,547         | 2,128         |
| - Bank borrowings                                          | 11,479        | 15,324        | -             | -             |
|                                                            | <u>26,186</u> | <u>32,862</u> | <u>2,547</u>  | <u>2,128</u>  |

### b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

There are no financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements in 2016 and 2015.

### c) Financial risk management policies and objectives

The Group's overall policy with respect to managing risk arising in the normal course of the Group's business as well as that associated with financial instruments is to minimise the potential adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

The Group may use forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods.

The Group does not hold or issue derivative financial instruments for speculative purposes.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### c) Financial risk management policies and objectives (cont'd)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

#### (i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollars ("USD"), Euro ("EURO"), British Pounds ("GBP") and Chinese Renminbi ("RMB") and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group's entities' functional currencies are as follows:

|                 | Group       |        |        |        | Company     |        |        |        |
|-----------------|-------------|--------|--------|--------|-------------|--------|--------|--------|
|                 | Liabilities |        | Assets |        | Liabilities |        | Assets |        |
|                 | 2016        | 2015   | 2016   | 2015   | 2016        | 2015   | 2016   | 2015   |
|                 | \$'000      | \$'000 | \$'000 | \$'000 | \$'000      | \$'000 | \$'000 | \$'000 |
| Denominated in: |             |        |        |        |             |        |        |        |
| USD             | 2,412       | 4,477  | 27,035 | 13,828 | 1,480       | 45     | 1,016  | 37     |
| EURO            | 471         | 1,667  | 1,900  | 2,646  | 8           | -      | 2,229  | 1      |
| GBP             | 103         | 455    | 161    | 241    | -           | -      | -      | -      |
| RMB             | 124         | -      | 3,163  | 1,252  | 123         | -      | -      | 1,241  |
| SGD             | -           | -      | 331    | 290    | -           | -      | -      | -      |
| Others          | 7           | 6      | 11     | 2      | -           | -      | -      | -      |

The Group mitigates foreign currency exposure by striving, where possible, to negotiate sales and purchase transactions in the same currency with counterparties. Exposure to foreign currency risks is monitored on an ongoing basis to ensure that net exposure is at an acceptable level by entering into forward contracts as and when necessary.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

#### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss. There is no impact on the Group's equity.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### c) Financial risk management policies and objectives (cont'd)

#### (i) Foreign exchange risk management (cont'd)

##### Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit will increase (decrease) [2015: Loss will decrease (increase)] by:

|            | Group  |        | Company |        |
|------------|--------|--------|---------|--------|
|            | 2016   | 2015   | 2016    | 2015   |
|            | \$'000 | \$'000 | \$'000  | \$'000 |
| Impact on: |        |        |         |        |
| USD        | 2,462  | 935    | (46)    | (1)    |
| EUR        | 143    | 98     | 222     | -      |
| GBP        | 6      | (21)   | -       | -      |
| RMB        | 304    | 125    | (12)    | 124    |
| SGD        | 33     | 29     | -       | -      |

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the effect on profit or loss will be vice versa.

#### (ii) Interest rate risk management

Interest rate risk refers to the risk faced by the Group as a result of fluctuation in interest rates.

The Group's exposure to interest rate risk mainly arises from the Group's fixed deposits placed with banks and certain bank borrowings which bear variable interest rates. The terms of repayment of the bank borrowings and their interest rates are disclosed in Note 20. The tenure of the Group's fixed deposits placed with bank and their interest rates are disclosed in Note 7.

As at the end of the reporting period and in prior year, interest rate sensitivity analysis have not been performed as the impact on the Group's profit or loss are not expected to be material.

#### (iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with banks and financial institutions that are deemed to be reputable and regulated by a supervisory body. For trade receivables, the Group trades only with recognised and creditworthy counterparties. It is the Group's policy to perform ongoing credit evaluation of its customers' financial condition. In addition, receivable balances are monitored on a monthly basis by the management.

The Group and Company do not require or hold collateral on account of its receivables. The maximum exposure to credit risk for each class of financial asset is the carrying amount of that class of financial asset as shown on the statement of financial position.

Additionally, corporate guarantees given by the Company to banks for the subsidiaries' credit facilities amount to \$71,486,000 (2015 : \$93,604,000).

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### c) Financial risk management policies and objectives (cont'd)

#### (iii) Credit risk management (cont'd)

The maximum exposure to credit risk for trade receivables as at the end of the reporting period based on location of the Group's customers is set out as follows:

|                                     | Group  |        | Company |        |
|-------------------------------------|--------|--------|---------|--------|
|                                     | 2016   | 2015   | 2016    | 2015   |
|                                     | \$'000 | \$'000 | \$'000  | \$'000 |
| PRC                                 | 4,130  | 8,171  | -       | -      |
| Singapore                           | 1,085  | 3,841  | 583     | 745    |
| Japan                               | 8,866  | 3,021  | -       | -      |
| Other Asian countries               | 799    | 2,321  | -       | -      |
| Europe and United States of America | 1,217  | 2,644  | -       | 6      |
| Others                              | 1,697  | 458    | -       | -      |
|                                     | 17,794 | 20,456 | 583     | 751    |

The Group's exposure to credit risk is determined mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less of an influence on credit risk.

The trade receivables of the Group included 5 debtors (2015 : 4 debtors) that individually represented more than 5% of the Group's trade receivables.

Further details of credit risks on trade receivables are disclosed in Note 8.

#### (iv) Liquidity risk management

To manage liquidity risk, the Group prepares cash flow projections, and reviews its cash requirement on a regular basis. It maintains sufficient level of cash and cash equivalents to enable it to meet its normal operating commitments and secures committed funding facilities from financial institutions.

#### Liquidity and interest risk analyses

#### Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to interest which is not included in the carrying amount of the financial liability on the statement of financial position.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### c) Financial risk management policies and objectives (cont'd)

#### (iv) Liquidity risk management (cont'd)

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial liabilities (cont'd)

|                        | Weighted<br>average<br>effective<br>interest rate<br>% per annum | On<br>demand<br>or within<br>1 year<br>\$'000 | Within<br>2 to<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|------------------------|------------------------------------------------------------------|-----------------------------------------------|-------------------------------------|----------------------------|----------------------|-----------------|
| <u>Group</u>           |                                                                  |                                               |                                     |                            |                      |                 |
| <b>2016</b>            |                                                                  |                                               |                                     |                            |                      |                 |
| Non-interest bearing   | -                                                                | 14,707                                        | -                                   | -                          | -                    | 14,707          |
| Variable interest rate | 2.98                                                             | 1,721                                         | 4,822                               | 3,627                      | (1,126)              | 9,044           |
| Fixed interest rate    | 1.61                                                             | 126                                           | 705                                 | 1,946                      | (342)                | 2,435           |
|                        |                                                                  | <u>16,554</u>                                 | <u>5,527</u>                        | <u>5,573</u>               | <u>(1,468)</u>       | <u>26,186</u>   |
| <b>2015</b>            |                                                                  |                                               |                                     |                            |                      |                 |
| Non-interest bearing   | -                                                                | 17,538                                        | -                                   | -                          | -                    | 17,538          |
| Variable interest rate | 2.63                                                             | 6,978                                         | 6,136                               | 3,519                      | (1,309)              | 15,324          |
|                        |                                                                  | <u>24,516</u>                                 | <u>6,136</u>                        | <u>3,519</u>               | <u>(1,309)</u>       | <u>32,862</u>   |
| <u>Company</u>         |                                                                  |                                               |                                     |                            |                      |                 |
| <b>2016</b>            |                                                                  |                                               |                                     |                            |                      |                 |
| Non-interest bearing   |                                                                  | <u>2,547</u>                                  | -                                   | -                          | -                    | <u>2,547</u>    |
| <b>2015</b>            |                                                                  |                                               |                                     |                            |                      |                 |
| Non-interest bearing   |                                                                  | <u>2,128</u>                                  | -                                   | -                          | -                    | <u>2,128</u>    |

#### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable interest which are not included in the carrying amount of the statement of financial position.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### c) Financial risk management policies and objectives (cont'd)

#### (iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets (cont'd)

|                                    | Weighted<br>average<br>effective<br>interest rate<br>% per annum | On demand<br>or within<br>1 year<br>\$'000 | Within 2 to<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 | Adjustment<br>\$'000 | Total<br>\$'000 |
|------------------------------------|------------------------------------------------------------------|--------------------------------------------|----------------------------------|----------------------------|----------------------|-----------------|
| <u>Group</u>                       |                                                                  |                                            |                                  |                            |                      |                 |
| <b>2016</b>                        |                                                                  |                                            |                                  |                            |                      |                 |
| Non-interest bearing               | -                                                                | 56,942                                     | -                                | -                          | -                    | 56,942          |
| Fixed interest rate<br>instruments | 2.10                                                             | 11,540                                     | 71                               | -                          | (32)                 | 11,579          |
|                                    |                                                                  | <u>68,482</u>                              | <u>71</u>                        | <u>-</u>                   | <u>(32)</u>          | <u>68,521</u>   |
| <b>2015 (restated)</b>             |                                                                  |                                            |                                  |                            |                      |                 |
| Non-interest bearing               | -                                                                | 67,155                                     | -                                | -                          | -                    | 67,155          |
| Fixed interest rate<br>instruments | 2.24                                                             | 9,690                                      | 60                               | -                          | (4)                  | 9,746           |
|                                    |                                                                  | <u>76,845</u>                              | <u>60</u>                        | <u>-</u>                   | <u>(4)</u>           | <u>76,901</u>   |
| <u>Company</u>                     |                                                                  |                                            |                                  |                            |                      |                 |
| <b>2016</b>                        |                                                                  |                                            |                                  |                            |                      |                 |
| Non-interest bearing               | -                                                                | 9,527                                      | -                                | -                          | -                    | 9,527           |
| Fixed interest rate<br>instruments | 0.80                                                             | 4,522                                      | -                                | -                          | (9)                  | 4,513           |
|                                    |                                                                  | <u>14,049</u>                              | <u>-</u>                         | <u>-</u>                   | <u>(9)</u>           | <u>14,040</u>   |
| <b>2015</b>                        |                                                                  |                                            |                                  |                            |                      |                 |
| Non-interest bearing               | -                                                                | 8,298                                      | -                                | -                          | -                    | 8,298           |
| Fixed interest rate<br>instruments | 0.87                                                             | 5,509                                      | -                                | -                          | (4)                  | 5,505           |
|                                    |                                                                  | <u>13,807</u>                              | <u>-</u>                         | <u>-</u>                   | <u>(4)</u>           | <u>13,803</u>   |

#### (v) Fair value of financial assets and financial liabilities

The Group and Company determines fair values of various financial assets and financial liabilities in the following manner:

The carrying amounts of financial assets and liabilities represents their fair values either due to short term maturity of the financial assets and liabilities or variable interest rates attached to long term bank borrowings.

The fair value of forward foreign exchange contracts are derived from observable forward exchange rates at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties and falls within level 2 in the fair value hierarchy.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### d) *Capital risk management policies and objectives*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares or obtain new borrowings.

The Group's and Company's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings, and bank borrowings.

The Group has complied with the externally imposed capital requirements in 2016 and 2015.

## 5 RELATED COMPANY TRANSACTIONS

The ultimate controlling parties are Dr Wong Kar King and Dr Choo Boy Lee Emily.

Some of the Company's transactions and arrangements are between members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable upon demand unless otherwise stated.

Significant intercompany transactions:

### **Transactions with related companies**

|                                                                 | Company |        |
|-----------------------------------------------------------------|---------|--------|
|                                                                 | 2016    | 2015   |
|                                                                 | \$'000  | \$'000 |
| Management fee income received/<br>receivable from subsidiaries | 3,189   | 3,404  |

## 6 OTHER RELATED PARTY TRANSACTIONS

### *Compensation of directors and key management personnel*

The remuneration of directors and other members of key management during the year was as follows:

|                                    | Group  |        |
|------------------------------------|--------|--------|
|                                    | 2016   | 2015   |
|                                    | \$'000 | \$'000 |
| Short-term benefits                | 3,142  | 3,257  |
| Post-employment benefits           | 199    | 181    |
| Total                              | 3,341  | 3,438  |
| Comprises amounts paid/payable to: |        |        |
| - Directors of the Company         | 967    | 1,030  |
| - Other key management personnel   | 2,374  | 2,408  |
|                                    | 3,341  | 3,438  |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 6 OTHER RELATED PARTY TRANSACTIONS (cont'd)

During the year, a director who is also a substantial shareholder received rental income amounting to \$10,013 (2015 : \$10,555) from the Group.

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

No shares under the Advanced Performance Share Plan were issued to the Company's directors or employees.

## 7 CASH AND BANK BALANCES

|                                       | Group  |        | Company |        |
|---------------------------------------|--------|--------|---------|--------|
|                                       | 2016   | 2015   | 2016    | 2015   |
|                                       | \$'000 | \$'000 | \$'000  | \$'000 |
| Cash and bank balances                | 34,597 | 23,842 | 1,674   | 2,150  |
| Fixed deposits                        | 11,579 | 9,746  | 4,513   | 5,505  |
|                                       | 46,176 | 33,588 | 6,187   | 7,655  |
| Classified as held for sale (Note 12) | 1,637  | -      | -       | -      |
|                                       | 47,813 | 33,588 | 6,187   | 7,655  |
| Analysed as:                          |        |        |         |        |
| Pledged balance:                      |        |        |         |        |
| - Cash and bank balances              | 13     | 32     | -       | -      |
| - Fixed deposits                      | 206    | 376    | -       | -      |
|                                       | 219    | 408    | -       | -      |
| Unpledged balance:                    |        |        |         |        |
| - Cash and bank balances              | 34,584 | 23,810 | 1,674   | 2,150  |
| - Fixed deposits                      | 11,373 | 9,370  | 4,513   | 5,505  |
|                                       | 45,957 | 33,180 | 6,187   | 7,655  |
| Classified as held for sale (Note 12) | 1,637  | -      | -       | -      |
| Total                                 | 47,813 | 33,588 | 6,187   | 7,655  |

Fixed deposits earn fixed effective interest rates ranging from 0.44% to 3.75% (2015 : 0.73% to 3.75%) per annum and for varying tenure periods of between 9 days and 2 years (2015 : 30 days and 3 years).

The pledged balance mainly relates to fixed deposits pledged to the banks for bankers' guarantees issued to customers in connection with customers' projects undertaken by the Group (Note 37).

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 8 TRADE RECEIVABLES

|                                               | Group  |        | Company |        |
|-----------------------------------------------|--------|--------|---------|--------|
|                                               | 2016   | 2015   | 2016    | 2015   |
|                                               | \$'000 | \$'000 | \$'000  | \$'000 |
| Outside parties                               | 17,684 | 20,661 | -       | -      |
| Less: Allowance for doubtful debts            | (54)   | (228)  | -       | -      |
|                                               | 17,630 | 20,433 | -       | -      |
| Subsidiaries                                  | -      | -      | 583     | 751    |
| Joint Venture and associate (Notes 17 and 18) | 141    | -      | -       | -      |
|                                               | 17,771 | 20,433 | 583     | 751    |
| Retention receivables                         | 23     | 23     | -       | -      |
|                                               | 17,794 | 20,456 | 583     | 751    |
| Classified as held for sale (Note 12)         | 3,257  | -      | -       | -      |
|                                               | 21,051 | 20,456 | 583     | 751    |

The retention receivables amounted to approximately 10% (2015 : 10%) of the contract value.

The credit period is generally 30 to 90 days (2015 : 30 to 90 days). No interest is charged on the outstanding balance.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$13,152,000 (2015 : \$8,028,000) which are past due at the end of the reporting period for which the Group has not made any allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Management believes that there are no further allowances required in excess of the allowance for doubtful debts provided.

There is no change in credit quality of trade receivables that are not past due and not impaired.

The table below is an analysis of trade receivables as at December 31:

|                                                              | Group  |        | Company |        |
|--------------------------------------------------------------|--------|--------|---------|--------|
|                                                              | 2016   | 2015   | 2016    | 2015   |
|                                                              | \$'000 | \$'000 | \$'000  | \$'000 |
| Not past due and not impaired                                | 4,642  | 12,428 | 583     | 751    |
| Past due but not impaired <sup>(i)</sup>                     | 13,152 | 8,028  | -       | -      |
|                                                              | 17,794 | 20,456 | 583     | 751    |
| Impaired receivables - individually assessed <sup>(ii)</sup> | 54     | 228    | -       | -      |
| Allowance for doubtful debts <sup>(iii)</sup>                | (54)   | (228)  | -       | -      |
|                                                              | -      | -      | -       | -      |
| Total trade receivables, net                                 | 17,794 | 20,456 | 583     | 751    |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 8 TRADE RECEIVABLES (cont'd)

|                                                             | Group  |        |
|-------------------------------------------------------------|--------|--------|
|                                                             | 2016   | 2015   |
|                                                             | \$'000 | \$'000 |
| (i) Aging of receivables that are past due but not impaired |        |        |
| Past due 1 to 30 days                                       | 7,359  | 2,310  |
| Past due 31 to 60 days                                      | 301    | 921    |
| Past due 61 to 90 days                                      | 207    | 1,096  |
| More than 90 days                                           | 5,285  | 3,701  |
| Total                                                       | 13,152 | 8,028  |

(ii) These amounts are stated before any deduction for impairment losses.

(iii) Movement in allowance for doubtful debts:

|                                                                            | Group  |        |
|----------------------------------------------------------------------------|--------|--------|
|                                                                            | 2016   | 2015   |
|                                                                            | \$'000 | \$'000 |
| Balance at beginning of the year                                           | 228    | 124    |
| (Reversal of) Increase in allowance recognised in profit or loss (Note 29) | (118)  | 110    |
| Amounts written off during the year                                        | (21)   | (1)    |
| Classified as held for sale                                                | (27)   | -      |
| Exchange differences                                                       | (8)    | (5)    |
| Balance at end of the year                                                 | 54     | 228    |

## 9 OTHER RECEIVABLES AND PREPAYMENTS

|                                                                                    | Group  |        | Company |         |
|------------------------------------------------------------------------------------|--------|--------|---------|---------|
|                                                                                    | 2016   | 2015   | 2016    | 2015    |
|                                                                                    | \$'000 | \$'000 | \$'000  | \$'000  |
| Loans to a subsidiary (Note 5)                                                     | -      | -      | 9,567   | 5,680   |
| Less: Allowance for impairment loss                                                | -      | -      | (4,464) | (3,964) |
|                                                                                    | -      | -      | 5,103   | 1,716   |
| Loan receivable from a joint venture                                               | 267    | -      | -       | -       |
| Sundry receivables                                                                 | 340    | 314    | 29      | 61      |
| Other receivables from subsidiaries (Note 5)                                       | -      | -      | 2,138   | 2,379   |
| Deposit for investment in a joint venture                                          | 1,249  | -      | -       | -       |
| Deposit                                                                            | 89     | 162    | -       | -       |
| Deferred consideration receivable (Note A in consolidated statement of cash flows) | -      | 1,241  | -       | 1,241   |
|                                                                                    | 1,945  | 1,717  | 7,270   | 5,397   |
| Advance payments to suppliers                                                      | 625    | 3,737  | -       | -       |
| Prepayments                                                                        | 276    | 450    | 35      | 29      |
|                                                                                    | 2,846  | 5,904  | 7,305   | 5,426   |
| Classified as held for sale (Note 12)                                              | 62     | -      | -       | -       |
|                                                                                    | 2,908  | 5,904  | 7,305   | 5,426   |

An allowance has been made for estimated irrecoverable loans to a subsidiary amounting to \$4,464,000 (2015 : \$3,964,000) in view of the adverse financial position of the subsidiary and uncertainties regarding recoverability from the subsidiary.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 10 AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

|                                                                                                            | Group    |            |
|------------------------------------------------------------------------------------------------------------|----------|------------|
|                                                                                                            | 2016     | 2015       |
|                                                                                                            |          | (restated) |
|                                                                                                            | \$'000   | \$'000     |
| Contract work-in-progress comprises:                                                                       |          |            |
| Aggregate costs incurred plus recognised profits (less recognised losses) to-date on uncompleted contracts | 67,950   | 54,736     |
| Less: Progress billings                                                                                    | (77,551) | (41,537)   |
|                                                                                                            | (9,601)  | 13,199     |
| Classified as held for sale (Note 12)                                                                      | 5,215    | -          |
|                                                                                                            | (4,386)  | 13,199     |
| Presented as:                                                                                              |          |            |
| Amount due from customers for contract work-in-progress                                                    | 2,606    | 21,140     |
| Amount due to customers for contract work-in-progress                                                      | (12,207) | (7,941)    |
|                                                                                                            | (9,601)  | 13,199     |

## 11 INVENTORIES

|                                       | Group  |        |
|---------------------------------------|--------|--------|
|                                       | 2016   | 2015   |
|                                       | \$'000 | \$'000 |
| Raw materials                         | 1,247  | 2,322  |
| Spare parts and consumable tools      | 794    | 922    |
| Work-in-progress                      | 5,171  | 11,617 |
| Finished products                     | 1,484  | 1,405  |
| Goods in transit                      | -      | 72     |
|                                       | 8,696  | 16,338 |
| Classified as held for sale (Note 12) | 83     | -      |
|                                       | 8,779  | 16,338 |

Inventories are stated at lower of cost and net realisable value.

Movement in allowance for impairment in value of inventories:

|                                                  | Group  |        |
|--------------------------------------------------|--------|--------|
|                                                  | 2016   | 2015   |
|                                                  | \$'000 | \$'000 |
| At beginning of the year                         | 688    | 730    |
| Allowance for impairment in value of inventories | 187    | 43     |
| Amounts written off during the year              | -      | (93)   |
| Exchange differences                             | (35)   | 8      |
| At end of the year                               | 840    | 688    |

The allowance for impairment in inventories relates to raw materials, spare parts and consumable tools. The allowance is included in "Cost of sales".

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

### 2016

#### Proposed disposal of subsidiary, Applied Engineering Pte Ltd ("AEPL")

On September 22, 2016, the Company entered into a conditional share purchase agreement (the "SPA") with a third party purchaser (the "Purchaser") pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the entire shareholding of its wholly-owned subsidiary, Applied Engineering Pte Ltd ("AEPL") ("proposed disposal"), for a total consideration of \$9.1 million. The SPA of the proposed disposal was approved by the shareholders of the Company at an extraordinary general meeting convened on January 5, 2017 and the disposal was completed on January 19, 2017.

Therefore, the assets and liabilities of AEPL have been classified as held for sale and presented separately in the statement of financial position as at December 31, 2016. However, the results of AEPL has not been classified as discontinued operations as the business operation of AEPL is part of the existing engineering service and manufacturing segments (Note 38) and not a separate major line of business or geographical area of operations.

The disposal will result in a loss on disposal of \$ 1,530,000. Accordingly, the carrying amount of the goodwill arising on the acquisition of AEPL was impaired by the same amount in 2016 (Note 14).

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

|                                                          | <b>2016</b>        |
|----------------------------------------------------------|--------------------|
|                                                          | <b>\$'000</b>      |
| Cash and bank balances                                   | 1,637              |
| Inventories                                              | 83                 |
| Amount due from customers from contract work-in-progress | 5,473              |
| Trade receivables                                        | 3,257              |
| Other receivables and prepayments                        | 62                 |
| Property, plant and equipment                            | 4,452              |
| Goodwill                                                 | 1,024              |
|                                                          | <hr/> 15,988       |
| Amount due to customers from contract work-in-progress   | 258                |
| Trade and other payables                                 | 3,009              |
| Provision for warranty                                   | 702                |
| Bank borrowings                                          | 1,000              |
| Income tax payable                                       | 128                |
| Deferred tax liabilities                                 | 267                |
|                                                          | <hr/> 5,364        |
| Net assets of disposal group                             | <hr/> <hr/> 10,624 |

### 2015

#### Disposal of non-core environmental technologies operations

The Company had previously entered into various agreements to sell to a third party purchaser:

- i) the whole of the issued and paid-up share capital of its wholly-owned subsidiary, Advanced Resources Holdings Pte. Ltd. ("ARH"), together with ARH's wholly-owned subsidiaries, Advanced Water (Pengxi) Co., Ltd and Advanced Water Reclamation (Chengdu) Co., Ltd.; and
- ii) the whole of issued and paid-up share capital of its wholly-owned subsidiary, Advanced Water Engineering Pte. Ltd. ("AWE") together with AWE's wholly-owned subsidiary, Advanced Water Technologies Chengdu Co., Ltd;

collectively known as the "disposal group".

On August 28, 2015, control of the disposal group was passed to the acquirer at a consideration of \$16.973 million.

The disposal resulted in a gain on disposal of subsidiaries amounting to \$1,750,000. The effects of the disposal are disclosed in Note 32.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 13 PROPERTY, PLANT AND EQUIPMENT

|                                                   | Leasehold<br>properties and<br>improvements | Freehold<br>property | Plant and<br>equipment | Renovation | Motor<br>vehicles | Total   |
|---------------------------------------------------|---------------------------------------------|----------------------|------------------------|------------|-------------------|---------|
|                                                   | \$'000                                      | \$'000               | \$'000                 | \$'000     | \$'000            | \$'000  |
| Group                                             |                                             |                      |                        |            |                   |         |
| Cost:                                             |                                             |                      |                        |            |                   |         |
| At January 1, 2015                                | 28,649                                      | -                    | 10,004                 | 2,570      | 953               | 42,176  |
| Additions                                         | 10                                          | -                    | 151                    | 63         | 118               | 342     |
| Arising on acquisition of a subsidiary            | -                                           | -                    | 150                    | -          | 33                | 183     |
| Disposals                                         | (572)                                       | -                    | (205)                  | -          | (260)             | (1,037) |
| Reclassification                                  | -                                           | -                    | 66                     | -          | (66)              | -       |
| Exchange differences                              | 150                                         | -                    | 75                     | 27         | 4                 | 256     |
| At December 31, 2015                              | 28,237                                      | -                    | 10,241                 | 2,660      | 782               | 41,920  |
| Additions                                         | -                                           | 2,778                | 599                    | 13         | -                 | 3,390   |
| Disposals                                         | -                                           | -                    | (300)                  | (65)       | (95)              | (460)   |
| Classified as held for sale (Note 12)             | (4,048)                                     | -                    | (5,161)                | -          | (53)              | (9,262) |
| Reclassification                                  | -                                           | -                    | 99                     | -          | (99)              | -       |
| Exchange differences                              | (278)                                       | -                    | (168)                  | (61)       | (10)              | (517)   |
| At December 31, 2016                              | 23,911                                      | 2,778                | 5,310                  | 2,547      | 525               | 35,071  |
| Accumulated depreciation:                         |                                             |                      |                        |            |                   |         |
| At January 1, 2015                                | 4,451                                       | -                    | 4,867                  | 535        | 560               | 10,413  |
| Depreciation charge for the year                  | 1,589                                       | -                    | 1,352                  | 355        | 80                | 3,376   |
| Arising on acquisition of a subsidiary            | -                                           | -                    | 34                     | -          | 4                 | 38      |
| Disposals                                         | -                                           | -                    | (99)                   | -          | (199)             | (298)   |
| Reclassification                                  | -                                           | -                    | 4                      | -          | (4)               | -       |
| Exchange differences                              | 13                                          | -                    | 42                     | 6          | 3                 | 64      |
| At December 31, 2015                              | 6,053                                       | -                    | 6,200                  | 896        | 444               | 13,593  |
| Depreciation charge for the year                  | 810                                         | 32                   | 978                    | 338        | 72                | 2,230   |
| Disposals                                         | -                                           | -                    | (276)                  | (65)       | (95)              | (436)   |
| Classified as held for sale (Note 12)             | (2,641)                                     | -                    | (2,152)                | -          | (17)              | (4,810) |
| Exchange differences                              | (20)                                        | -                    | (84)                   | (24)       | (11)              | (139)   |
| At December 31, 2016                              | 4,202                                       | 32                   | 4,666                  | 1,145      | 393               | 10,438  |
| Accumulated impairment loss:                      |                                             |                      |                        |            |                   |         |
| At January 1, 2015, December 31,<br>2015 and 2016 | -                                           | -                    | 16                     | -          | -                 | 16      |
| Carrying amount:                                  |                                             |                      |                        |            |                   |         |
| At December 31, 2016                              | 19,709                                      | 2,746                | 628                    | 1,402      | 132               | 24,617  |
| At December 31, 2015                              | 22,184                                      | -                    | 4,025                  | 1,764      | 338               | 28,311  |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

|                                  | Plant and<br>equipment | Motor<br>vehicles | Total  |
|----------------------------------|------------------------|-------------------|--------|
|                                  | \$'000                 | \$'000            | \$'000 |
| <u>Company</u>                   |                        |                   |        |
| Cost:                            |                        |                   |        |
| At January 1, 2015               | 95                     | 550               | 645    |
| Additions                        | 2                      | -                 | 2      |
| Disposals/write-off              | (14)                   | (229)             | (243)  |
| At December 31, 2015             | 83                     | 321               | 404    |
| Additions                        | 5                      | -                 | 5      |
| At December 31, 2016             | 88                     | 321               | 409    |
| Accumulated depreciation:        |                        |                   |        |
| At January 1, 2015               | 69                     | 297               | 366    |
| Depreciation charge for the year | 15                     | 36                | 51     |
| Disposals/write-off              | (14)                   | (90)              | (104)  |
| At December 31, 2015             | 70                     | 243               | 313    |
| Depreciation charge for the year | 13                     | 32                | 45     |
| At December 31, 2016             | 83                     | 275               | 358    |
| Carrying amount:                 |                        |                   |        |
| At December 31, 2016             | 5                      | 46                | 51     |
| At December 31, 2015             | 13                     | 78                | 91     |

Details of the properties held by the Group as at December 31, 2016 are set out below:

| Location                                                                         | Gross area<br>(sq. m.) | Tenure   | Use                          |
|----------------------------------------------------------------------------------|------------------------|----------|------------------------------|
| <b>Leasehold properties</b>                                                      |                        |          |                              |
| 30 Woodlands Loop<br>Singapore 738319                                            | 8,104                  | 42 years | Leasehold factory and office |
| No. 238 Fengcun Road, Qingcun Town,<br>Fengxian District, 201514 Shanghai<br>PRC | 15,817                 | 47 years | Leasehold factory and office |
| <b>Freehold property</b>                                                         |                        |          |                              |
| Forstweg 7 52382 Niederzier,<br>Düren, Germany                                   | 7,515                  | Freehold | Factory and office           |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The depreciation expense has been included in the following line items in the consolidated statement of profit or loss and other comprehensive income:

|                                           | Group                 |        |                        |        | Total  |        |
|-------------------------------------------|-----------------------|--------|------------------------|--------|--------|--------|
|                                           | Continuing operations |        | Discontinued operation |        | 2016   | 2015   |
|                                           | 2016                  | 2015   | 2016                   | 2015   |        |        |
|                                           | \$'000                | \$'000 | \$'000                 | \$'000 | \$'000 | \$'000 |
| Cost of sales                             | 1,180                 | 1,875  | -                      | 84     | 1,180  | 1,959  |
| Distribution and marketing costs          | 211                   | 461    | -                      | -      | 211    | 461    |
| Administrative expenses                   | 839                   | 1,040  | -                      | 39     | 839    | 1,079  |
|                                           | 2,230                 | 3,376  | -                      | 123    | 2,230  | 3,499  |
| Other information:                        |                       |        |                        |        |        |        |
| Purchase of property, plant and equipment | 3,390                 | 342    | -                      | 419    | 3,390  | 761    |

The Group has pledged one of its leasehold properties and the freehold property with total carrying amount of \$17,148,000 (2015 : \$14,827,000) to secure banking facilities granted to the Group.

Management reviews the carrying amounts of property, plant and equipment at the end of each reporting year to determine whether there is any indicator that those assets have suffered impairment loss. No impairment loss was determined in 2016 and 2015 as a result of such assessment.

## 14 GOODWILL

|                                                 | Group   |
|-------------------------------------------------|---------|
|                                                 | \$'000  |
| Cost:                                           |         |
| At January 1, 2015                              | 8,069   |
| Arising on acquisition of subsidiary (restated) | 141     |
| At December 31, 2015 (restated)                 | 8,210   |
| Classified as held for sale (Note 12)           | (5,385) |
| At December 31, 2016                            | 2,825   |
| Allowance for impairment loss:                  |         |
| At January 1, 2015                              | 2,434   |
| Impairment loss for the year (restated)         | 2,971   |
| At December 31, 2015 (restated)                 | 5,405   |
| Impairment loss for the year                    | 1,605   |
| Classified as held for sale (Note 12)           | (4,361) |
| At December 31, 2016                            | 2,649   |
| Carrying amount:                                |         |
| At December 31, 2016                            | 176     |
| At December 31, 2015                            | 2,805   |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 14 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated at acquisition to the Group's CGUs that are expected to benefit from the business combination. The gross carrying amounts of goodwill have been allocated to the following CGUs:

|                                               | Group        |              |
|-----------------------------------------------|--------------|--------------|
|                                               | 2016         | 2015         |
|                                               | (restated)   |              |
|                                               | \$'000       | \$'000       |
| <u>Engineering service and manufacturing:</u> |              |              |
| Atom Instrument LLC                           | 75           | 75           |
| Analytical Technology & Control Ltd           | 1,896        | 1,896        |
| Applied Engineering Pte Ltd ("AEPL")          | 5,385        | 5,385        |
| Advanced CAE Pte Ltd                          | 175          | 175          |
| Guided Wave Incorporated                      | 538          | 538          |
| ZMK Technologies GmbH                         | 141          | 141          |
|                                               | <u>8,210</u> | <u>8,210</u> |

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU is based on value-in-use calculations determined by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions for value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in market.

For determination of value in use, the Group prepares cash flow forecasts derived from the most recent financials budgets approved by management for the next five years and extrapolates cash flows for the following five years based on estimated growth rates of 0.28% to 15% (2015 : -1% to 10% and 85% for 2016 for one of the CGU) per annum.

The rates used to discount the forecast cash flows are 9.27% to 10.41% (2015 : 10.04% to 11.72%) per annum based on the weighted average cost of capital of the respective CGUs.

During the year, an impairment loss of \$75,000 was recognised on the goodwill allocated to Atom Instrument LLC due to the uncertain global economic conditions and the existing challenging climate surrounding the oil and gas industry.

As AEPL was disposed on January 19, 2017, the recoverability of the goodwill for this CGU has been determined based on the agreed purchase consideration, and an allowance for impairment loss of \$1,530,000 was made during the year for the goodwill recognised. The carrying amount of the goodwill (net of impairment loss) amounting to \$1,024,000 has been classified as held for sale (Note 12).

In 2015, an impairment loss of \$2,971,000 (restated) was recognised on the goodwill allocated to AEPL and ZMK Technologies GmbH due to the uncertain global economic conditions and the existing challenging climate surrounding the oil and gas industry.

### Sensitivity analysis

As at December 31, 2016, any reasonably possible change to the key assumptions applied not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 15 INTANGIBLE ASSETS

|                                         | Land<br>use<br>rights | Customer<br>order<br>books | Software | License fee<br>and patents | Total  |
|-----------------------------------------|-----------------------|----------------------------|----------|----------------------------|--------|
|                                         | \$'000                | \$'000                     | \$'000   | \$'000                     | \$'000 |
| <u>Group</u>                            |                       |                            |          |                            |        |
| Cost:                                   |                       |                            |          |                            |        |
| At January 1, 2015                      | 1,463                 | 175                        | 123      | 670                        | 2,431  |
| Arising on acquisitions of a subsidiary | -                     | -                          | 54       | 1                          | 55     |
| Additions                               | -                     | -                          | -        | 3                          | 3      |
| Exchange differences                    | 34                    | -                          | 8        | 21                         | 63     |
| At December 31, 2015                    | 1,497                 | 175                        | 185      | 695                        | 2,552  |
| Additions                               | -                     | -                          | 36       | 2                          | 38     |
| Exchange differences                    | (68)                  | -                          | (2)      | 8                          | (62)   |
| At December 31, 2016                    | 1,429                 | 175                        | 219      | 705                        | 2,528  |
| Accumulated amortisation:               |                       |                            |          |                            |        |
| At January 1, 2015                      | 25                    | 175                        | 76       | 352                        | 628    |
| Arising on acquisitions of a subsidiary | -                     | -                          | 12       | -                          | 12     |
| Amortisation                            | 32                    | -                          | 13       | 74                         | 119    |
| Exchange differences                    | 23                    | -                          | (18)     | 15                         | 20     |
| At December 31, 2015                    | 80                    | 175                        | 83       | 441                        | 779    |
| Amortisation                            | 30                    | -                          | 28       | 75                         | 133    |
| Exchange differences                    | (4)                   | -                          | -        | 7                          | 3      |
| At December 31, 2016                    | 106                   | 175                        | 111      | 523                        | 915    |
| Impairment loss:                        |                       |                            |          |                            |        |
| At January 1, 2015                      | -                     | -                          | 35       | 98                         | 133    |
| Exchange differences                    | -                     | -                          | 2        | 6                          | 8      |
| At December 31, 2015                    | -                     | -                          | 37       | 104                        | 141    |
| Impairment loss for the year            | -                     | -                          | -        | 74                         | 74     |
| Exchange differences                    | -                     | -                          | -        | 1                          | 1      |
| At December 31, 2016                    | -                     | -                          | 37       | 179                        | 216    |
| Carrying amount:                        |                       |                            |          |                            |        |
| At December 31, 2016                    | 1,323                 | -                          | 71       | 3                          | 1,397  |
| At December 31, 2015                    | 1,417                 | -                          | 65       | 150                        | 1,632  |

Customer order books, license fee and patents and software are amortised over their estimated useful lives, ranging from 5 to 10 years.

Land use rights are amortised to profit and loss on a straight-line basis over 47 years, the remaining period of the land use rights when granted to the Group.

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## 15 INTANGIBLE ASSETS (cont'd)

The amortisation expense has been included in the following line items in the consolidated statement of profit or loss and other comprehensive income:

|                                       | Group                 |                |                        |                | Total          |                |
|---------------------------------------|-----------------------|----------------|------------------------|----------------|----------------|----------------|
|                                       | Continuing operations |                | Discontinued operation |                |                |                |
|                                       | 2016<br>\$'000        | 2015<br>\$'000 | 2016<br>\$'000         | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Cost of sales                         | 9                     | 9              | -                      | -              | 9              | 9              |
| Distribution and marketing costs      | 4                     | 4              | -                      | -              | 4              | 4              |
| Other operating expenses<br>(Note 28) | 120                   | 106            | -                      | 58             | 120            | 164            |
|                                       | 133                   | 119            | -                      | 58             | 133            | 177            |

During the year, the impairment loss of \$74,000 (2015: \$Nil) on intangible assets are recorded in other gains and losses (Note 29).

## 16 INVESTMENTS IN SUBSIDIARIES

|                                     | Company |         |
|-------------------------------------|---------|---------|
|                                     | 2016    | 2015    |
|                                     | \$'000  | \$'000  |
| Unquoted equity shares, at cost     | 46,417  | 46,417  |
| Less: Allowance for impairment loss | (2,044) | (1,084) |
|                                     | 44,373  | 45,333  |

Management has assessed the recoverable amount of its investments in subsidiaries on the basis of their value-in-use. Based on the assessment, an impairment loss of \$960,000 (2015: \$Nil) has been recognised in the profit or loss for the year due to the uncertain global economic conditions and the existing challenging climate surrounding the oil and gas industry.

# NOTES TO FINANCIAL STATEMENTS

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## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries as at December 31, 2016 are as follows:

| Name of subsidiaries                                              | Principal activities                                                                                                                                                                                         | Country of incorporation/<br>Place of business | Percentage of equity held |           | Proportion of voting power held |           |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------|-----------|---------------------------------|-----------|
|                                                                   |                                                                                                                                                                                                              |                                                | 2016<br>%                 | 2015<br>% | 2016<br>%                       | 2015<br>% |
| <u>Held by the Company</u>                                        |                                                                                                                                                                                                              |                                                |                           |           |                                 |           |
| Advanced Controls Pte. Ltd. <sup>(1)</sup>                        | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries. | Singapore                                      | 100                       | 100       | 100                             | 100       |
| Advanced Controls (M) Sdn. Bhd. <sup>(2)</sup>                    | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries  | Malaysia                                       | 100                       | 100       | 100                             | 100       |
| Advanced CAE Ltd <sup>(3)</sup>                                   | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries  | People's Republic of China                     | 100                       | 100       | 100                             | 100       |
| Advanced Environmental Technologies Pte. Ltd. <sup>(1)</sup>      | Investment holding                                                                                                                                                                                           | Singapore                                      | 100                       | 100       | 100                             | 100       |
| Advanced Engineering Holdings Pte. Ltd. <sup>(1)</sup>            | Investment holding                                                                                                                                                                                           | Singapore                                      | 100                       | 100       | 100                             | 100       |
| Advanced Process Equipment (Thailand) Co., Ltd. <sup>(a)(4)</sup> | Sales and marketing of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemical and energy related industries                                        | Thailand                                       | 49                        | 49        | 49                              | 49        |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

| Name of subsidiaries                           | Principal activities                                                                                                                                                                                        | Country of incorporation/<br>Place of business | Percentage of equity held |           | Proportion of voting power held |           |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------|-----------|---------------------------------|-----------|
|                                                |                                                                                                                                                                                                             |                                                | 2016<br>%                 | 2015<br>% | 2016<br>%                       | 2015<br>% |
| <u>Held by the Company (cont'd)</u>            |                                                                                                                                                                                                             |                                                |                           |           |                                 |           |
| ZMK Technologies GmbH <sup>(d)(10)</sup>       | Manufacture and distribute special valves for chemical and petrochemical related industries                                                                                                                 | Germany                                        | 85                        | 85        | 85                              | 85        |
| <u>Held through subsidiaries</u>               |                                                                                                                                                                                                             |                                                |                           |           |                                 |           |
| Atom Instrument LLC <sup>(8)</sup>             | Design, manufacture and supply of analysers and specialises in research and development                                                                                                                     | United States of America                       | 67                        | 67        | 67                              | 67        |
| Maju Petroliam (M) Sdn. Bhd. <sup>(a)(5)</sup> | Provide biofuels process technology, plant equipment, engineering, construction, start-up, commissioning, maintenance and operations of biodiesel plants                                                    | Malaysia                                       | 15                        | 15        | 15                              | 15        |
| Applied Engineering Pte. Ltd <sup>(1)(e)</sup> | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries | Singapore                                      | 100                       | 100       | 100                             | 100       |
| Applied Shipyard Pte. Ltd. <sup>(b)</sup>      | Dormant                                                                                                                                                                                                     | Singapore                                      | -                         | 100       | -                               | 100       |
| Guided Wave Asia Pte. Ltd. <sup>(1)</sup>      | Marketing and sale of Guided Wave products                                                                                                                                                                  | Singapore                                      | 100                       | 100       | 100                             | 100       |
| Guided Wave Incorporated <sup>(c)(7)</sup>     | Manufacture of fiber-optic based spectrophotometers for chemical analysis in the chemical process industry                                                                                                  | United States of America                       | 93                        | 93        | 93                              | 93        |
| Guided Wave Europe BVBA <sup>(9)</sup>         | Marketing and sales of Guided Wave products                                                                                                                                                                 | Belgium                                        | 100                       | 100       | 100                             | 100       |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

| Name of subsidiaries                               | Principal activities                                                                                                                                                                                        | Country of incorporation/<br>Place of business | Percentage of equity held |           | Proportion of voting power held |           |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------|-----------|---------------------------------|-----------|
|                                                    |                                                                                                                                                                                                             |                                                | 2016<br>%                 | 2015<br>% | 2016<br>%                       | 2015<br>% |
| <u>Held through subsidiaries (cont'd)</u>          |                                                                                                                                                                                                             |                                                |                           |           |                                 |           |
| Analytical Technology & Control Ltd <sup>(9)</sup> | Design, manufacture and supply of analysers and specialises in research and development                                                                                                                     | United Kingdom                                 | 100                       | 100       | 100                             | 100       |
| Advanced CAE, Inc. <sup>(f)(11)</sup>              | Design, fabrication, installation and maintenance of measurement and control instrument                                                                                                                     | United States of America                       | 100                       | -         | 100                             | -         |
| Advanced Controls Limited <sup>(6)</sup>           | Dormant                                                                                                                                                                                                     | Hong Kong                                      | 100                       | 100       | 100                             | 100       |
| Advanced CAE Pte. Ltd. <sup>(1)</sup>              | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries | Singapore                                      | 100                       | 100       | 100                             | 100       |

<sup>(a)</sup> The Group holds 49% (2015 : 49%) effective shareholdings in Advanced Process Equipment (Thailand) Co., Ltd. The Group's effective shareholdings of 30% (2015 : 30%) in Maju Petroliaam (M) Sdn. Bhd. comprises 15% (2015 : 15%) held by the Company and 15% (2015 : 15%) held by a wholly-owned subsidiary.

These entities are accounted for as subsidiaries and their results are consolidated in the Group's financial statements as the Group has effective control over these entities via majority representation on the board of directors, its rights arising from contractual arrangements and power over these entities which gives the Group the practical ability to direct their relevant activities and exposure to variable returns from its involvement in these entities.

<sup>(b)</sup> Applied Shipyard Pte. Ltd. was struck off on March 3, 2016.

<sup>(c)</sup> In 2015, the Group's shareholding in Guided Wave Incorporated ("GWI") increased from 91.57% to 93.03% as a result of share buy-back by GWI pursuant to a Shareholders' Rights Agreement and an acquisition of additional 1.46% interest in shares through direct share purchase from the non-controlling interests in GWI.

The effects of the above changes in the Group's ownership interest that did not result in change of control are as follows:

|                                                             | <b>2015</b>   |
|-------------------------------------------------------------|---------------|
|                                                             | <b>\$'000</b> |
| Amounts paid on changes in ownership interest in subsidiary | 69            |
| Non-controlling interest acquired                           | (51)          |
| Difference recognised in equity reserves                    | 18            |

<sup>(d)</sup> ZMK Technologies GmbH was acquired on November 4, 2015.

<sup>(e)</sup> Applied Engineering Pte. Ltd. was disposed on January 19, 2017 (Note 12).

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

- (f) Advanced CAE, Inc. was incorporated in Texas, the United States of America on May 12, 2016.
- (1) Audited by Deloitte & Touche LLP, Singapore
- (2) Audited by Peter Chong & Co, Malaysia
- (3) Audited by Deloitte Touche Tohmatsu CPA LLP, Shanghai, PRC
- (4) Audited by Inter Account 2013 Co., Ltd, Thailand
- (5) Audited by Wong Chau Hwa & Co, Malaysia
- (6) Audited by East Asia Sentinel Limited, Hong Kong
- (7) Audited by Campbell Taylor & Company, California, USA
- (8) Audited by Malone Bailey LLP, Texas, USA
- (9) Audited by Haines Watts Swindon, United Kingdom
- (10) Audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany for consolidation purpose only
- (11) Reviewed for consolidation purposes only by Deloitte & Touche LLP, Singapore

In accordance with the requirements of Rules 715 and 716 the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's subsidiaries, and are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

Information about the composition of the Group at the end of the financial year is as follows:

| Principal activity                                                                                                                                                                                          | Place of incorporation and operation | Number of wholly-owned subsidiaries |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|-------------------|
|                                                                                                                                                                                                             |                                      | December 31, 2016                   | December 31, 2015 |
| Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries | Singapore                            | 3                                   | 3                 |
|                                                                                                                                                                                                             | PRC                                  | 1                                   | 1                 |
|                                                                                                                                                                                                             | Malaysia                             | 1                                   | 1                 |
| Investment holding                                                                                                                                                                                          | Singapore                            | 2                                   | 2                 |
| Marketing and sale of Guided Wave products                                                                                                                                                                  | Singapore                            | 1                                   | 1                 |
|                                                                                                                                                                                                             | Belgium                              | 1                                   | 1                 |
| Fabrication, repair and maintenance of marine vessels                                                                                                                                                       | Singapore                            | -                                   | 1                 |
| Design, manufacture and supply of analysers and specialises in research and development                                                                                                                     | United Kingdom                       | 1                                   | 1                 |
| Dormant                                                                                                                                                                                                     | Hong Kong                            | 1                                   | 1                 |
| Design, fabrication, installation and maintenance of measurement and control instrument                                                                                                                     | USA                                  | 1                                   | -                 |
|                                                                                                                                                                                                             |                                      | 12                                  | 12                |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

| Principal activity                                                                                                                                                    | Place of incorporation and operation | Number of npn-wholly-owned subsidiaries |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------|-------------------|
|                                                                                                                                                                       |                                      | December 31, 2016                       | December 31, 2015 |
| Design, manufacture and supply of analysers and specialises in research and development                                                                               | USA                                  | 1                                       | 1                 |
| Design, manufacture and supply of valves                                                                                                                              | Germany                              | 1                                       | 1                 |
| Manufacture of fiber-optic based spectrophotometers for chemical analysis in the chemical process industry                                                            | USA                                  | 1                                       | 1                 |
| Provide biofuels process technology, plant equipment, engineering, construction, start-up, commissioning, maintenance and operations of biodiesel plants              | Malaysia                             | 1                                       | 1                 |
| Sales and marketing of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemical and energy related industries | Thailand                             | 1                                       | 1                 |
|                                                                                                                                                                       |                                      | 5                                       | 5                 |

## 17 INVESTMENT IN AN ASSOCIATE

|                                     | Group  |        |
|-------------------------------------|--------|--------|
|                                     | 2016   | 2015   |
|                                     | \$'000 | \$'000 |
| Cost of investment in an associate  | 1,013  | 1,013  |
| Share of post-acquisition results   | (90)   | (168)  |
| Less: Allowance for impairment loss | (770)  | (770)  |
|                                     | 153    | 75     |

In 2015, management assessed the recoverable amounts of its investment in an associate on the basis of its value in use and recognised additional impairment loss of \$200,000 in the profit or loss for the year.

In 2015, the associate issued 468 new shares to its employee pursuant to an employee share option scheme. Subsequent to this exercise, the Group acquired 120 of these shares from one of the minority shareholder for a total cash consideration of Euro 3,100 (equivalent to \$5,000). The Group's interest in the associate decreased from 31% to 30.9%.

# NOTES TO FINANCIAL STATEMENTS

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## 17 INVESTMENT IN AN ASSOCIATE (cont'd)

Details of the Group's associate at December 31, 2016 is as follows:

| Name of associate             | Principal activity                                                     | Place of incorporation and operation | Proportion of ownership interest |           | Proportion of voting power held |           |
|-------------------------------|------------------------------------------------------------------------|--------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                               |                                                                        |                                      | 2016<br>%                        | 2015<br>% | 2016<br>%                       | 2015<br>% |
| Sofraser S.A.S <sup>(1)</sup> | Specialises in research, design and manufacture of process viscometers | France                               | 31                               | 31        | 31                              | 31        |

<sup>(1)</sup> Audited by Arnaud Villedieu, France.

Summarised financial information in respect of the Group's associate is set out below:

|                                                                                         | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------------------------------------------------------------------|----------------|----------------|
| Current assets                                                                          | 1,196          | 1,081          |
| Non-current assets                                                                      | 122            | 106            |
| Current liabilities                                                                     | (374)          | (444)          |
| Non-current liabilities                                                                 | -              | (8)            |
| Revenue                                                                                 | 1,700          | 1,250          |
| Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year | 253            | (305)          |

Reconciliation of the above summarised financial information for the carrying amount of the interest in Sofraser S.A.S recognised in the consolidated financial statements:

|                                                                | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Net assets of the associate                                    | 944            | 735            |
| Proportion of the Group's ownership interest in Sofraser S.A.S | 31%            | 31%            |
| Share of net assets of the associate                           | 293            | 228            |
| Goodwill                                                       | 583            | 583            |
| Allowance for impairment loss                                  | (770)          | (770)          |
| Exchange differences                                           | 47             | 34             |
| Carrying amount of the Group's interest in Sofraser S.A.S      | 153            | 75             |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 18 INVESTMENT IN JOINT VENTURE

|                                                            | Group  |        |
|------------------------------------------------------------|--------|--------|
|                                                            | 2016   | 2015   |
|                                                            | \$'000 | \$'000 |
| Unquoted equity share, at cost                             | 67     | -      |
| Loan receivables from a joint venture deemed as investment | 1,142  | -      |
| Share of post-acquisition results                          | (675)  | -      |
| Elimination of unrealised profit                           | (15)   | -      |
|                                                            | 519    | -      |

Details of the Group's joint venture at December 31, 2016 is as follows:

| Name of associate                        | Principal activity                                                | Place of incorporation and operation |
|------------------------------------------|-------------------------------------------------------------------|--------------------------------------|
| Advanced CAE (ME) Control System L.L.C * | Installation and maintenance of measurement and control equipment | United Arab Emirates                 |

The Group holds 49% of the shares in the joint venture but equity accounted for its interest in the joint venture in accordance with its equity contribution ratio of 60% and 60% interest in the net assets of the joint venture as specified in the joint venture agreement.

Summarised unaudited financial information in respect of the Group's joint venture is set out below:

|                                                                       | 2016    | 2015   |
|-----------------------------------------------------------------------|---------|--------|
|                                                                       | \$'000  | \$'000 |
| Current assets                                                        | 1,156   | -      |
| Non-current assets                                                    | 78      | -      |
| Current liabilities                                                   | (402)   | -      |
| Revenue                                                               | 441     | -      |
| Loss for the year, representing total comprehensive loss for the year | (1,125) | -      |

Reconciliation of the above summarised unaudited financial information for the carrying amount of the interest in Advanced CAE (ME) Control System L.L.C ("CAE ME") recognised in the consolidated financial statements:

|                                                        | 2016   | 2015   |
|--------------------------------------------------------|--------|--------|
|                                                        | \$'000 | \$'000 |
| Net assets of the joint venture                        | 832    | -      |
| Proportion of the Group's ownership interest in CAE ME | 60%    | -      |
| Share of net assets                                    | 499    | -      |
| Elimination of unrealised profit                       | (15)   | -      |
| Exchange differences                                   | 35     | -      |
| Carrying amount of the investment                      | 519    | -      |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 19 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

|                                            | <b>Group</b>  |                   |
|--------------------------------------------|---------------|-------------------|
|                                            | <b>2016</b>   | <b>2015</b>       |
|                                            |               | <b>(restated)</b> |
|                                            | <b>\$'000</b> | <b>\$'000</b>     |
| Deferred tax assets                        | (300)         | (626)             |
| Deferred tax liabilities                   | 318           | 340               |
| Net                                        | 18            | (286)             |
| Classified as held for sale, net (Note 12) | (267)         | -                 |
|                                            | <u>(249)</u>  | <u>(286)</u>      |

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdictions) is as follows:

| <b>Group</b>                                                 | <b>Tax losses</b> | <b>Provisions</b> | <b>Total</b>  |
|--------------------------------------------------------------|-------------------|-------------------|---------------|
|                                                              | <b>\$'000</b>     | <b>\$'000</b>     | <b>\$'000</b> |
| <b>Deferred tax assets</b>                                   |                   |                   |               |
| At January 1, 2015                                           | -                 | (138)             | (138)         |
| Acquisition of subsidiary (restated)                         | (563)             | -                 | (563)         |
| Overprovision in prior years                                 | -                 | 7                 | 7             |
| Charged (Credited) to profit or loss for the year (restated) | 245               | (244)             | 1             |
| Exchange differences (restated)                              | (20)              | -                 | (20)          |
| At December 31, 2015 (restated)                              | (338)             | (375)             | (713)         |
| Charged to profit or loss for the year                       | 193               | 97                | 290           |
| Exchange differences                                         | 5                 | 11                | 16            |
|                                                              | (140)             | (267)             | (407)         |
| Classified as held for sale (Note 12)                        | -                 | 7                 | 7             |
| At December 31, 2016                                         | <u>(140)</u>      | <u>(260)</u>      | <u>(400)</u>  |

|                                                   | <b>Accelerated tax depreciation</b> |
|---------------------------------------------------|-------------------------------------|
|                                                   | <b>\$'000</b>                       |
| <b>Deferred tax liabilities</b>                   |                                     |
| At January 1, 2015                                | 255                                 |
| Underprovision in prior years                     | 136                                 |
| Charged to profit or loss for the year (restated) | 36                                  |
| At December 31, 2015                              | 427                                 |
| Charged to profit or loss for the year            | (2)                                 |
|                                                   | 425                                 |
| Classified as held for sale (Note 12)             | (274)                               |
| At December 31, 2016                              | <u>151</u>                          |
| <b>Net:</b>                                       |                                     |
| At December 31, 2016                              | 249                                 |
| At December 31, 2015 (restated)                   | <u>286</u>                          |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 19 DEFERRED TAX (cont'd)

Subject to agreement by the tax authorities, the Group has unabsorbed tax losses and credits at the end of the reporting period amounting to \$9,252,000 (2015 : \$6,739,000), which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unabsorbed tax losses amounting to \$2,339,600 (2015: \$1,492,900) due to unpredictability of future profit streams. Unabsorbed tax losses at the end of the reporting period arose mainly from the Group's overseas subsidiaries which are subject to statutory corporate income tax rates ranging from 20% to 34% (2015 : 21% to 34%).

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries amounted to \$2,867,000 (2015 : \$3,587,000) for which deferred tax liabilities have not been recognised was \$143,000 (2015 : \$521,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 20 BANK BORROWINGS

|                                                                                       | Group   |         |
|---------------------------------------------------------------------------------------|---------|---------|
|                                                                                       | 2016    | 2015    |
|                                                                                       | \$'000  | \$'000  |
| Bank loan A                                                                           | 8,611   | 9,645   |
| Bank loan B                                                                           | 1,111   | -       |
| Bank loan C                                                                           | 1,065   | -       |
| Bank loan D                                                                           | 259     | -       |
| Bank loan E                                                                           | 433     | -       |
| Bank loan F                                                                           | 1,000   | 1,000   |
| Bills payable                                                                         | -       | 4,679   |
|                                                                                       | 12,479  | 15,324  |
| Less: Amount due for settlement within<br>12 months (shown under current liabilities) | (1,566) | (6,713) |
| Amount due for settlement after 12 months                                             | 10,913  | 8,611   |
| Classified as held for sale (Note 12)                                                 | (1,000) | -       |
|                                                                                       | 9,913   | 8,611   |
| <u>Non-Current:</u>                                                                   |         |         |
| Between 2 to 5 years                                                                  | 4,708   | 4,133   |
| After 5 years                                                                         | 5,205   | 4,478   |
|                                                                                       | 9,913   | 8,611   |

The Group has six bank loans:

- (a) Bank loan A was raised on April 30, 2014. It is secured by the leasehold property at 30 Woodlands Loop, Singapore 738319 (Note 13) and is covered by a corporate guarantee from the Company.

The loan is repayable in 143 monthly instalments of \$86,111 each and a final instalment of \$86,167 commenced on May 1, 2014 and ending on April 1, 2025.

The loan bore interest at variable rates ranging from 2.88% to 3.24% (2015 : 1.99% to 2.88%) per annum.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 20 BANK BORROWINGS (cont'd)

- (b) Bank loan B and C comprised two draw downs on July 2016 and September 2016. The loans are secured by the freehold property at Forstweg 7, 52382 Niederzier Germany.

Bank loan B is repayable in 227 monthly instalments of \$4,882 each and a final instalment of \$2,023 commencing on March 31, 2017 and ending on February 29, 2036.

Bank loan C is repayable in 227 monthly instalments of \$4,685 each and a final instalment of \$1,278 commencing on June 30, 2017 and ending on May 31, 2036.

The interest rate for Bank loan B and C are fixed at 1.65% and 1.4% per annum for the first ten years ending on February 28, 2026 and May 31, 2026 respectively. The interest rate for the next ten years is subjected to negotiation with the banks.

- (c) Bank loan D comprised three draw downs on June 2016, July 2016 and August 2016. The loan is secured by the freehold property at Forstweg 7, 52382 Niederzier Germany.

The loan is repayable in 107 monthly instalments of \$2,403 each and a final instalment of \$1,430 commencing on June 30, 2017 and ending on May 31, 2026.

The loan bears a fixed interest rate of 2.20% per annum.

- (d) Bank loan E was drawn down in December 2016. The loan is a revolving credit facility and repayable on demand. It is covered by a corporate guarantee from the Company.

The loan bears variable effective interest rate of 3.4% per annum.

- (e) Bank loan F was drawn down in October 2014. The loan is a revolving credit facility and repayable on demand. It is covered by a corporate guarantee from the Company.

The loan bore variable interest rates ranging from 1.86% to 2.74% (2015: 1.97% to 2.74%) per annum.

- (f) Bills payable in 2015 bore interest ranging 1.54% to 2.65% per annum and have varying tenure of periods of between 43 to 89 days.

## 21 TRADE AND OTHER PAYABLES

|                                       | Group  |        | Company |        |
|---------------------------------------|--------|--------|---------|--------|
|                                       | 2016   | 2015   | 2016    | 2015   |
|                                       | \$'000 | \$'000 | \$'000  | \$'000 |
| Trade payables – outside parties      | 6,958  | 11,212 | 35      | 54     |
| Loans from subsidiaries (Note 5)      | -      | -      | 1,476   | 1,017  |
| Accrued operating expenses            | 5,212  | 5,918  | 843     | 854    |
| Other payables                        |        |        |         |        |
| - outside parties                     | 775    | 408    | 129     | 7      |
| - related companies                   | -      | -      | 95      | 224    |
|                                       | 12,945 | 17,538 | 2,578   | 2,156  |
| Advanced receipts from customers      | 6,787  | 15,518 | -       | -      |
|                                       | 2,000  | -      | -       | -      |
|                                       | 21,732 | 33,056 | 2,578   | 2,156  |
| Classified as held for sale (Note 12) | 3,009  | -      |         |        |
|                                       | 24,741 | 33,056 | 2,578   | 2,156  |

The credit period on purchases of goods generally ranges from 30 to 60 days (2015 : 30 to 60 days).

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## 22 PROVISION FOR WARRANTY

The Group provides 1 to 5 years (2015 : 1 to 5 years) of warranty on certain products and undertakes to repair or replace the items that fail to perform satisfactorily. The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for certain products. The estimate has been made on the basis of historical warranty claims and past experiences of the level of repairs and returns.

Movement in provision for warranty:

|                                                | Group  |        |
|------------------------------------------------|--------|--------|
|                                                | 2016   | 2015   |
|                                                | \$'000 | \$'000 |
| At beginning of the year                       | 1,321  | 1,598  |
| Reversal of warranty                           | -      | (718)  |
| Reclassification from trade and other payables | -      | 456    |
| Provision during the year                      | 114    | -      |
| Utilisation of provision                       | (155)  | (17)   |
| Classified as held for sale (Note 12)          | (702)  | -      |
| Exchange differences                           | -      | 2      |
| At end of the year                             | 578    | 1,321  |

## 23 SHARE CAPITAL

|                                    | Group and Company         |               |        |        |
|------------------------------------|---------------------------|---------------|--------|--------|
|                                    | 2016                      | 2015          | 2016   | 2015   |
|                                    | Number of ordinary shares |               | \$'000 | \$'000 |
| <b>Issued and paid up:</b>         |                           |               |        |        |
| At beginning of the year           | 103,521,700               | 310,567,176   | 47,433 | 47,433 |
| Adjustment for Share Consolidation | -                         | (207,045,476) | -      | -      |
| At the end of the year             | 103,521,700               | 103,521,700   | 47,433 | 47,433 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

The Company undertook a share consolidation of every three (3) existing issued ordinary shares in the share capital of the Company into one (1) consolidated share, which was approved by the shareholders at the Extraordinary General Meeting of the Company held on November 26, 2015 (the "Share Consolidation").

Following the completion of the Share Consolidation, which became effective on December 7, 2015, the number of ordinary shares of the Company as at December 31, 2015 was reduced to 103,521,700 and the number of treasury shares was reduced to 2,253,333 (Note 24). Fractions of ordinary shares arising from the Share Consolidation were disregarded.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 24 TREASURY SHARES

|                                    | Group and Company         |             |        |        |
|------------------------------------|---------------------------|-------------|--------|--------|
|                                    | 2016                      | 2015        | 2016   | 2015   |
|                                    | Number of ordinary shares |             | \$'000 | \$'000 |
| At beginning of the year           | 2,253,333                 | 6,760,000   | 1,837  | 1,837  |
| Adjustment for share consolidation | -                         | (4,506,667) | -      | -      |
| At the end of the year             | 2,253,333                 | 2,253,333   | 1,837  | 1,837  |

## 25 GENERAL RESERVE

|                          | Group  |        |
|--------------------------|--------|--------|
|                          | 2016   | 2015   |
|                          | \$'000 | \$'000 |
| At beginning of the year | 1,130  | 1,045  |
| Current year additions   | 90     | 85     |
| At end of the year       | 1,220  | 1,130  |

In accordance with the relevant laws and regulations of the PRC, companies in PRC are required to set up a general reserve fund by way of appropriation of funds from its statutory net profit at a rate of 10% (2015 : 10%) for each year.

The fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the PRC authorities. The appropriation is required until the statutory reserve reaches 50% of the registered capital. The reserve is not available for distribution to shareholders as dividends.

One of the subsidiaries in Europe has designated a portion of its earnings for the establishment of a legal reserve in compliance with the relevant laws and regulations of Belgium. The subsidiary has elected to establish the maximum allowable reserve, equivalent to 10% of its share capital.

## 26 REVENUE

|                    | Group                 |         |                        |        | Total  |         |
|--------------------|-----------------------|---------|------------------------|--------|--------|---------|
|                    | Continuing operations |         | Discontinued operation |        | 2016   | 2015    |
|                    | 2016                  | 2015    | 2016                   | 2015   |        |         |
|                    | \$'000                | \$'000  | \$'000                 | \$'000 | \$'000 | \$'000  |
| Sales of goods     | 32,334                | 49,035  | -                      | 1,213  | 32,334 | 50,248  |
| Contract income    | 55,708                | 51,961  | -                      | -      | 55,708 | 51,961  |
| Service income     | 5,612                 | 3,458   | -                      | -      | 5,612  | 3,458   |
| Commission income  | 430                   | 2,157   | -                      | -      | 430    | 2,157   |
| Concession revenue | -                     | -       | -                      | 1,505  | -      | 1,505   |
|                    | 94,084                | 106,611 | -                      | 2,718  | 94,084 | 109,329 |

Operation revenue arising from the service concession arrangements is included in concession revenue.

# NOTES TO FINANCIAL STATEMENTS

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## 27 OTHER OPERATING INCOME

|                                                   | Continuing operations |        | Group<br>Discontinued operation |        | Total  |        |
|---------------------------------------------------|-----------------------|--------|---------------------------------|--------|--------|--------|
|                                                   | 2016                  | 2015   | 2016                            | 2015   | 2016   | 2015   |
|                                                   | \$'000                | \$'000 | \$'000                          | \$'000 | \$'000 | \$'000 |
| Interest income from fixed deposits               | 140                   | 57     | -                               | 5      | 140    | 62     |
| Finance income from service concession agreements | -                     | -      | -                               | 149    | -      | 149    |
| Government grants                                 | 958                   | 510    | -                               | -      | 958    | 510    |
| Rental income                                     | 401                   | 458    | -                               | -      | 401    | 458    |
| Sale of scraps                                    | 47                    | 78     | -                               | -      | 47     | 78     |
| Sundry income                                     | 147                   | 106    | -                               | 53     | 147    | 159    |
|                                                   | 1,693                 | 1,209  | -                               | 207    | 1,693  | 1,416  |

## 28 OTHER OPERATING EXPENSES

|                                             | Continuing operations |        | Group<br>Discontinued operation |        | Total  |        |
|---------------------------------------------|-----------------------|--------|---------------------------------|--------|--------|--------|
|                                             | 2016                  | 2015   | 2016                            | 2015   | 2016   | 2015   |
|                                             | \$'000                | \$'000 | \$'000                          | \$'000 | \$'000 | \$'000 |
| Research and development expenses           | 1,706                 | 2,107  | -                               | -      | 1,706  | 2,107  |
| Amortisation of intangible assets (Note 15) | 120                   | 106    | -                               | 58     | 120    | 164    |
|                                             | 1,826                 | 2,213  | -                               | 58     | 1,826  | 2,271  |

## 29 OTHER GAINS AND LOSSES

|                                                       | Group  |                      |
|-------------------------------------------------------|--------|----------------------|
|                                                       | 2016   | 2015                 |
|                                                       | \$'000 | (restated)<br>\$'000 |
| Allowance for impairment in value of inventories      | 187    | 43                   |
| Inventories written off                               | 1      | 35                   |
| (Reversal of) Allowance for doubtful receivables      | (118)  | 110                  |
| Write-off of trade receivables                        | -      | 1                    |
| Loss on disposal of property, plant and equipment     | 2      | 26                   |
| Impairment loss on goodwill                           | 1,605  | 2,971                |
| Impairment loss on investment in an associate         | -      | 200                  |
| Impairment loss on intangible assets                  | 74     | -                    |
| Foreign exchange gain                                 | 93     | (164)                |
| Fair value gain on foreign exchange forward contracts | -      | (485)                |
|                                                       | 1,844  | 2,737                |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 30 FINANCE COST

|                        | Group                 |        |                        |        | Total  |        |
|------------------------|-----------------------|--------|------------------------|--------|--------|--------|
|                        | Continuing operations |        | Discontinued operation |        |        |        |
|                        | 2016                  | 2015   | 2016                   | 2015   | 2016   | 2015   |
|                        | \$'000                | \$'000 | \$'000                 | \$'000 | \$'000 | \$'000 |
| Interest on bank loans | 382                   | 328    | -                      | 52     | 382    | 380    |

## 31 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

|                                       | Group                 |        |                        |        | Total  |        |
|---------------------------------------|-----------------------|--------|------------------------|--------|--------|--------|
|                                       | Continuing operations |        | Discontinued operation |        |        |        |
|                                       | 2016                  | 2015   | 2016                   | 2015   | 2016   | 2015   |
|                                       | \$'000                | \$'000 | \$'000                 | \$'000 | \$'000 | \$'000 |
| Current income tax                    | 748                   | 1,079  | -                      | 175    | 748    | 1,254  |
| Deferred tax (Note 19)                | 288                   | 37     | -                      | -      | 288    | 37     |
| (Over) Under provision in prior years |                       |        |                        |        |        |        |
| - Current income tax                  | (486)                 | (193)  | -                      | -      | (486)  | (193)  |
| - Deferred tax (Note 19)              | -                     | 143    | -                      | -      | -      | 143    |
|                                       | 550                   | 1,066  | -                      | 175    | 550    | 1,241  |

Singapore income tax is calculated at 17% (2015 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

|                                                                                | Group   |                    |
|--------------------------------------------------------------------------------|---------|--------------------|
|                                                                                | 2016    | 2015<br>(restated) |
|                                                                                | \$'000  | \$'000             |
| (Loss) Profit before income tax                                                |         |                    |
| - Continuing operations                                                        | (1,680) | (507)              |
| - Discontinued operation                                                       | -       | 2,740              |
|                                                                                | (1,680) | 2,233              |
| Income tax (credit) expenses at 17% (2015 : 17%)                               | (286)   | 380                |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (358)   | 200                |
| Tax effect on non-allowable items                                              | 439     | 1,058              |
| Tax effect on non-taxable items                                                | -       | (524)              |
| Effect of tax concessions                                                      | (144)   | (91)               |
| Effect of share of results of associate                                        | (42)    | (40)               |
| Effect of tax exempt income and tax relief                                     | (91)    | (84)               |
| Effect of unused tax losses not recognised as deferred tax assets              | 1,441   | 456                |
| Effect of utilisation of tax losses previously not recognised                  | -       | (28)               |
| Overprovision of current income tax in prior years                             | (486)   | (193)              |
| Underprovision of deferred tax in prior years                                  | -       | 143                |
| Others                                                                         | 77      | (36)               |
|                                                                                | 550     | 1,241              |

# NOTES TO FINANCIAL STATEMENTS

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## 32 DISCONTINUED OPERATION

### Disposal of non-core environmental technologies operations

As disclosed in Note A in the consolidated statement of cash flows and Note 12, the Company completed the disposal of its subsidiaries involved in non-core environmental technologies operations on August 28, 2015.

The profit for the year from the discontinued operation is analysed as follows:

|                                                                             | <u>2015</u>   |
|-----------------------------------------------------------------------------|---------------|
|                                                                             | <u>\$'000</u> |
| Profit from environmental technologies operation up to the date of disposal | 815           |
| Gain on disposal of subsidiaries                                            | 1,750         |
|                                                                             | <u>2,565</u>  |

The results of the environmental technologies operations up to the date of disposal are as follows:

|                                                             | <u>2015</u>   |
|-------------------------------------------------------------|---------------|
|                                                             | <u>\$'000</u> |
| Revenue                                                     | 2,718         |
| Cost of sales                                               | (1,154)       |
| Other operating income                                      | 207           |
| Distribution and marketing costs                            | (7)           |
| Administrative expenses                                     | (664)         |
| Other operating expenses                                    | (58)          |
| Finance cost                                                | (52)          |
| Profit before income tax                                    | 990           |
| Income tax expense                                          | (175)         |
| Profit for the year (attributable to owners of the Company) | <u>815</u>    |

In 2015, the subsidiaries contributed \$432,000 to the Group's net operating cash outflows, paid \$403,000 in respect of investing activities and paid \$444,000 in respect of financing activities.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 33 (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year has been arrived at after charging (crediting):

|                                                             | Continuing operations |        | Group<br>Discontinued operation |        | Total  |        |
|-------------------------------------------------------------|-----------------------|--------|---------------------------------|--------|--------|--------|
|                                                             | 2016                  | 2015   | 2016                            | 2015   | 2016   | 2015   |
|                                                             | \$'000                | \$'000 | \$'000                          | \$'000 | \$'000 | \$'000 |
| Directors' fees                                             | 174                   | 174    | -                               | -      | 174    | 174    |
| Employees benefit expense<br>(including directors)          | 9,669                 | 10,396 | -                               | 361    | 9,669  | 10,757 |
| Defined contribution plans<br>(including directors)         | 885                   | 799    | -                               | 86     | 885    | 885    |
| Cost of inventories recognised<br>as expense                | 67,163                | 75,589 | -                               | 20     | 67,163 | 75,609 |
| Depreciation of property, plant<br>and equipment            | 2,230                 | 3,376  | -                               | 123    | 2,230  | 3,499  |
| Provision for (reversal of<br>provision) warranty provision | 114                   | (718)  | -                               | -      | 114    | (718)  |
| Audit fees:                                                 |                       |        |                                 |        |        |        |
| Paid/payable to auditors of the<br>Company                  | 262                   | 224    | -                               | -      | 262    | 224    |
| Paid/payable to other auditors                              | 109                   | 90     | -                               | 59     | 109    | 149    |
| Non-audit fees:                                             |                       |        |                                 |        |        |        |
| Paid/payable to auditors of the<br>Company                  | 11                    | 7      | -                               | -      | 11     | 7      |
| Paid/payable to other auditors                              | 82                    | 12     | -                               | -      | 82     | 12     |

## 34 (LOSSES) EARNINGS PER SHARE

### *From continuing and discontinued operations*

The calculation of the basic and diluted (losses) earnings per share attributable to the ordinary owners of the Company is based on the following data:

|                                                                                                                                                           | Group   |                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------------------|
|                                                                                                                                                           | 2016    | 2015<br>(restated) |
|                                                                                                                                                           | \$'000  | \$'000             |
| <b>(Losses) Earnings</b>                                                                                                                                  |         |                    |
| (Losses) Earnings for the purposes of basic and diluted (losses) earnings per share ((loss)<br>profit for the year attributable to owners of the Company) | (1,825) | 927                |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 34 (LOSSES) EARNINGS PER SHARE (cont'd)

### *From continuing and discontinued operations (cont'd)*

|                                                                                                     | Group      |         |
|-----------------------------------------------------------------------------------------------------|------------|---------|
|                                                                                                     | 2016       | 2015    |
|                                                                                                     | (restated) |         |
|                                                                                                     | \$'000     | \$'000  |
| <b>Number of shares</b>                                                                             |            |         |
| Number of ordinary shares outstanding* for the purposes of basic (losses) earnings per share ('000) | 101,268    | 101,268 |
| Basic and diluted (losses) earnings per share (cents)                                               | (1.80)     | 0.92    |

### *From continuing operations*

The calculation of the basic and diluted (losses) earnings per share from continuing operations attributable to the ordinary owners and the Company is based on the following data.

Losses figures are calculated as follows:

|                                                                                          | Group      |         |
|------------------------------------------------------------------------------------------|------------|---------|
|                                                                                          | 2016       | 2015    |
|                                                                                          | (restated) |         |
|                                                                                          | \$'000     | \$'000  |
| (Loss) Profit for the year attributable to owners of the Company                         | (1,825)    | 927     |
| Less: Profit for the year from discontinued operation                                    | -          | 2,565   |
| Losses for the purposes of basic and diluted losses per share from continuing operations | (1,825)    | (1,638) |

|  | Group      |        |
|--|------------|--------|
|  | 2016       | 2015   |
|  | (restated) |        |
|  | \$'000     | \$'000 |

### **Number of shares**

|                                                                                                     |         |         |
|-----------------------------------------------------------------------------------------------------|---------|---------|
| Number of ordinary shares outstanding* for the purposes of basic (losses) earnings per share ('000) | 101,268 | 101,268 |
| Basic and diluted (losses) earnings per share (cents)                                               | (1.80)  | (1.62)  |

\* Excludes treasury shares

Diluted (losses) earnings per share are the same as basic (losses) earnings per share as there are no dilutive potential ordinary shares. As at the end of the reporting period, no share option was granted.

In 2015, for meaningful comparison, the calculation of basic and diluted earnings per share is based on profit attributable to owners of the Company in the period divided by the weighted average number of ordinary shares of 101,268,367 after Share Consolidation (Note 23).

# NOTES TO FINANCIAL STATEMENTS

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## 35 COMMITMENTS

|                                 | Group  |        |
|---------------------------------|--------|--------|
|                                 | 2016   | 2015   |
|                                 | \$'000 | \$'000 |
| Purchase of plant and equipment | 56     | 152    |

## 36 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

The Group entered into commercial leases principally for office, factory space, staff apartment and warehouse with lease terms of between 1 and 5 years. Operating lease expenses recognised for the year are as follows:

|                                                                                        | Group  |        |
|----------------------------------------------------------------------------------------|--------|--------|
|                                                                                        | 2016   | 2015   |
|                                                                                        | \$'000 | \$'000 |
| Minimum lease payments under operating leases recognised as an expense during the year | 1,119  | 1,171  |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

|                                        | Group  |        |
|----------------------------------------|--------|--------|
|                                        | 2016   | 2015   |
|                                        | \$'000 | \$'000 |
| Within one year                        | 538    | 1,179  |
| In the second to fifth years inclusive | 1,163  | 4,253  |
| Total                                  | 1,701  | 5,432  |

In addition to the above commitments, the Group leases the land occupied by its leasehold property at an annual rental of \$173,000 (2015 : \$169,000) under a lease agreement with Jurong Town Corporation for a period of 42 years, which commenced on May 1, 2013. Rental is subject to annual revision with any increase capped at a percentage of the preceding year's rent.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 36 OPERATING LEASE ARRANGEMENTS (cont'd)

### The Group as lessor

During the year, the Group rents out a portion of its property in Singapore under operating leases. Property rental income earned during the year was \$400,000 (2015 : \$636,000).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

|                                        | Group  |        |
|----------------------------------------|--------|--------|
|                                        | 2016   | 2015   |
|                                        | \$'000 | \$'000 |
| Within one year                        | 300    | 216    |
| In the second to fifth years inclusive | 86     | 93     |
| Total                                  | 386    | 309    |

## 37 BANKERS' AND FINANCIAL GUARANTEES

|                                                | Group  |        |
|------------------------------------------------|--------|--------|
|                                                | 2016   | 2015   |
|                                                | \$'000 | \$'000 |
| Bankers' guarantees with recourse to the Group | 10,932 | 11,381 |

The maximum amount for which the Group could become liable is as shown above.

Bankers' guarantees of \$10,910,000 (2015 : \$11,301,000) issued by the banks were drawn on credit facilities granted by the banks. The remaining bankers' guarantees of \$22,000 (2015 : \$80,000) were secured by fixed deposits placed with the banks.

The Company provided corporate guarantees up to \$71,486,000 (2015 : \$93,604,000) to certain banks and financial institutions for credit facilities granted to the subsidiaries. One of the subsidiaries also provided a corporate guarantee of \$10,000,000 (2015 : \$14,000,000) for credit facilities granted to the Company.

In addition to the above corporate guarantees, the Company issued a corporate guarantee of \$30,992,000 (2015 : \$26,895,000) to a customer to enable the subsidiary to enter into a project contract with the customer. The project was completed in 2016 and the corporate guarantee will be discharged in 2020 when the warranty period of the project expires.

Management has evaluated the fair value of these corporate guarantees and is of the view that the fair value of the benefits derived from these guarantees to the banks and financial institutions is not significant and hence this has not been recognised in the financial statements.

At the end of the reporting period, the Company was not required to fulfil any corporate guarantee given to banks.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 38 SEGMENT INFORMATION

Management has determined segment based on how information is reported to the Group's chief operating decision maker for the purposes of resource allocation and operating performance review. The Group's reportable segments under FRS 108 are therefore as follows:

- 1) Engineering service and manufacturing - This segment includes design, manufacture and supply of process equipment, instrumentation systems and related products for oil, gas and petrochemical plants.
- 2) Environmental technologies - This segment participates in portable, waste water and industrial waste treatment to improve the environment by reducing or eliminating pollution. It also includes design and supply of clean energy solutions as well as technologies and products to reduce greenhouse gas emissions.

The Group's activities are primarily based in the PRC, Singapore, Malaysia, Korea, Japan, Thailand, Europe and USA. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Segment information about the Group's continuing operations is presented below.

### (a) Analysis by business segment

Segment revenue and profit:

In determining the profit or loss for each reportable segment, segment revenue and cost of sales are the operating revenue and cost of sales reported in the Group's income statement that are directly attributable to a segment. Operating income and expenses include items directly attributable to a segment and the relevant portion of such operating income and expenses that can be allocated on a reasonable basis to a segment. Non-recurring gains or losses such as gain on dilution of investment and goodwill impairment are not allocated.

All inter-segment sales are eliminated on consolidation.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of trade and other receivables, cash and cash equivalents, intangible assets, inventories, contract work-in-progress and property, plant and equipment, net of allowances and provisions. Segment assets do not include deferred tax asset and available-for-sale financial assets. Capital additions include the total cost incurred to acquire property, plant and equipment and intangible assets directly attributable to the segment.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, contract work-in-progress. Current and deferred income tax liabilities are not allocated.

# NOTES TO FINANCIAL STATEMENTS

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## 38 SEGMENT INFORMATION (cont'd)

### (a) Analysis by business segment (cont'd)

Segment information about the Group's continuing and discontinued operations' revenue and results is presented below:

|                                                 | <b>Engineering service and<br/>manufacturing</b> |               |
|-------------------------------------------------|--------------------------------------------------|---------------|
|                                                 | <b>2016</b>                                      | <b>2015</b>   |
|                                                 | <b>(restated)</b>                                |               |
|                                                 | <b>\$'000</b>                                    | <b>\$'000</b> |
| <b>Continuing operations</b>                    |                                                  |               |
| <b><u>Revenue</u></b>                           |                                                  |               |
| External revenue                                |                                                  |               |
| Petrochemicals and Chemicals                    | 59,177                                           | 68,731        |
| Oil and Gas                                     | 30,087                                           | 34,842        |
| Iron and Steel                                  | 297                                              | 615           |
| Others                                          | 4,523                                            | 2,423         |
| Total revenue                                   | 94,084                                           | 106,611       |
| <b><u>Segment results</u></b>                   |                                                  |               |
| Segment result                                  | (984)                                            | (67)          |
| Share of results of associate and joint venture | (639)                                            | (134)         |
| Interest income                                 | 140                                              | 58            |
| Interest expense                                | (382)                                            | (328)         |
| Unallocated income                              | 185                                              | (36)          |
| Profit before tax                               | (1,680)                                          | (507)         |
| Income tax                                      | (550)                                            | (1,066)       |
| Loss for the year                               | (2,230)                                          | (1,573)       |
| <b><u>Assets</u></b>                            |                                                  |               |
| Segment assets                                  | 107,503                                          | 119,849       |
| Deferred tax assets                             | 293                                              | 626           |
| Unallocated assets                              | 13,465                                           | 10,400        |
|                                                 | 121,261                                          | 130,875       |
| <b><u>Liabilities</u></b>                       |                                                  |               |
| Segment liabilities                             | 48,379                                           | 55,475        |
| Current and deferred<br>tax liabilities         | 1,732                                            | 1,914         |
| Unallocated liabilities                         | 2,731                                            | 2,167         |
|                                                 | 52,842                                           | 59,556        |

# NOTES TO FINANCIAL STATEMENTS

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## 38 SEGMENT INFORMATION (cont'd)

(a) Analysis by business segment (cont'd)

### Other information

Capital additions:

- Property, plant and equipment
- Unallocated property, plant and equipment

Impairment loss on goodwill  
 Impairment loss on intangible assets  
 Inventories written off  
 Allowance for impairment in value of inventories  
 (Reversal of) allowance for doubtful trade debts

Depreciation and amortisation  
 Unallocated depreciation and amortisation

### Engineering service and manufacturing

| 2016   | 2015<br>(restated) |
|--------|--------------------|
| \$'000 | \$'000             |
| 3,384  | 340                |
| 6      | 2                  |
| 3,390  | 342                |
| 1,605  | 2,971              |
| 74     | 200                |
| 1      | 35                 |
| 187    | 43                 |
| (118)  | 110                |
| 2,318  | 3,444              |
| 45     | 51                 |
| 2,363  | 3,495              |

### Environmental technologies

\$'000

### 2015

### Discontinued operation

### Revenue

External revenue - others

2,718

### Segment results

Segment results  
 Share of result of associate  
 Interest income  
 Interest expense  
 Gain on disposal of subsidiaries  
 Profit before income tax  
 Income tax  
 Profit for the year

889

-

153

(52)

1,750

2,740

(175)

2,565

### Other information

Capital additions:

- Property, plant and equipment

419

Depreciation and amortisation

181

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 38 SEGMENT INFORMATION (cont'd)

### (b) Analysis by geographical segment

- (i) Analysis of the Group's sales based on the geographical presence of the customers.

#### Revenue

|                       | Continuing operations |         | Discontinued operation |        | Total  |         |
|-----------------------|-----------------------|---------|------------------------|--------|--------|---------|
|                       | 2016                  | 2015    | 2016                   | 2015   | 2016   | 2015    |
|                       | \$'000                | \$'000  | \$'000                 | \$'000 | \$'000 | \$'000  |
| PRC                   | 30,893                | 38,191  | -                      | 2,718  | 30,893 | 40,909  |
| Singapore             | 20,841                | 19,498  | -                      | -      | 20,841 | 19,498  |
| Vietnam               | 4,230                 | 19,288  | -                      | -      | 4,230  | 19,288  |
| Other Asian countries | 17,952                | 13,119  | -                      | -      | 17,952 | 13,119  |
| Middle East           | 3,375                 | 6,291   | -                      | -      | 3,375  | 6,291   |
| Europe                | 10,551                | 4,940   | -                      | -      | 10,551 | 4,940   |
| USA                   | 6,032                 | 3,978   | -                      | -      | 6,032  | 3,978   |
| Others                | 210                   | 1,306   | -                      | -      | 210    | 1,306   |
|                       | 94,084                | 106,611 | -                      | 2,718  | 94,084 | 109,329 |

- (ii) Analysis of the carrying amount of non-current assets in the geographical area in which the amounts are located.

#### Non-current assets

|                | 2016   | 2015       |
|----------------|--------|------------|
|                |        | (restated) |
|                | \$'000 | \$'000     |
| PRC            | 7,505  | 8,522      |
| Singapore      | 16,294 | 23,903     |
| Europe and USA | 3,328  | 994        |
| Others         | 28     | 30         |
|                | 27,155 | 33,449     |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 38 SEGMENT INFORMATION (cont'd)

### (c) Revenue from major products and services

|                                                                              | Continuing operations |                | Discontinued operation |              | Total         |                |
|------------------------------------------------------------------------------|-----------------------|----------------|------------------------|--------------|---------------|----------------|
|                                                                              | 2016                  | 2015           | 2016                   | 2015         | 2016          | 2015           |
|                                                                              | \$'000                | \$'000         | \$'000                 | \$'000       | \$'000        | \$'000         |
| Process equipment, instrumentation systems and related products and services | 94,084                | 106,611        | -                      | -            | 94,084        | 106,611        |
| Operation and maintenance services in relation to service concession         | -                     | -              | -                      | 1,505        | -             | 1,505          |
| Other products                                                               | -                     | -              | -                      | 1,213        | -             | 1,213          |
|                                                                              | <u>94,084</u>         | <u>106,611</u> | <u>-</u>               | <u>2,718</u> | <u>94,084</u> | <u>109,329</u> |

Process equipment, instrumentation systems and related products and services are usually bundled as a package and sold as a whole. Hence, the Group considers that it is not cost effective to determine the revenue from each product and service generated by the engineering service and manufacturing segment.

### (d) Information about major customers

During the year, the Group had revenue transactions with one (2015 : one) major single customer that amounted to more than 10% of the Group's revenue.

## 39 DIVIDENDS

|                                                                              | Company |        |
|------------------------------------------------------------------------------|---------|--------|
|                                                                              | 2016    | 2015   |
|                                                                              | \$'000  | \$'000 |
| <u>Declared and paid during the year:</u>                                    |         |        |
| Dividends on ordinary shares:                                                |         |        |
| Final exempt (one-tier) dividend for 2015 : \$Nil (2014 : \$0.003) per share | -       | 911    |

In respect of the current year, the directors propose that a dividend of 2.5 cents per share will be paid to shareholders in 2017. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$ 2.6 million.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 40 RESTATEMENT OF PRIOR YEAR COMPARATIVES

Prior year adjustments have been made to the consolidated statement of financial position of the Group, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity of the Group and consolidated statement of cash flows for the financial year ended December 31, 2015.

On 4 November 2015, the Group acquired an 85% majority stake in a Germany-based company, ZMK Technologies GmbH ("ZMK").

Under FRS 103, the Group has a one year period from acquisition date to complete its accounting for this business combination. As at December 31, 2015, the fair value of the net assets acquired net of liabilities assumed amounting to \$1,029,000 were determined on a provisional basis as the final results of the certain construction projects were not available by the date the financial statements were authorised for issue.

Management finalised the purchase price allocation for the acquisition of ZMK during the financial year ended 31 December 2016. As a result, certain line items have been amended in the consolidated statement of financial position, statement of comprehensive income and statement of changes in equity of the Group, and the related notes to the financial statements.

|                                                                                | As<br>previously<br>reported<br>\$'000 | Restatements<br>\$'000 | As restated<br>\$'000 |
|--------------------------------------------------------------------------------|----------------------------------------|------------------------|-----------------------|
| <b>Consolidated Statement of financial position</b>                            |                                        |                        |                       |
| Amount due from customers for contract work-in-progress                        | 22,831                                 | (1,691)                | 21,140                |
| Deferred tax assets                                                            | 246                                    | 380                    | 626                   |
| Amount due to customers for contract work-in-progress                          | 7,865                                  | 76                     | 7,941                 |
| Deferred tax liabilities                                                       | 490                                    | (150)                  | 340                   |
| Foreign currency translation                                                   | 1,481                                  | (35)                   | 1,446                 |
| Retained earnings                                                              | 24,084                                 | (1,017)                | 23,067                |
| Non-controlling interests                                                      | 266                                    | (186)                  | 80                    |
| <b>Consolidated Statement of profit or loss and other comprehensive income</b> |                                        |                        |                       |
| Other gains and losses                                                         | (1,718)                                | (1,019)                | (2,737)               |
| Profit for the year                                                            | 2,011                                  | (1,019)                | 992                   |
| Other comprehensive loss                                                       | (163)                                  | (90)                   | (253)                 |
| Earnings per share                                                             |                                        |                        |                       |
| From continuing and discontinued operations                                    | 1.92                                   | (1.00)                 | 0.92                  |
| From continuing operations                                                     | (0.61)                                 | (1.01)                 | (1.62)                |
| <b>Statement of changes in equity</b>                                          |                                        |                        |                       |
| Attributable to equity holders of the Company                                  | 72,291                                 | (1,052)                | 71,239                |
| <b>Statement of cash flow</b>                                                  |                                        |                        |                       |
| Profit (Loss) before income tax                                                | 3,252                                  | (1,019)                | 2,233                 |
| Impairment loss on goodwill                                                    | 2,830                                  | 141                    | 2,971                 |
| Gain on bargain purchase                                                       | (875)                                  | 875                    | -                     |
| Inventories                                                                    | 2,636                                  | (142)                  | 2,494                 |
| Contract work-in-progress                                                      | 605                                    | 184                    | 789                   |
| Trade and other payables                                                       | (4,793)                                | (36)                   | (4,829)               |

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 41 EVENTS AFTER REPORTING PERIOD

On January 23, 2017, the Company announced that it has on January 21, 2017 entered into a non-binding agreement to acquire the entire equity interest in Agricore Global Pte Ltd, together with its subsidiaries and associated companies ("Agricore Global Group").

The proposed acquisition, if undertaken and completed, is expected to result in a reverse takeover of Advanced Holdings Ltd. If successful, the company will seek a transfer of its listing from the mainboard to the Catalyst.

The Agricore Global Group is owned by Hoch Ventures Limited, Vertex DG Pte Ltd, Mr Hery Hermawan Herijanto and his family members (collectively, the "Vendors").

The purchase consideration for the proposed acquisition shall be based on a target value of \$180 million to \$240 million to be determined, subject to negotiations.

The purchase consideration shall be satisfied in part by cash from the Company and in part by the issue and allotment of new ordinary shares in the share capital of the Company to the Vendors in proportion to the vendors' respective shareholding interest in the target company at an indicative issue price of S\$0.50 per share, in a proportion to be mutually agreed upon.

The shares consideration shall be subject to a moratorium for a period of 12 months beginning from the date of completion of the proposed acquisition.

Subject to completion of a group restructuring exercise, the Agricore Global Group will collectively hold, or will, prior to completion of the proposed acquisition, have an interest in, the concessions to 23 parcels of agricultural permits in Indonesia to be cultivated into crude palm oil plantations, as well as 2 forestry concessions for timber management (collectively, the "Target Assets"). The Target Assets are located on Sulawesi Island, Indonesia and have a land permit area of approximately 232,102 hectares.

It is not practical to disclose the revenue and the profit for the year of the Group had the acquisition been completed on January 1, 2016.

# STATISTICS OF SHAREHOLDINGS

March 17, 2017

|                                                       |                                                                              |
|-------------------------------------------------------|------------------------------------------------------------------------------|
| Issued and fully paid capital                         | : \$47,432,531                                                               |
| Number of ordinary shares (excluding treasury shares) | : 101,268,367                                                                |
| Number of treasury shares                             | : 2,253,333                                                                  |
| Class of shares                                       | : Ordinary shares                                                            |
| Voting rights                                         | : On a poll: One vote for each ordinary share<br>(excluding treasury shares) |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT MARCH 17, 2017

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99                | 44                  | 2.57          | 2,109              | 0.00          |
| 100 - 1,000           | 85                  | 4.97          | 48,601             | 0.05          |
| 1,001 - 10,000        | 1,024               | 59.85         | 5,226,221          | 5.16          |
| 10,001 - 1,000,000    | 547                 | 31.97         | 29,157,260         | 28.79         |
| 1,000,001 and above   | 11                  | 0.64          | 66,834,176         | 66.00         |
| <b>Total</b>          | <b>1,711</b>        | <b>100.00</b> | <b>101,268,367</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS AS AT MARCH 17, 2017

| No.          | Shareholder's Name                            | Number of Shares Held | %            |
|--------------|-----------------------------------------------|-----------------------|--------------|
| 1            | WONG KAR KING                                 | 39,195,509            | 38.70        |
| 2            | BD CORPORATION PTE LTD                        | 5,670,000             | 5.60         |
| 3            | DBS NOMINEES PTE LTD                          | 4,936,425             | 4.87         |
| 4            | RAFFLES NOMINEES (PTE) LTD                    | 3,621,792             | 3.58         |
| 5            | YANG XIAO FEI                                 | 2,690,000             | 2.66         |
| 6            | YANG WEIREN                                   | 2,582,066             | 2.55         |
| 7            | CHOO BOY LEE EMILY                            | 2,206,600             | 2.18         |
| 8            | WONG SWEE YOKE                                | 1,860,533             | 1.84         |
| 9            | PHILLIP SECURITIES PTE LTD                    | 1,758,524             | 1.74         |
| 10           | MAYBANK KIM ENG SECURITIES PTE LTD            | 1,207,061             | 1.19         |
| 11           | TOMMIE GOH THIAM POH                          | 1,105,666             | 1.09         |
| 12           | UOB KAY HIAN PTE LTD                          | 904,996               | 0.89         |
| 13           | OCBC SECURITIES PRIVATE LTD                   | 812,326               | 0.80         |
| 14           | LIM KHENG JIN JOHN (LIN QINGREN)              | 733,333               | 0.72         |
| 15           | OCBC NOMINEES SINGAPORE PRIVATE LTD           | 708,033               | 0.70         |
| 16           | UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED | 640,033               | 0.63         |
| 17           | CIMB SECURITIES (SINGAPORE) PTE LTD           | 615,273               | 0.61         |
| 18           | VIKING OFFSHORE AND MARINE LIMITED            | 591,333               | 0.58         |
| 19           | HENG YONG SENG                                | 450,000               | 0.44         |
| 20           | CITIBANK NOMINEES SINGAPORE PTE LTD           | 353,999               | 0.35         |
| <b>Total</b> |                                               | <b>72,643,502</b>     | <b>71.72</b> |

### Note:

Percentage is based on 101,268,367 shares (excluding shares held as treasury shares) as at March 17, 2017.

Number of treasury shares as at March 17, 2017 is 2,253,333 shares.

# SUBSTANTIAL SHAREHOLDERS

March 17, 2017

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at March 17, 2017)

| Name of Substantial Shareholders     | Direct Interest | % <sup>(1)</sup> | Deemed Interest | % <sup>(1)</sup> |
|--------------------------------------|-----------------|------------------|-----------------|------------------|
| Dr Wong Kar King <sup>(2)</sup>      | 39,195,509      | 38.70            | 2,206,600       | 2.18             |
| Dr Choo Boy Lee Emily <sup>(3)</sup> | 2,206,600       | 2.18             | 39,195,509      | 38.70            |
| BD Corporation Pte Ltd               | 5,670,000       | 5.60             | -               | -                |
| Lim Pang Hern <sup>(4) (6)</sup>     | 2,666           | 0.00             | 5,670,000       | 5.60             |
| Ng Kok Teck <sup>(4) (5) (6)</sup>   | -               | -                | 5,986,666       | 5.91             |
| See Mei Li <sup>(5) (6)</sup>        | 316,666         | 0.31             | 5,670,000       | 5.60             |

### Notes:

- (1) Percentage computed is based on 101,268,367 ordinary shares in issue (excluding 2,253,333 shares held as treasury shares) as at March 17, 2017.
- (2) Dr Wong Kar King's deemed interest comprises 2,206,600 ordinary shares held by his wife, Dr Choo Boy Lee Emily.
- (3) Dr Choo Boy Lee Emily's deemed interest comprises 39,195,509 ordinary shares held by her husband, Dr Wong Kar King.
- (4) Lim Pang Hern and Ng Kok Teck are deemed to be interested in the 5,670,000 Shares held by BD Corporation Pte. Ltd. as they hold 55% shareholding interest and 35% shareholding interest in BD Corporation Pte. Ltd. respectively.
- (5) Ng Kok Teck and See Mei Li are spouses. Ng Kok Teck is deemed interested in the 316,666 Shares held by See Mei Li and See Mei Li is deemed interested in the 5,670,000 Shares that Ng Kok Teck has deemed interest in.
- (6) Based on Lim Pang Hern's, Ng Kok Teck's and See Mei Li's shareholding interest in the Company as announced via SGXNET.

As at March 17, 2017, 2,253,333 ordinary shares are held as treasury shares, representing 2.23% of the total number of issued ordinary shares excluding treasury shares.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at March 17, 2017, approximately 51.3% of the issued ordinary shares of the Company is held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of SGX-ST has been complied with.

### Note:

Percentage is based on 101,268,367 shares (excluding shares held as treasury shares) as at March 17, 2017.

Number of treasury shares as at March 17, 2017 is 2,253,333

# NOTICE OF ANNUAL GENERAL MEETING

December 31, 2016

## ADVANCED HOLDINGS LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200401856N)

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting of Advanced Holdings Ltd. (the “**Company**”) will be held at 30 Woodlands Loop, Singapore 738319 on Thursday, April 27, 2017 at 2.00 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended December 31, 2016 together with **(Resolution 1)** the Directors’ Statement and the Auditors’ Report of the Company.
2. To declare a final dividend of 2.5 cents per ordinary share in respect of the financial year ended 31 **(Resolution 2)** December 2016.
3. To re-elect as a Director, Mr Lim Boon Cheng, who is retiring under Article 91 of the Company’s Constitution.  
  
***Mr Lim Boon Cheng will, upon re-election as a Director of the Company, remain as the (Resolution 3)***  
***Lead Independent Director. He will remain as the chairman of the Audit Committee and the***  
***Remuneration Committee and a member of the Nominating Committee.***
4. To approve directors’ fees of \$170,000.00 for the financial year ending December 31, 2017, to be paid **(Resolution 4)** quarterly in arrears.
5. To re-appoint Messrs Deloitte and Touche LLP as the Company’s Auditors and to authorise the Directors **(Resolution 5)** to fix their remuneration.
6. To transact any other business that may be transacted at an Annual General Meeting.

### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

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

- (a) (i) 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 or 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, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

# NOTICE OF ANNUAL GENERAL MEETING

December 31, 2016

provided always that:

- (I) 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 be limited as follows:
  - (A) without prejudice to sub-paragraph (I)(B) below, the aggregate number of shares to be issued shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (III) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (III) below) ("General Limit");
  - (B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis ("Renounceable Rights Issues") shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (III) below) ("Additional Limit");
  - (C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;
  - (D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;
  - (E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;
- (II) the General Limit and the Additional Limit shall not, in aggregate, exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (III) below);
- (III) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I)(A) and (I)(B) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for:
  - (aa) new shares arising from the conversion or exercise of any convertible securities;
  - (bb) 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
  - (cc) any subsequent bonus issue, consolidation or subdivision of shares;

# NOTICE OF ANNUAL GENERAL MEETING

December 31, 2016

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

[See Explanation Note 1]

**(Resolution 6)**

By Order of the Board

Dr Wong Kar King  
Managing Director  
12 April 2017

## Explanatory Note:

1. The Ordinary Resolution 6 in item 7 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 the aggregate of (i) 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) at the time Ordinary Resolution 6 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 Ordinary Resolution 6 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to Resolution 6, if on that date the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted pursuant to Resolution 6) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (the “Enhanced Rights Issue Limit”). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders’ approval and disclosure requirements under the Listing Manual on the use of proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Enhanced Rights Issue Limit provides the Company with additional avenues to raise funds expediently in current economic conditions. Accordingly, the Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Co

# NOTICE OF ANNUAL GENERAL MEETING

December 31, 2016

## Notes:

1.
  - (a) A member who is not a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Annual General Meeting. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
  - (b) A member who is a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 30 Woodlands Loop, Singapore 738319 at least 48 hours before the time fixed for the Meeting.
5. A depositor shall not be regarded as a member of a Company entitled to attend, speak and vote at the Annual General Meeting unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289) 72 hours before the time fixed for the Annual General Meeting.

## Personal Data Protection:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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.



# PROXY FORM

## ANNUAL GENERAL MEETING ADVANCED HOLDINGS LTD.

Company Registration Number: 200401856N  
(Incorporated in the Republic of Singapore)

### IMPORTANT:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.
4. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50) may appoint more than two proxies to attend, speak and vote at the AGM.

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of Advanced Holdings Ltd. (the “Company”) hereby appoint

| Name | Address | NRIC/<br>Passport Number | Proportion of my/our<br>Shareholding (%) |   |
|------|---------|--------------------------|------------------------------------------|---|
|      |         |                          | No. of shares                            | % |
|      |         |                          |                                          |   |

and/or (delete as appropriate)

| Name | Address | NRIC/<br>Passport Number | Proportion of my/our<br>Shareholding (%) |   |
|------|---------|--------------------------|------------------------------------------|---|
|      |         |                          | No. of shares                            | % |
|      |         |                          |                                          |   |

or failing him/her, the Chairman of the Thirteenth Annual General Meeting, or failing \*him/her, the Chairman of the Thirteenth Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company, to be held at 30 Woodlands Loop, Singapore 738319 on Thursday, 27 April 2017 at 2.00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Thirteenth Annual General Meeting.

(If you wish to exercise all your votes “For” or “Against”, please indicate your vote “For” or “Against” with “X” within the box provided. Alternatively, please indicate the number of votes as appropriate.)

| No. | Resolutions Relating To:                                              | For | Against |
|-----|-----------------------------------------------------------------------|-----|---------|
|     | <b>Ordinary Business</b>                                              |     |         |
| 1.  | Adoption of Accounts                                                  |     |         |
| 2.  | Approval of Final Dividend                                            |     |         |
| 3.  | Re-appointment of Mr Lim Boon Cheng                                   |     |         |
| 4.  | Approval of Directors’ Fees for FY2017, payable quarterly in arrears. |     |         |
| 5.  | Re-appointment of Auditors                                            |     |         |
|     | <b>Special Business</b>                                               |     |         |
| 6.  | Authority to allot and issue new shares                               |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

| Number of Shares held in |  |
|--------------------------|--|
| CDP Register             |  |
| Member’s Register        |  |
| <b>TOTAL</b>             |  |

\_\_\_\_\_  
Signature of Shareholder(s) or Common Seal

**Important: Please read notes overleaf**

**Notes:**

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, 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 registered in 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) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
  - (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak 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. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 30 Woodlands Loop, Singapore 738319, not less than 48 hours before the time set for the Meeting.
5. 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 common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
7. 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 of Singapore.
8. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.
9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**Personal Data Protection:**

By attending the Annual General Meeting and/or any adjournment thereof or 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.



## **ADVANCED HOLDINGS LTD**

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