



ALLIED TECHNOLOGIES LIMITED



SHAPING A NEW FUTURE TOGETHER

ANNUAL REPORT 2017

OUR VISION

We envision ourselves to be a leading original design manufacturer and provider of fully integrated manufacturing solutions in the electronics and precision engineering industries.

OUR MISSION

We envision ourselves to provide innovative, quality and efficient integrated range of electronics manufacturing services and original design manufacturing at the most competitive prices through long-term strategic global partnerships, whilst achieving total customer satisfaction.

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CORPORATE PROFILE

Listed on the Main Board of the Singapore Exchange in June 2003 and transferred to the Catalist Board in May 2017, Allied Technologies Limited (“Allied Technologies”), together with its subsidiaries (the “Group”), is a manufacturer of precision stamped metal parts. Allied Technologies commenced operations in May 1994 and provides vertically integrated precision manufacturing services, including design and product development, prototyping services, tool and die fabrication, mass production, plastic injection moulding and mechanical sub-assembly as well as box assembly services to a wide base of customers.

Over the years, Allied Technologies has expanded and marked its footprint in various countries such as China, Malaysia, Vietnam and Thailand as a metal stamped parts supplier to world renowned customers.

The Group’s major customers include Konica Minolta, Cal-comp Group and Canon Group, all of which have been customers for over a decade, as well as MNCs such as Flextronics Group, Fujixerox, Samsung and the Hewlett Packard Group. The products manufactured by the Group are used as components in various industries, including computer and computer peripherals, consumer electronics and home appliances, office equipment, automotive, plastic and other industries.

Following the streamlining and restructuring plan started in 2016 with disposal of two subsidiaries located in China, namely Shanghai and Taicang, Allied Technologies had in 2017 liquidated its dormant or inactive subsidiaries located in China and Taiwan, and commenced disposal of its Suzhou subsidiaries. These exercises were done with the view to improve the overall financial performance, increase the cost efficiency and reduce potential business risk of the Group. After the completion of disposal of Suzhou subsidiaries on 31 January 2018, the Group has a total of four production facilities in South East Asia, specifically in Malaysia (two facilities), Vietnam and Thailand.

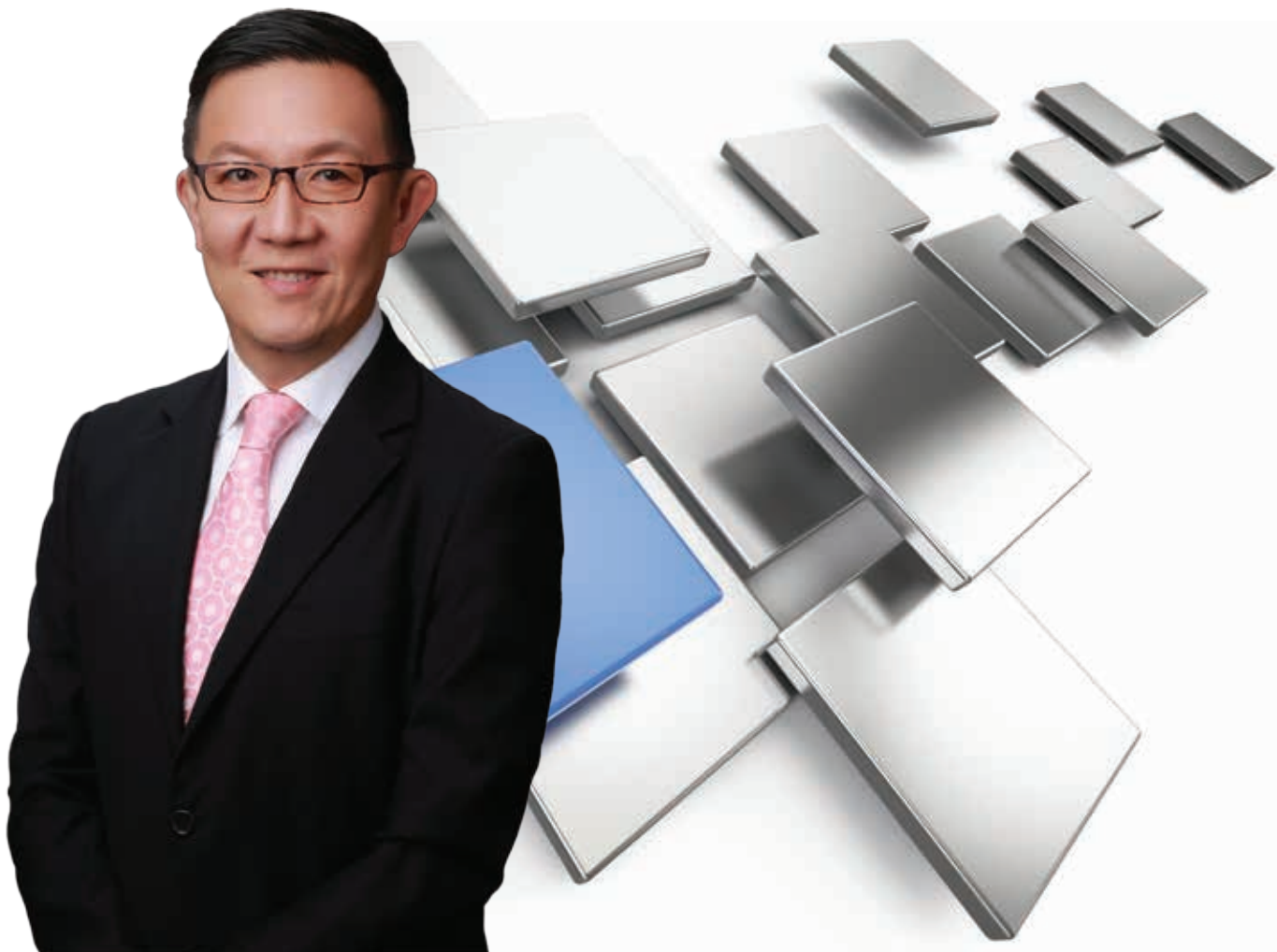
In March 2018, the Group has proposed and received shareholders’ approval to diversify into new business arena, mainly in e-Commerce and related technologies such as e-payment systems and platforms. This move is aimed at achieving diversified returns for shareholders as the Group seeks to build a new pillar of growth in the years ahead.

In early April 2018, the Group has completed the acquisition of Asia Box Office Pte. Ltd., marking its first move into the e-Commerce and event ticketing industry.

REGIONAL PRESENCE



LETTER TO SHAREHOLDERS



Dear Shareholders

In FY2017, the Group reported a revenue of S\$94.8 million as compared to S\$85.4 million in FY2016.

The 11% increase in revenue achieved by the Group's continuing operations were contributed by the subsidiaries located in Malaysia, Vietnam and Thailand.

On behalf of the Board of Directors of Allied Technologies Limited ("the Company", together with all its subsidiaries, collectively "the Group"), I am pleased to present the Company's annual report for the financial year ended 31 December 2017 ("FY2017").

A YEAR OF GROWTH AND CHALLENGES

FY2017 had marked several significant events for the Group with the transfer of listing from the Mainboard on Singapore Exchange Securities Trading Limited (the "SGX-ST") to the SGX-Catalist Board, restructuring of existing subsidiaries and proposed diversification and investment in new business of e-Commerce, e-payment systems and related businesses.

On 5 May 2017, the Company had officially transferred from the Mainboard of SGX-ST to the Catalist Board of the SGX-ST. During the year, the Company welcomed both new independent and executive directors, who came from various professional backgrounds. We strongly believe they will provide professional guidance and advice to the Group and support the Group to enhance our corporate governance and transparency as we move towards new business sectors.

LETTER TO SHAREHOLDERS

The Group had liquidated two dormant or inactive companies in China and Taiwan in FY2017. The Group had also made a decision to dispose of its subsidiaries located in Suzhou, which attributed losses to the Group. The disposal of Suzhou subsidiaries was completed on 31 January 2018. With the completion of disposal, the Group's four production facilities are located in Malaysia, Vietnam and Thailand. The Group will continue to explore other possible business opportunities in order to maximise shareholders' return.

In terms of diversification into new businesses, the Group had signed a binding memorandum of understanding ("MOU") for a proposed investment into 8travelpay Intelligence & Technology (Shanghai) Co., Ltd. ("8TPS"), a company incorporated in the People's Republic of China ("PRC") and is principally in the business of providing payment and technology solutions to the corporate travel market.

In January 2018, the Company had signed another binding MOU with Platform Internet Capital Pte. Ltd. to acquire 51% of the entire issued and fully paid-up ordinary shares in the capital of Asia Box Office Pte. Ltd. ("ABO").

As these proposed investments fall outside the operating mandate of the Group, the Board had sought and received shareholders' approval for diversification into new businesses during an Extraordinary General Meeting ("EGM") held on 26 March 2018. The new businesses which the Group intends to undertake will be in the areas of e-Commerce and related technologies including e-payment systems and platforms. This move is aimed at achieving diversified returns for shareholders as the Group seeks to build a new pillar of growth in the years ahead.

I am pleased to report that we have finalised and completed the acquisition of the 51% entire issued and fully paid-up ordinary shares in the capital of ABO on 4 April 2018.

PROPOSED DIVIDEND

Overall, we are pleased to say that the Group had achieved improved net profit after tax of S\$3.28 million for FY2017 as compared to S\$1.36 million in FY2016.

To reward shareholders for your support over the past years, the Board is pleased to propose a one-tier tax exempt final dividend of 0.01 Singapore cent in respect of FY2017, which is subject to the approval of shareholders at the FY2017 AGM.

FINANCIAL PERFORMANCE

In FY2017, the Group reported a revenue of S\$94.8 million as compared to S\$85.4 million in FY2016. The revenue in FY2017 and its restated figure in FY2016 had excluded the revenue recorded by the Suzhou subsidiary as it is presented as discontinued operation as at 31 December 2017 in view of the planned disposal. The 11% increase in revenue achieved by the Group's continuing operations were contributed by the subsidiaries located in Malaysia, Vietnam and Thailand.

Geographically, Vietnam subsidiary has emerged to be the largest revenue contributor in FY2017, contributing to 54% of the Group's revenue in FY2017.

Vietnam is a developing country with relatively lower operating cost and an abundance of labour, and its economy growth is

in an upward trend. Tapping on the benefits and economy growth, Vietnam subsidiary had seen higher sales demand and secured new projects from its main customer. This had resulted in the higher revenue achieved by our Vietnam subsidiary in FY2017 of S\$51.12 million, representing a 9% increase as compared to FY2016.

The Company and its Malaysia subsidiaries saw a tremendous improvement in the revenue reported. The revenue contribution percentage to the Group had increased to 39% in FY2017. This was mainly attributable to the new printers and copiers projects awarded by existing customers. We are positive that revenue from Malaysia subsidiaries will increase further in the coming years.

For Thailand subsidiary, in terms of revenue contribution percentage to the Group, it had remained the same at 7% in both FY2017 and FY2016. While in absolute amount, its turnover had increased by 20% to S\$6.77 million in FY2017 with higher customer demand.

FUTURE OUTLOOK AND PROSPECTS

In FY2018, the Group will continue to explore all avenues for business opportunities despite the uncertain economic outlook. Focus will be placed on maintaining good cost discipline, as well as streamlining our operations, in order to sustain operating and cost efficiencies. We will monitor the business environment so as to stay alert and adapt accordingly.

We believe that the planned new business of e-Commerce and related technologies such as e-payment systems and platforms offer strong prospects for the Group in the future. As traditional "brick and mortar" retail has been lagging behind the growth of e-Commerce, we believe that the future is in building up an ecosystem of complementary offerings that merges online e-Commerce with traditional services such as events, travel and hospitality.

As we are in the early stages of this diversification process, we aim to update shareholders in the coming months about the progress of our foray into these new businesses including the completed acquisition of the 51% stake in ABO (which is in the event and online ticketing business) and the progress of the proposed investment into 8TPS (which is in the payment and technological solution for the corporate travel market).

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to express my deepest gratitude to our valued customers, suppliers and business partners for their unrelenting support of the Group in the past year.

I would also like to thank our management and staff for their unwavering dedication, hard work and contribution to the Group that has kept the Group going and progressing to where it is today.

Last but not least, I would like to extend my heartfelt appreciation to our shareholders who have demonstrated great faith in the Group. We will continue to strive to deliver sustainable shareholders' value in the coming years.

Roger Poh
Executive Director

OPERATIONS REVIEW

In FY2017, the Group had shown improvements in both its overall top line and bottom line performance as a result of higher demand leading to stronger sales as well as new projects secured by our overseas subsidiaries.

The Group recorded a revenue of S\$94.80 million in FY2017, an increase of 11% from S\$85.42 million reported in restated revenue in FY2016. The largest revenue contributors of the Group were Vietnam subsidiary representing 54% of the Group revenue followed by the Company and its Malaysia subsidiaries, representing 39% of the Group revenue.

In line with higher revenue, the raw materials and consumables used had increased by 11% to S\$65.32 million in FY2017 compared to that of S\$59.06 million in FY2016. Staff costs had decreased by 10% in FY2017 despite higher headcount. This was mainly due to completion of disposal of the former Shanghai subsidiary in November 2016. The former Shanghai subsidiary had the highest minimum wage amongst the Group's other subsidiaries in FY2016.

On the other hand, the Group's other operating expenses had increased by 15% to S\$13.60 million in FY2017. This was mainly due to the foreign exchange losses and one-off compensation for termination of service agreement payable to two of the Company's former directors.

GEOGRAPHICAL CONTRIBUTION

VIETNAM

The Group's Vietnam subsidiary recorded a higher revenue of S\$51.12 million in FY2017 as compared to S\$46.70 million in FY2016. The improved top line was mainly contributed by the increase in revenue relating to copier assembly projects and its metal stamping and plastic injection business.

As a result, Vietnam subsidiary registered a higher net profit in FY2017. We believe that Vietnam is an emerging market with tremendous business potential for the Group to explore in growing our business with the objective to achieve better financial result in FY2018.

SINGAPORE AND MALAYSIA

The Group's Singapore holding company and Malaysia subsidiaries saw their combined revenue increase significantly from S\$17.62 million to S\$36.91 million in FY2017. The doubling of revenue achieved in FY2017 was contributed by the new printers and copiers projects from existing customers.

The new Malaysia subsidiary that was incorporated in August 2016, had started its operation in end of December 2017. It is expected to increase its production facilities and capacity so as to cater for more business opportunities in FY2018.

Malaysia remains the production base while Singapore continues to function as the head office to provide corporate services including operations and corporate sales support, procurement, finance, information technology and human resources.

THAILAND

Our Thailand subsidiary continues to supply printer and copier parts to Cal-comp, which is producing for the Hewlett Packard Group and Konica Minolta respectively. It had contributed a higher revenue of S\$6.77 million in FY2017, representing an increase of 20% from the revenue recorded in FY2016.

PEOPLE'S REPUBLIC OF CHINA (PRC)

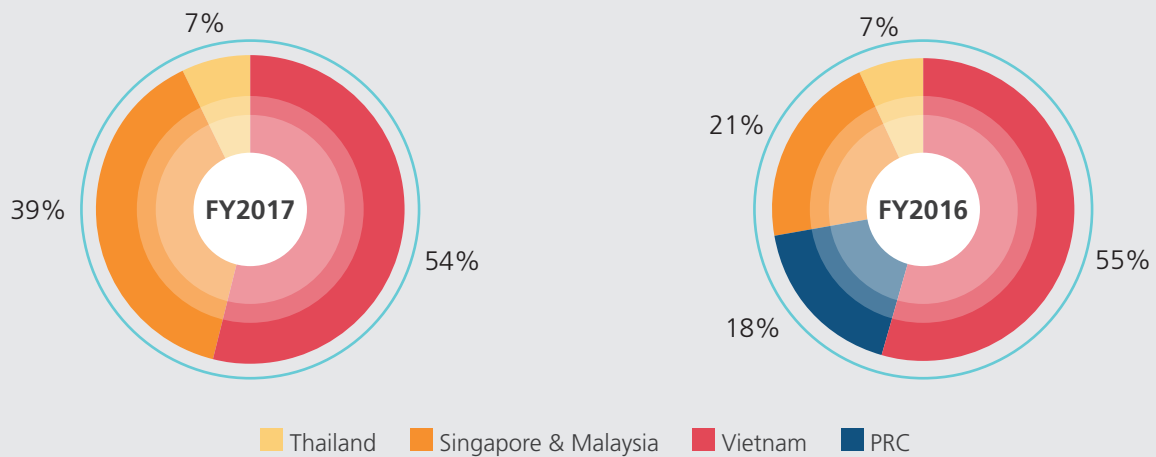
The financial performance of the PRC subsidiary – Suzhou, was presented as discontinued operation in the income statement. Suzhou subsidiary had recorded a higher revenue in FY2017 of S\$42.55 million as compared to S\$38.44 million in FY2016 due to higher sales order and new projects. However, in spite of achieving higher revenue in FY2017, Suzhou subsidiary had incurred loss after tax of S\$0.19 million. This was attributed to the impairment of trade and other debtors made for balances that are overdue and where recoverability is doubtful. The disposal of Suzhou subsidiary was completed on 31 January 2018.

In Summary

Overall, the financial performance of the Group had improved in FY2017. With the Group's present strong financial position and concerted efforts with its business partners, we are confident that we will be able to overcome the uncertain challenges ahead and continue to endeavour to explore other business opportunities to capitalise on and invest in.

FINANCIAL HIGHLIGHTS

TURNOVER BY GEOGRAPHICAL LOCATIONS (Continuing operations)



TURNOVER (\$M)

Continuing operations

2017	94.80
2016	85.42

Discontinued operation

2017	42.55
2016	38.44

NET PROFIT/(LOSS) (\$M)

Continuing operations

2017	3.46
2016	1.55

Discontinued operation

2017	(0.19)
2016	(0.19)

TOTAL ASSETS (\$M)

2017	172.5
2016	124.2
2015	127.8
2014	116.6
2013	123.4

SHAREHOLDERS' EQUITY (\$M)

2017	99.8
2016	63.6
2015	63.9
2014	61.8
2013	72.1

EBITDA (\$M)

Continuing operations

2017	5.28
2016	3.60

Discontinued operation

2017	2.09
2016	2.13

BOARD OF DIRECTORS



MR POH WEE CHIEW, ROGER Executive Director

Roger Poh was appointed Executive Director of the Company on 5 March 2018. Prior to his appointment, Mr Poh was a Managing Director of RHT Communications and Investor Relations, an investor relations firm in Singapore. Before his latest role, Mr Poh has been a founder and director of a number of investor relations and public relations firms for over 15 years, and he had been involved in supporting a wide range of capital market transactions including situations, in addition to the day-to-day investor relations management for a wide range of private and public listed companies over the years.

He was an Independent Director of Imperium Crown Limited and is Chairman of its Nominating and Remuneration Committees and a member of the Audit Committee from June 2016 to 30 Oct 2017. Mr Poh started his career in the Economic Development Board as a senior officer and has also served a stint as a public relations manager at the Singapore Institute of Management. Mr Poh holds a Bachelor of Arts (Honours Degree) in English from the National University of Singapore.



MR YAU WOON FOONG Lead Independent Director, Chairman of the Audit Committee

Mr Yau Woon Foong was appointed as an Independent Director of the Company on 10 October 2015. He serves as Chairman of the Audit Committee and is also a member of the Nominating and Remuneration Committees. Mr Yau does not hold any shares in the Company or any of its subsidiaries.

which provided bespoke corporate services solutions to SMEs and listed entities in Singapore and overseas. He was also formerly a director of a boutique advisory firm providing dedicated services to asset management companies in the establishment of funds and provision of fund administration services.

Mr Yau is currently the Executive Director of AA Group Holdings Ltd., a public listed company listed on SGX-ST. Prior to that, he was running a corporate services firm

Mr Yau holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University. He is also a member of Singapore Institute of Directors.



MS POK MEE YAU Independent Director, Chairman of the Nominating Committee

Ms Pok was appointed as an Independent Director of the Company on 31 October 2017. She serves as Chairman of the Nominating Committee and is also a member of both the Audit and Remuneration Committees. Ms Pok does not hold any shares in the Company or any of its subsidiaries.

Over the years, she has provided legal counsel to both private and public companies across a broad spectrum of industries, specialising in mergers & acquisitions work in both the domestic and the international market. Ms Pok has also acted for several charitable foundations and institutions, on their corporate related matters and advising them on their ongoing compliance obligations.

Ms Pok is currently a partner at JLC Advisors LLP, a legal firm that handles both dispute resolutions matters, as well as corporate and commercial affairs. Ms Pok also holds directorship positions in various other public companies listed on the SGX-ST and the Hong Kong Stock Exchange.

Ms Pok was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2005 and a Solicitor of England and Wales in 2007. Ms Pok holds a LL.B. (Hons) from University College London and a LL.M from University College London.



MR LIM JIN WEI Independent Director, Chairman of the Remuneration Committee

Mr Lim was appointed as an Independent Director of the Company on 1 August 2017 and he serves as Chairman of the Remuneration Committee and is also member of both the Audit and Remuneration Committees. Mr Lim does not hold any shares in the Company or any of its subsidiaries.

Mr Lim started his career as an auditor with Deloitte & Touche, Singapore and became an Audit Manager in 2004. During his career as auditor, he managed the financial audit of multinationals and local companies in several industries including computers & electronics, shipping, manufacturing, construction, food and beverages as well as trading and distribution. He also has experience as Independent Auditor for Initial Public Offerings of PRC Companies in Singapore including on-site due diligence. He was also involved in a Reverse Take Over (RTO) exercise of a Singapore Listed Company and upon completion of the RTO, he remained as the Chief Financial Officer of its property division until February 2015. He graduated from the Queensland University of Technology with a Bachelor of Business (Accountancy) degree and is a Certified Public Accountant with the CPA Australia and also a member of the Singapore Institute of Directors.

Mr Lim has been the Director of Choon Hua Trading Corporation Sdn Bhd, a private limited company in Malaysia since January 2007. He spearheads various additions and improvement to the company's infrastructure and business of importing and distribution of frozen foods and fast-moving consumer goods (FMCG) in East Malaysia. He also serves as the Lead independent Director of Sincap Group Limited as well as the Chairman of its Audit and Risk Committee and also an Independent Director of Epicentre Holdings Limited as well as the Chairman of its Audit and Risk Committee.

KEY MANAGEMENT

MS TAN SIANG KENG Chief Operating Officer

Ms Tan joined the Company in 1994 and has been with Allied Technologies for 23 years. She is primarily responsible for the overall operations and business activities of the Group's South East Asia businesses.

She holds a Master of Business Administration degree and a Master of Business degree in Professional Accounting from the Victoria University of Technology and a Bachelor

of Science degree in Business and Management Studies from the University of Bradford.

Ms Tan is a member of both the CPA Australia and Institute of Singapore Chartered Accountants. In 2015, Ms Tan was conferred the Public Service Medal (PBM) in recognition of her contribution to the community.

MS ANG LEE AI Financial Controller

Ms Ang joined the Company in 2014 and is responsible for the overall accounting and finance matters of the Group. She has more than 6 years of experience in both auditing and accounting areas.

She holds a Bachelor of Science (Hons) Degree in Applied Accounting from Oxford Brookes University. She is also a fellow member of both Association of Chartered Certified Accountants and Institute of Singapore Chartered Accountants.

MR TUNG GEE KHIM Operation Director

Mr Tung joined the Company in October 2005 and is responsible for overseeing and managing all operational aspects of Allied Vietnam operations. He supports the operations alignment of the Group of Companies, with a key focus on the Key Performance Indicators.

He has extensive experience in both metal stamping and contract manufacturing (electro-mechanical assembly). Mr Tung holds a Diploma in Mechanical Engineering, awarded by Singapore Polytechnic, and Bachelor of Science (Economics) in Business Administration from University of London.



SUSTAINABILITY REPORT

MESSAGE FROM THE BOARD

We are proud to present our first year Sustainability Report to reflect the Group's commitment to responsible business practices. Global economic recovery has been slow and uneven. Geo-political risk, previously confined to the developing world, has also increased uncertainty in the developed world. In parallel, we are seeing a paradigm shift in both economic and social terms as we experience a fourth industrial revolution, sweeping away old assumptions and subjecting us all – both as individuals and businesses – to a new intensity of competition. Given the current rhythm of change, sustainability has never been more vital to us all. As we set out in this report, sound sustainability policy and execution are therefore top priorities for the Group.

EMBRACING ENVIRONMENT

We recognise that businesses cannot be successful unless they are in harmony with the global environment. We hence actively promote eco-friendly practices in our operations to secure resources for future generations, improve profitability and enhance competitiveness, supported by our Environmental Management System.

In 2017, we achieved the Green Supplier Award presented by Konica Minolta. This raises an awareness in the Group that we could also do our part to minimise carbon emissions and save cost through this program.

DELIVERING QUALITY

We deliver customer satisfaction through designing and manufacturing quality products and providing quick response to our customers' needs, supported by our Quality Management System.

In addition, we also believe the strongest relationships in our supply chain come from treating 'suppliers' as 'partners'. We prioritise business relationships with suppliers that share our sustainability vision and promote high standards within their own operations. We expect partner organisations to adhere to our ethical procurement philosophy.

We do not currently impose any sustainability auditing on our suppliers. However, with the goal of preventing or reducing environmental impact throughout our supply chain, we will increasingly focus on improving transparency and reporting of supply chain sustainability performance, and will continue to identify new opportunities to work together.

EMPOWERING LIVES

People are the cornerstone of our businesses. We work to ensure a respectful, harmonious and safe work environment and provide training and career development opportunities for our employees through our Safety Management System.

In addition, the Group has a Health, Safety and Environment Policy which all our employees are expected to abide by. We are proud to announce that we achieved zero serious accident in Financial Year 2017. We will continue to strengthen the focus of our safety procedures and maintain the results.

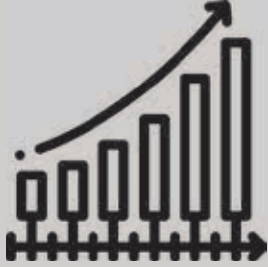
COMMUNICATING WITH STAKEHOLDERS

Operational success is only possible if we can embed into the business a regular and reliable dialogue with our stakeholders. We will continue to keep people abreast of our corporate views. With an eye towards the future, we will continue to strive in collaborating with our stakeholders to contribute to the positive development of societies and in navigating this sustainability journey.

We foresee both opportunities and challenges ahead of our sustainability journey, and we will continue to uphold our commitment to invest in the long-term, to cultivate sustainable growth and to challenge the status quo.

SUSTAINABILITY REPORT

SUSTAINABILITY PERFORMANCE



Revenue for the group of
S\$94.8 million



Operating costs for the group of
S\$93.3 million



Carbon emission intensity of
 $6.664 \times 10^{-2} \text{ tCO}_2\text{e/S\$'000}$



Electrical consumption intensity of
86.8 kWh/S\$'000



Water consumption intensity of
1,016 litre/S\$'000



Recycled 8,920 kg of metals
and 317 kg of pallets



All appointed suppliers are
ROHS compliant



Conducted 15 suppliers audits with
100% "Good" ratings



Conducted 5 trainings on quality
with 100% attendance from staff



Over S\$700,000 spent on social
insurance



Zero serious incidents and
workplace injuries



Less than 184 hours overtime
per employee

SUSTAINABILITY REPORT

ABOUT OUR REPORTING

Our sustainability reporting is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core Option as it provides a set of an extensive framework that is widely accepted as a global standard for sustainability reporting. It is also in accordance to the Listing Rule 711B and Sustainability Reporting Guide in Practice Note 7F of the Singapore Exchange Securities Trading Limited ("SGX-ST") Catalist Rules. In preparing our report, we applied the GRI's principles for defining report content (including stakeholder inclusiveness, sustainability context, materiality and completeness) and report quality (including accuracy, balance, clarity, comparability, reliability and timeliness) by considering the Group's activities, impacts and substantive expectations and interests of its stakeholders.

The data and information provided within the report have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

SCOPE OF SUSTAINABILITY REPORT

The scope of the report covers information on material sustainability aspects of Allied Technologies Limited ("Allied" or the "Group"), namely the Group's significant subsidiary located in Vietnam, Allied Technologies (Saigon) Co., Ltd ("ATSC"), from 1 January 2017 to 31 December 2017 unless otherwise specified. This ensures that we sufficiently address stakeholders' concerns related to sustainability issues arising out of the major business operations of the Group.

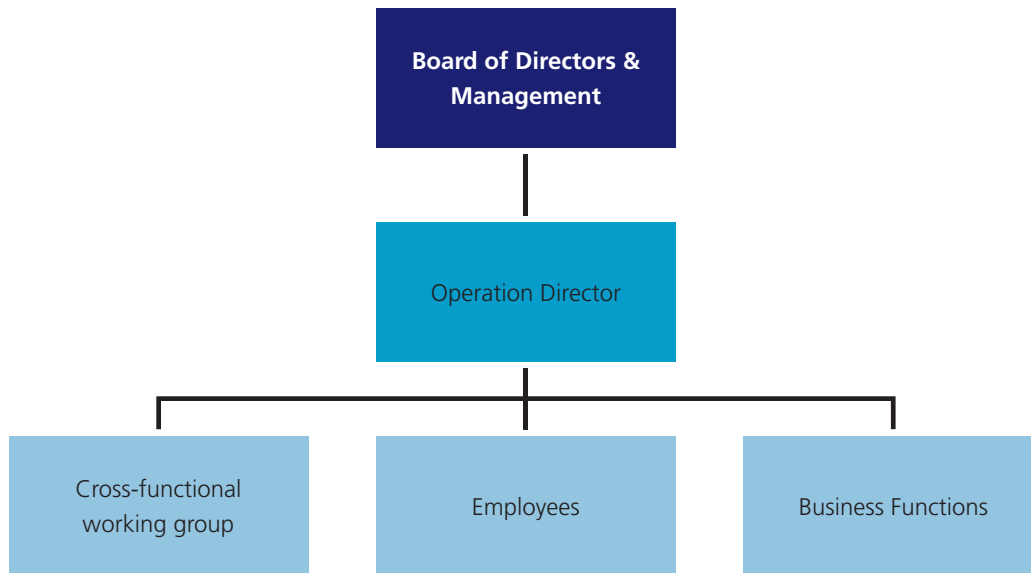
SUSTAINABILITY CONTACT

We welcome feedback on our sustainability practices and reporting at sustainability@allied-tech.com.sg.

SUSTAINABILITY REPORT

SUSTAINABILITY ORGANISATIONAL STRUCTURE

Sustainability is a vital part of our corporate strategy for achieving long-term growth. The values we create for our people, the environment and society at large very much determine our financial performance. We have developed a sustainability organizational structure to move things forward:



SUSTAINABILITY STRATEGY

At the Group, our sustainability strategy aims to create integrated values. Not only do we create economic value by maximizing profits and shareholder value, but we also take on a broader responsibility as a global corporate citizen to support societal values.

We commit to deliver value to all our stakeholders through the environment, economic and social aspects to embrace environment, deliver quality and empower lives.



SUSTAINABILITY REPORT

CONSULTING OUR STAKEHOLDERS

We engage both internal and external stakeholders on a regular basis with the goal of strengthening our sustainability approach and performance. An overview of our approach and rationale is set out below (with stakeholders listed in alphabetical order), together with the feedback we've received.

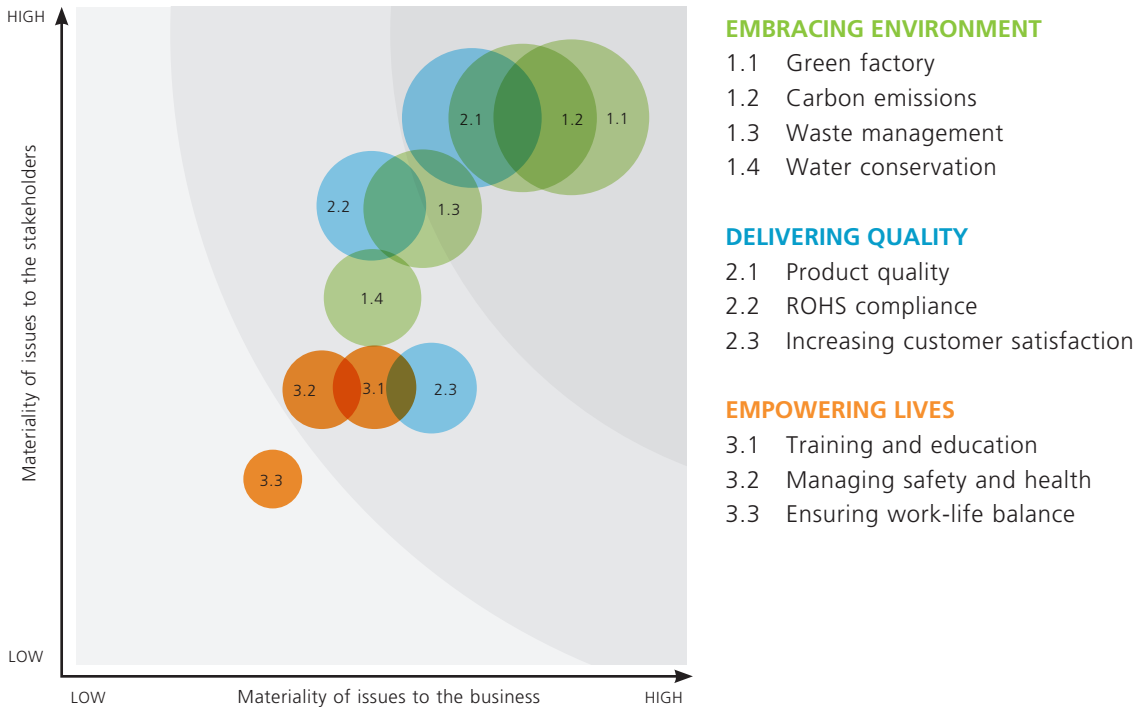
Stakeholders	How we listen	Why we do it	What you've told us
Community	- Press releases - Annual reports	Provide a sustainable factory environment, e.g. green factory.	Economic value generated and distributed to local communities
Customers	- Direct feedback via sales channel - Site visit to our factories - Periodic assessment performed by customers relating to impacts on environment and social factors	- Strengthen quality of the product to ascertain product safety and reduce defects. - Provide a sustainable factory environment that meets customers' requirements.	- Strengthen quality of the products - Establish green factory
Employees	- Employee's handbook - Periodic staff meetings - Staff trainings - Labour union meetings - Email feedbacks from staff	- Ensure workplace health and safety enables the employees to work comfortably and safely. - Employment benefits should address basic needs and help to manage stress and improve health. - Training and career development should be in place to improve effectiveness and productivity.	- Manage occupational health and safety - Maintain work life balance - Provide training and education
Governments	- Announcements from regulators - Emails from government - Letters from government	Attend trainings to keep up with the latest rules and regulations.	Compliance with relevant rules and regulations
Shareholder and investors	- SGX Announcements - Shareholder's meeting - Annual reports - Company's website - Regular updates and communication	Committed to delivering economic value to our capital providers through a strong financial performance and our methods of engagement with them.	- Long-term profitability - Sustainability matters - Group's performance against targets - Compliance with all relevant requirements
Suppliers	- Periodic supplier's assessment on Restriction of Hazardous Substance ("ROHS") - Supplier's meetings	Periodic ROHS audit on suppliers to ascertain quality of product and services acquired to ensure that they are free from hazardous substances.	Maintain ROHS compliance

SUSTAINABILITY REPORT

SUSTAINABILITY MATERIALITY MATRIX

Based on the stakeholder engagement, we developed our sustainability materiality matrix which is aligned with our principal business and operational risks, and formed our sustainability strategy which has shaped our approach to sustainability reporting. We will review and adjust the matrix each year, as the external and business context changes.

The aspect boundaries 'within' the organisation is limited to ATSC, whereas the aspect boundaries 'outside' the organisation include community, customers, employees, regulators, shareholders and investors, and suppliers.



SUSTAINABILITY REPORT

HOW WE MEASURE PERFORMANCE

We've embedded our sustainability strategy into the appropriate parts of our business, with dedicated teams for each focus area, and coordination by our relevant departmental managers.

Progress will be tracked in two key ways: measuring performance against metrics, and evaluating how well the programmes have advanced, through a series of 'commitments'.

METRICS AND TARGETS

We have established key performance indicators and targets (where applicable) for each of the three focus areas outlined in our sustainability strategy. Periodically, we plan to introduce new metrics and update targets to ensure alignment with our strategy.

COMMITMENTS

To ensure we have a robust change programme in place, we will also publish the key initiatives we plan to implement within the next year. Over the following pages, we've set out these commitments in a separate table for each area of our sustainability strategy. The progress we've made against each one is indicated using the symbols shown in the table below.

We track and review our sustainability programme with the Board of Directors throughout the year.

SYMBOLS USED TO INDICATE PROGRESS AGAINST COMMITMENTS

Symbol	Meaning
Ⓝ	New commitment this year
○	Not started
◐	In progress
●	Complete
↻	Ongoing commitment: no end date

SUSTAINABILITY REPORT

EMBRACING ENVIRONMENT

As economic and population growth increase level of global consumption, our society faces environmental challenges. This requires the society to use energy and resources more efficiently. In order to achieve sustainable growth in the future, a company must not only pursue economic value but also address important issues of society including environmental problems. ATSC has established an **Environmental Management System** to play a part in securing the environmental sustainability for our future generations. In addition, ATSC is also a ISO14001:2004 (Environmental Management) certified company since 2012.

GREEN FACTORY

Manufacturing factories are energy-intensive structures and electricity often constitutes a significant proportion of operating expenses. By investing in energy efficiency, we not only help protect the environment but can also lower our financial costs.

ATSC has been participating in Konica's Minolta ("KM") Green Supplier Activity Program ("GSAP") since 2015 when the activity was launched. The purpose of the GSAP is to reduce both environmental impact and operating costs. Through the GSAP, we can contribute to cost reduction, increase sales opportunities, reduce business risk, and increase the environmental awareness of each employee.

ATSC had achieved the targets set by KM on the GSAP in March 2017 as follows (extracted from KM's Sustainability Report 2016):

Issue	KM's management index	Target (2.5 years after activity launched)
Prevention of global warming	• CO ₂ emissions	• 5% reduction*
	• Energy costs	• 5% reduction*
Waste reduction	• External discharge quantity	• 12.5% reduction*
	• Materials/waste cost	• Cost reduction greater than waste expenses
	• Final disposal rate	• 0.5% or less
Reduction of chemical risk	• Reduction of chemical risk	• Compliance with chemical substance guidelines

* compared to last year before activity launched

SUSTAINABILITY REPORT

CARBON EMISSIONS

Climate change is a global challenge that affects us all. To help manage our impact on climate change, we monitor and review our carbon footprint on a regular basis.

By analysing our carbon footprint, we have found that most of our greenhouse gases ("GHG") emissions are attributable to our energy consumption. We have performed the following steps to cut our energy consumption with the primary goal of reducing our carbon footprint.

- (a) *Optimise eco-efficiency in building operation* We have replaced inefficient lights or machines and achieved the following reduction in carbon emission and energy cost savings:

Improvement	CO ₂ reduction	Cost saving (\$\$)
Replace 1 chiller in FO1 (Injection Factory)	105.2 tonnes/year	27,193.77
Replace Fluorescent Light with LED light in FO2 (Assembly Factory)	9.9 tonnes/year	2,257.96

- (b) *Promote environmental awareness in ATSC* We have communicated to employees to switch off unused electricity or machines and achieved the following reduction in carbon emission and energy cost savings:

Improvement	CO ₂ reduction	Cost saving (\$\$)
Set guideline to stop drying process in degreasing line during lunch hour, one hour per day	14.1 tonnes/year	4,172.58
Clean compressor filters once a month	9.2 tonnes/year	2,073.83

WASTE MANAGEMENT

We are taking steps to manage our waste production and encourage our employees, customers and suppliers to do the same. This includes reducing waste production at source, increasing recycling initiatives and disposing of waste in a responsible way.

We performed the following steps for waste management:

- (a) *Metals* We have modified the tooling for optimisation of the steel mill material for the high volume parts. This resulted in a waste reduction of 1,100kg per year. In addition, scrap metals produced during production were sold to authorised vendors periodically.
- (b) *Pallets* We reuse pallets if they are in good condition and damaged pallets will be refurbished to stools or new pallets.
- (c) *Packaging materials* We have reused packaging materials such as polyethylene (PE) bags of the purchased products to pack semi-finished/finished metal products. In 2017, 2,210kg of PE bags were reused.

SUSTAINABILITY REPORT

(d) *Hazardous waste* Hazardous waste produced during the production/operations are as follows:

- Waste water with oil, chemical
- Oil gloves and clothes
- Ink waste
- Battery waste
- Burnt florescent lights
- Grease and oil waste

These hazardous waste were sold to licensed vendors. In addition, we provide recycling bins at our factories to facilitate the recycling of metal paper, plastic bags and used carton.

WATER CONSERVATION

Water scarcity is a growing concern around the world and a serious global challenge that we must work together to address to.

We have adopted a wide range of measures to reduce water consumption at our factories, including installing watering system with timer control and placing posters at canteen areas to raise awareness of water scarcity issues among our employees.

COMMITMENTS: EMBRACING ENVIRONMENT

Start Date	End Date	Commitment	Progress
1 Jan 2018	31 Dec 2020	Reduce the carbon emissions by 3% to 6.464×10^{-2} tCO ₂ e/S\$'000	Ⓝ
1 Jan 2018	31 Dec 2020	Reduce the electricity consumption intensity to 86.5 kWh/S\$'000	Ⓝ
1 Jan 2018	31 Dec 2020	Reduce the water conversion intensity to 1,015 litre/S\$'000	Ⓝ

SUSTAINABILITY REPORT

DELIVERING QUALITY

We based on customer-oriented and quality oriented policies to work on the fundamental target of contributing to society through the supply of high-quality and compliant products that satisfy customers. ATSC has established a **Quality Management System** to deliver customer satisfaction through designing and manufacturing quality products and providing quick response to our customers' needs.

In addition, we believe that effective management of environmental, social and economic performance throughout our supply chains can help us conserve resources, optimise processes, increase productivity and promote positive corporate values. We are dedicated to the consistent implementation of our procurement policies and procedures across our entire operation.

PRODUCT QUALITY

We are totally committed to customer satisfaction with quality products and services delivered through our effective Quality Management System.

ATSC has been certified as meeting the requirements of ISO9001:2008 (Quality Management Systems) since 2009. An annual audit is conducted by accredited ISO Consultant. There are no major deficiencies noted and we shall continuously improve based on the recommendation provided by the ISO consultant. In December 2017, we have further upgraded our Quality Management System to be in line with the new ISO9001:2015.

We will ensure that our customers are satisfied with the quality of our products. In addition, we also implement comprehensive control in the quality of our manufacturing processes to ensure our staff learn and acquire new skills to increase their productivity. These training programs enable us to maintain a productive workforce, whose skills are constantly upgraded to keep pace with the new changes in technology and our marketplace. In 2017, we have conducted five staff trainings related to quality matters with 100% attendance from staff.

ROHS COMPLIANCE

We require our suppliers of raw materials and components to comply with the ROHS in their products. When receiving goods, our quality assurance department will also ascertain that raw material and components are ROHS compliant and attached with a mill certificate to certify their origins.

The purpose of complying with ROHS is to restrict the use of hazardous materials that may harm the environment and pollute landfills, and are dangerous in terms of occupational exposure during manufacturing and disposal.

We assess the work environment of our suppliers as a way to manage risks in consideration of the environment, human rights, and other sustainability aspects. We also help them with making necessary improvements to ensure compliance with ROHS requirements and operate in accordance with local regulations and international standards. Furthermore, we continuously support our suppliers to build mutual competitive edge and growth.

INCREASING CUSTOMER SATISFACTION

We assist our customers by providing advice and information on technical aspects of product development as early as when they are formulating the concept of their products. We constantly strive to improve our services by increasing the speed and efficiency of our production, maintaining consistency in the quality of our products and ensuring on-time delivery to our customers. We also ensure that continuing support and after-sales services are provided to our customers expeditiously.

A customer survey form has been put up on line at <http://www.allied-tech.com.sg/survey/survey.asp> to collect customer feedback. In addition, some customers also conduct audits on us periodically to ascertain that our quality, environmental, safety and health are in compliance to their standards.

In 2017, three audits were conducted by ATSC's customers and no major deficiencies noted. For other improvements, we have provided improvement plans to the customers on a timely manner. We shall continuously improve based on the recommendation provided by the customers.

SUSTAINABILITY REPORT

AWARDS AND RECOGNITIONS

ATSC received Excellence Supplier Award 2016 from Konica Minolta and Best Supplier Award 2014 from Samsung in recognition of our efforts on ensuring product quality and customer satisfaction. The list of major awards and recognition we attained in the recent years are as follows:

Year	Awards	Recognition	Organizer
2017	Green Supplier	Achieved Green Suppliers Activity Targets in March 2017	Konica Minolta, Inc
2016	Excellence Supplier Award 2016	Achieved customer target on cost, quality, delivery and environment	Konica Minolta, Inc
2015	Unit Defect on Arrival Zero Award 2015	Achieved customer quality target on delivery, customer rejection, customer complaint, in-house quality	Konica Minolta, Inc
2014	Best Supplier Award 2014	Achieved customer target on cost, quality, delivery and environment	Samsung Vina

COMMITMENTS: DELIVERING QUALITY

Start Date	End Date	Commitment	Progress
1 Jan 2018	31 Dec 2020	Assist all suppliers to achieve "Good" rating in audit results	Ⓝ
1 Jan 2018	31 Dec 2020	Achieve "Good" rating in customer's audit results	Ⓝ

SUSTAINABILITY REPORT

EMPOWERING LIVES

People are the cornerstone of our businesses. One of our most important and fundamental responsibilities lies in respecting and protecting the rights of all employees. Creating an environment where every employee can maintain both physical and mental health is essential to ensuring that they can maximise their potential. ATSC has established the **Safety Management System** to ensure a respectful, harmonious and safe work environment and provide training and career development opportunities for our employees.

TRAINING AND EDUCATION

Personal and professional development is an ongoing journey. ATSC considers an effective learning and development program to be a critical part of keeping our employees motivated and encouraging them to build a strong sense of loyalty and pride towards our business.

Our training and employee development initiatives are centered on operational skills, ISO9001:2015 (Quality Management System), and ISO14001:2004 (Environmental Management).

In 2017, we organised training courses, tutorials and workshops to equip our people with the necessary skills and knowledge to help them excel as employees and individuals. Our programs fall into one or more of the following broad categories:

- Staff orientation
- Language skills
- Customer service
- Professional development
- Leadership and team building
- Health and safety
- Laws and regulations

MANAGING SAFETY AND HEALTH

We are totally committed to provide a safe and healthy work environment for all our employees, contractors and visitors, through our effective Safety Management System. In order to ensure compliance to the above, we have formed a Safety Committee to promote workplace safety through the following:

- Developing safe work practices
- Developing written safety program
- Facilitating safety training
- Workplace self-inspections
- Accident investigations

In 2017, there were no serious incidents and workplace injuries. Going forward, we will continue to strive to maintain zero incidents and workplace injuries.

To ensure a healthy workforce, we also provide complimentary health screening annually for all employees who have been with ATSC for more than one year. In 2017, 328 employees participated in the annual health screening exercise. In addition, according to Vietnam's Social Insurance Scheme, ATSC is required to contribute the following percentage of employee's salary as social insurance effective from 1 June 2017:

Type of insurance	Employer portion	Employee portion	Total percentage
Social insurance	17.5%	8.0%	25.5%
Health insurance	3.0%	1.5%	4.5%
Unemployment insurance	1.0%	1.0%	2.0%
Total	21.5%	10.5%	32.0%

SUSTAINABILITY REPORT

ENSURING WORK-LIFE BALANCE

We provide a minimum of 12 days paid annual leaves to all employees. The leaves will be increased based on the employee's length of service. To promote work-life balance, ATSC also organises annual union trips and inter-department football tournament for all staffs.

COMMITMENTS: EMPOWERING LIVES

Start Date	End Date	Commitment	Progress
1 Jan 2018	31 Dec 2020	Maintain zero serious accidents and workplace injuries	🔄
1 Jan 2018	31 Dec 2018	Establish anti-corruption and discrimination policies	Ⓝ
1 Jan 2018	31 Dec 2018	Organise Sports and Family Day	Ⓝ

SUSTAINABILITY SCORECARD

ECONOMIC CONTRIBUTION (ATSC)

Key performance indicator	Units	Target	Progress	2017	2016	Base	Base year
Payments to government (including all taxes and relevant penalties)	S\$'000	–	–	273	508	–	–
Proportion of spending on local supplier	%	–	–	25.3%	27.8%	–	–
Proportion of senior management hired from local community	%	–	–	57.1%	44.4%	–	–
Number of new hires from local community	Number	–	–	455	574	–	–

EMBRACING ENVIRONMENT (ATSC)

Key performance indicator	Units	Target	Progress	2017	2016	Base	Base year
Direct carbon emissions (Scope 1)	tCO ₂ e	–	–	192.20	NA	–	–
Indirect carbon emissions (Scope 2)	tCO ₂ e	–	–	3,214.53	2,913.10	–	–
Carbon emission intensity (Scope 1 and Scope 2)	tCO ₂ e/ S\$'000	6.464 x 10 ⁻²	Ⓝ	6.664 x 10 ⁻²	NA	6.664 x 10 ⁻²	2017
Electricity consumption	kWh	–	–	4,439,958	4,023,615	–	–
Electricity consumption intensity	kWh/ S\$'000	86.5	Ⓝ	86.8	86.2	86.8	2017
Water consumption	litre	–	–	51,944,000	49,808,000	–	–
Water consumption intensity	litre/S\$'000	1,015	Ⓝ	1,016	1,067	1,016	2017
Water reused	%	–	–	3.33%	3.33%	–	–
Recycled materials (metals)	kg	–	–	8,920	7,066	–	–
Recycled materials (pallets)	kg	–	–	317	504	–	–
Recycled materials (papers)	kg	–	–	1,382	1,112	–	–
Reused materials (pallets)	kg	–	–	9,730	6,250	–	–
Reused materials (packaging materials, i.e. PE bag only)	kg	–	–	2,210	2,880	–	–

SUSTAINABILITY REPORT

DELIVERING QUALITY (ATSC)

Key performance indicator	Units	Target	Progress	2017	2016	Base	Base year
Number of quality trainings	Number	–	–	5	4	–	–
% of staff attended quality trainings	%	100%	Ⓢ	100%	100%	100%	2017
% of ROHS compliant suppliers	%	100%	Ⓢ	100%	100%	100%	2017
Number of suppliers audits conducted	Number	–	–	15	15	–	–
% of suppliers meeting “Good” rating	%	100%	Ⓢ	100%	93.3%	100%	2017
Number of customer audits conducted	Number	–	–	3	3	–	–
% of audit results meeting “Good” rating	%	100%	Ⓢ	100%	100%	100%	2017

EMPOWERING LIVES (ATSC)

Key performance indicator	Units	Target	Progress	2017	2016	Base	Base year
Spending on social insurance	Amount (\$\$)	–	–	713,274	643,789	–	–
Number of employees (male)	Number	–	–	418	346	–	–
Number of employees (female)	Number	–	–	452	327	–	–
Number of employees (total)	Number	–	–	764	779	–	–
Training hours per employee	Hours/employee	–	–	8.97	13.82	–	–
Overtime hours per employee	Hours/employee	–	–	183.40	180.00	–	–
Serious accidents and workplace injuries	Number	0	⌛	0	0	0	2017
Proportion of female employees in the workforce	%	–	–	58.0%	54.7%	–	–
Proportion of employees receiving regular performance and career development reviews	%	–	–	100.0%	99.9%	–	–
Proportion of employees covered by collective bargaining	%	–	–	57.1%	56.5%	–	–

SUSTAINABILITY REPORT

GRI CONTENT INDEX

The GRI Content Index references the Allied Technologies Limited Sustainability Report 2017 ("SR") and Annual Report 2017 ("AR").

Disclosure number		Disclosure title	Page reference and remarks
GRI 102: General disclosures			
Organisational profile	102-1	Name of organisation	• AR: Cover page
	102-2	Activities, brands, products, and services	• AR: Corporate profile (page 1) • AR: Operations review (page 5)
	102-3	Location of headquarters	• AR: Regional presence (page 2)
	102-4	Location of operations	• AR: Regional presence (page 2)
	102-5	Ownership and legal form	• AR: Financial statements, note 1 (page 62)
	102-6	Markets served	• AR: Operations review (page 5)
	102-7	Scale of organisation	• AR: Corporate profile (page 1)
	102-8	Information on employees and other workers	• SR: Sustainability scorecard (pages 22-23)
	102-9	Supply chain	• SR: Delivering quality (page 19)
	102-10	Significant changes to the organisation and its supply chain	• SR: Delivering quality (page 19)
	102-11	Precautionary Principle or approach	• AR: Corporate governance report (pages 29-46)
	102-12	External initiatives	• Not applicable
	102-13	Membership of associations	• Member of Singapore Business Federation • Member of Singapore Chinese Chamber of Commerce & Industry
Strategy	102-14	Statement from senior decision-maker	• SR: Message from the Board (page 9)
	102-15	Key impacts, risks, and opportunities	• AR: Corporate governance report (pages 29-46)
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	• AR: Our Vision and Our Mission
	102-17	Mechanisms for advice and concerns about ethics	• AR: Corporate governance report (pages 29-46)
Governance	102-18	Governance structure	• AR: Corporate governance report (pages 29-46)
	102-19	Delegating authority	• AR: Corporate governance report (pages 29-46)
	102-20	Executive-level responsibility for economic, environmental, and social topics	• SR: Sustainability organisational structure (page 12)
	102-21	Consulting stakeholders on economic, environmental, and social topics	• SR: Consulting our stakeholders (page 13)
	102-22	Composition of the highest governance body and its committees	• AR: Corporate governance report (pages 29-46)
	102-23	Chair of the highest governance body	• AR: Corporate governance report (pages 29-46)
	102-24	Nominating and selecting the highest governance body	• AR: Corporate governance report (pages 29-46)
	102-25	Conflicts of interest	• AR: Corporate governance report (pages 29-46)
	102-26	Role of highest governance body in setting purpose, values, and strategy	• AR: Corporate governance report (pages 29-46)
	102-27	Collective knowledge of highest governance body	• AR: Corporate governance report (pages 29-46)
	102-28	Evaluating the highest governance body's performance	• AR: Corporate governance report (pages 29-46)
	102-29	Identifying and managing economic, environmental, and social impacts	• SR: Sustainability materiality matrix (page 14)

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Disclosure number	Disclosure title	Page reference and remarks
	102-30	Effectiveness of risk management processes
	102-31	Review of economic, environmental, and social topics
	102-32	Highest governance body's role in sustainability reporting
	102-33	Communicating critical concerns
	102-34	Nature and total number of critical concerns
	102-35	Remuneration policies
	102-36	Process for determining remuneration
	102-37	Stakeholders' involvement in remuneration
	102-38	Annual total compensation ratio
	102-39	Percentage increase in annual total compensation ratio
Stakeholder engagement	102-40	List of stakeholder groups
	102-41	Collective bargaining agreements
	102-42	Identifying and selecting stakeholders
	102-43	Approach to stakeholder engagement
	102-44	Key topics and concerns raised
Reporting practice	102-45	Entities included in the consolidated financial statements
	102-46	Defining report content and topic Boundaries
	102-47	List of material topics
	102-48	Restatements of information
	102-49	Changes in reporting
	102-50	Reporting period
	102-51	Date of most recent report
	102-52	Reporting cycle
	102-53	Contact point for questions regarding the report
	102-54	Claims of reporting in accordance with the GRI Standards
	102-55	GRI content index
	102-56	External assurance
GRI 200: Economic disclosures		
Economic performance	201-1	Direct economic value generated and distributed
	201-2	Financial implications and other risks and opportunities due to climate change
	201-3	Defined benefit plan obligations and other retirement plans
	201-4	Financial assistance received from government
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
	202-2	Proportion of senior management hired from local community

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Disclosure number		Disclosure title	Page reference and remarks
Indirect economic impacts	203-1	Infrastructure investments and services supported	• Not applicable
	203-2	Significant indirect economic impacts	• Not applicable
Procurement practices	204-1	Proportion of spending on local suppliers	• SR: Sustainability scorecard (pages 22-23)
Anti-corruption	205-1	Operations assessed for risks related to corruption	• SR: Empowering lives (pages 21-22)
	205-2	Communication and training about anti-corruption policies and procedures	• SR: Empowering lives (pages 21-22)
	205-3	Confirmed incidents of corruption and actions taken	• Not applicable
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	• Not applicable
GRI 300: Environment disclosures			
Materials	301-1	Materials used by weight or volume	• Not applicable
	301-2	Recycled input materials used	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	301-3	Reclaimed products and their packaging materials	• Not applicable
Energy	302-1	Energy consumption within the organisation	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	302-2	Energy consumption outside of the organisation	• Not applicable
	302-3	Energy intensity	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	302-4	Reduction of energy consumption	• SR: Embracing environment (pages 16-18)
	302-5	Reductions in energy requirements of products and services	• Not applicable
Water	303-1	Water withdrawal by source	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	303-2	Water sources significantly affected by withdrawal of water	• Not applicable
	303-3	Water recycled and reused	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	• Not applicable
	304-2	Significant impacts of activities, products, and services on biodiversity	• Not applicable
	304-3	Habitat protected or restored	• Not applicable
	304-4	IUCN Red List species and national conservation list species with habitatATSC in areas affected by operations	• Not applicable
Emissions	305-1	Direct (Scope 1) GHG emissions	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	305-2	Energy indirect (Scope 2) GHG emissions	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	305-3	Other indirect (Scope 3) GHG emissions	• Not applicable
	305-4	GHG emissions intensity	• SR: Embracing environment (pages 16-18) • SR: Sustainability scorecard (pages 22-23)
	305-5	Reduction of GHG emissions	• SR: Embracing environment (pages 16-18)
	305-6	Emissions of ozone-depleting substances (ODS)	• Not applicable
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	• Not applicable

SUSTAINABILITY REPORT

Disclosure number		Disclosure title	Page reference and remarks
Effluents and waste	306-1	Water discharge by quality and destination	• Not applicable
	306-2	Waste by type and disposal method	• SR: Embracing environment (pages 16-18)
	306-3	Significant spills	• Not applicable
	306-4	Transport of hazardous waste	• SR: Embracing environment (pages 16-18)
	306-5	Water bodies affected by water discharges and/or runoff	• Not applicable
Laws and regulations	307-1	Non-compliance with environmental laws and regulations	• There is no non-compliance with environmental laws and regulations.
Supplier environmental assessments	308-1	New suppliers that were screened using environmental criteria	• SR: Delivering quality (page 19)
GRI 400: Social disclosures			
Employment	401-1	New employee hires and employee turnover	• SR: Sustainability scorecard (pages 22-23)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Not applicable
	401-3	Parental leave	• Not applicable
Labor/management relations	402-1	Minimum notice periods regarding operational changes	• Not applicable
Occupational health and safety	403-1	Workers representation in formal joint management-worker health and safety committees	• SR: Empowering lives (pages 21-22)
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	• SR: Empowering lives (pages 21-22) • SR: Sustainability scorecard (pages 22-23)
	403-3	Workers with high incidence or high risk of diseases related to their occupation	• SR: Empowering lives (pages 21-22)
	403-4	Health and safety topics covered in formal agreements with trade unions	• Not applicable
Training and education	404-1	Average hours of training per year per employee	• SR: Empowering lives (pages 21-22) • SR: Sustainability scorecard (pages 22-23)
	404-2	Programs for upgrading employee skills and transition assistance programs	• SR: Empowering lives (pages 21-22)
	404-3	Percentage of employees receiving regular performance and career development reviews	• SR: Sustainability scorecard (pages 22-23)
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	• Not applicable
	405-2	Ratio of basic salary and remuneration of women to men	• Not applicable
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	• SR: Empowering lives (pages 21-22)
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	• Not applicable
Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	• Child labour is strictly prohibited.
Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	• Forced and compulsory labour is strictly prohibited.
Security practices	410-1	Security personnel trained in human rights policies or procedures	• Not applicable
Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	• Not applicable

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Disclosure number		Disclosure title	Page reference and remarks
Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	• Not applicable
	412-2	Employee training on human rights policies or procedures	• Not applicable
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	• Not applicable
Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	• Not applicable
	413-2	Operations with significant actual and potential negative impacts on local communities	• Not applicable
Supplier social assessment	414-1	New suppliers that were screened using social criteria	• Not applicable
	414-2	Negative social impacts in the supply chain and actions taken	• Not applicable
Public policy	415-1	Political contributions	• Not applicable
Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	• SR: Delivering quality (pages 19-20)
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	• SR: Delivering quality (pages 19-20)
Marketing and labelling	417-1	Requirements for product and service information and labeling	• Not applicable
	417-2	Incidents of non-compliance concerning product and service information and labeling	• Not applicable
	417-3	Incidents of non-compliance concerning marketing communications	• Not applicable
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	• Not applicable
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	• There is no non-compliance with socioeconomic laws and regulations.

CORPORATE GOVERNANCE REPORT

Allied Technologies Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to observing good standards of corporate governance within the Group and have put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholders’ value.

This report outlines the Company’s corporate governance practices and structures in the financial year ended 31 December 2017 (“**FY2017**”), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the “**Code**”). Deviations from the Code are explained. The Company has complied with the principles and guidelines of the Code where appropriate.

PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

The principal functions of the Board, apart from its statutory duties and responsibilities, are to:

- set and direct the long-term vision and strategic direction of the Group;
- review and approve the corporate policies, strategies, budgets and financial plans of the Company;
- monitor financial performance, including approval of the quarterly financial reports of the Company;
- oversee the business and affairs of the Company, establish, with the Management, the strategic and financial objectives to be implemented by the Management and monitor the performance of the Management;
- approve major funding decisions, material interested party transactions and all strategic matters;
- review the process of evaluating the adequacy of internal controls, risk management and compliance;
- identify the key stakeholder groups and recognise how their perceptions affect the Company’s reputation;
- set the Company’s value and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues (e.g. environmental and social factors) in the formulation of its strategies.

The Board currently has four (4) Directors, comprising one (1) Executive Director and three (3) Independent Directors, one (1) of whom is a female Independent Director. Information on and profiles of the Directors are set out in the “Board of Directors” section of this Annual Report.

Every Director is expected in the course of carrying out his duties, to act in good faith, provide insights and consider at all times, the interests of the Company.

The Board oversees the management of the Company. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Director.

The Board meets on a quarterly basis. Additional ad-hoc meetings may be held where circumstances require. The Company’s Constitution permits a Board meeting to be held by way of telephone conference.

The Board is assisted by various Board committees, namely the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”), in carrying out and discharging its duties and responsibilities efficiently and effectively. Each of these committees reports its activities regularly to the Board, and their actions are reviewed by the Board.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Board committees during FY2017, as well as the frequency of such meetings, are disclosed below:

	Board	AC	RC	NC
Number of meetings held in FY2017	5	4	1	1
Name of Director	Attendance			
Hsu Ching Yuh @ Sheu Ching Yuh ⁽¹⁾	5*	4 [#]	1 [#]	1 [#]
Soh Weng Kheong ⁽²⁾	5	4 [#]	1 [#]	1 [#]
Yau Woon Foong	5	4*	1	1
Jake Lam ⁽³⁾	1	1	1	1*
Woo Say Hock ⁽⁴⁾	1	1	1*	1
Chuang Shaw Peng ⁽⁵⁾	1	1	—	—
Shih Chih-Lung ⁽⁶⁾	3	2	—	—
Lim Jin Wei ⁽⁷⁾	3	2	—	—
Pok Mee Yau ⁽⁸⁾	1	1	—	—
Darren Chen Yu King ⁽⁹⁾	—	—	—	—
Poh Wee Chiow, Roger ⁽¹⁰⁾	—	—	—	—

* Chairman
By invitation

- (1) Mr Hsu Ching Yuh @ Sheu Ching Yuh, CEO and Group Managing Director, resigned on 29 December 2017.
 (2) Mr Soh Weng Kheong, Executive Director and Group Deputy Managing Director, resigned on 20 December 2017.
 (3) Mr Jake Lam, Independent Director, resigned on 23 March 2017.
 (4) Mr Woo Say Hock, Independent Director, resigned on 23 March 2017.
 (5) Mr Chuang Shaw Peng was appointed as an Independent Director with effect from 23 March 2017 and resigned on 1 August 2017.
 (6) Mr Shih Chih-Lung was appointed as an Independent Director with effect from 23 March 2017 and resigned on 31 October 2017.
 (7) Mr Lim Jin Wei was appointed as an Independent Director with effect from 1 August 2017.
 (8) Ms Pok Mee Yau was appointed as an Independent Director with effect from 31 October 2017.
 (9) Mr Darren Chen Yu King, who was appointed as an Executive Director with effect from 27 December 2017, resigned on 5 March 2018.
 (10) Mr Poh Wee Chiow, Roger was appointed as an Executive Director with effect from 5 March 2018.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investments in businesses and subsidiaries, any divestment by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

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Newly appointed Directors are given a comprehensive orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. Incoming Directors will also be provided with a formal letter setting out their duties and obligations. To enable the Directors to gain a better understanding of the Group's business, the Directors are encouraged to request for further explanations, briefings or informal discussions on the Company's operations or business with the Management. Directors are also given opportunities to visit the Group's operational facilities and meet with management staff. Where necessary, the Directors will be updated on new legislation and/or regulations which are relevant to the Group.

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Currently, the Board consists of four (4) Directors, of whom three (3) are considered independent by the NC. The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The strong independent element on the Board enables the Management to benefit from external diverse and objective perspective of issues raised. It also allows for constructive exchange of ideas and views to shape the strategic policies of the Group. As there are three (3) Independent Directors on the Board, the composition complies with the Code's requirement that at least one-third of the Board should be made up of independent directors and further complies with the prevailing applicable requirement of the Code that at least half of the Board be comprised of Independent Directors where the Chairman of the Board and the Chief Executive Officer ("CEO") or the Executive Director is the same person. The Board is thus able to exercise objective judgment on corporate affairs independently. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. All the board committee meetings are chaired by the Independent Directors.

The Board, with the concurrence of the NC, has rigorously reviewed the respective independence of each of the independent directors and taking into account their respective working experience and contributions, the Board is satisfied that each of them is independent in character and judgement. The Independent Directors have confirmed their independence and they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgment. Given their respective wealth of business, working experience and professionalism in carrying out their duties, the NC had found each of the current independent directors as at the date of this Annual Report, being Mr Yau Woon Foong, Mr Lim Jin Wei and Ms Pok Mee Yau suitable to act as an Independent Director.

The Board through the NC has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company and the recommendations of the Corporate Governance Council as and when announced. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process currently.

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The Board has considered its diversity, and is of the view that there is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management experience and strategic planning experience. Members of the Board are constantly communicating with Management to provide advice and guidance on matters affecting the affairs and business of the Group, resulting in effective management of the Group's business and operations.

The Independent Directors will constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Hsu Ching Yuh @ Sheu Ching Yuh, the CEO and Group Managing Director has resigned from the Board with effect from 29 December 2017 to pursue his personal interest. Mr Darren Chen Yu King took over as an Executive Director from 27 December 2017 to 5 March 2018 and he resigned as Executive Director and was re-designated as Business Operations Executive to focus on integration, business development and advisory for the new businesses that the Company proposes to invest in. The Board has appointed Mr Poh Wee Chiow, Roger as the new Executive Director on 5 March 2018.

Mr Poh Wee Chiow, Roger ("**Mr Poh**") will work closely with the Board and management of the Group to implement and drive the Group's growth in strategies in the coming years. Mr Poh will ensure the Directors receive complete, adequate and timely information, ensures effective communication with shareholders and promotes high standards of corporate governance of the Group.

In line with the Code, Mr Yau Woon Foong continues to be the Lead Independent Director of the Company (the "**Lead ID**") to enhance the independence of the Board and to assist the Executive Director in the discharge of his duties when the need arises. He is also available to address shareholders' concerns on issues that cannot be appropriately dealt with by the Executive Director.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments and overseeing the Company's succession and leadership development plans. The NC comprises Ms Pok Mee Yau (Chairman), Mr Yau Woon Foong and Mr Lim Jin Wei, all of whom, including the Chairman, are Independent Directors. The NC meets at least once a year. The main terms of reference of the NC are as follows:

- to make recommendations to the Board on all Board appointments and re-nominations, having regard to each Director's contribution and performance (for example, attendance, preparedness, participation and candour) including as an Independent Director;
- to determine on an annual basis whether or not a Director is independent;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations;

CORPORATE GOVERNANCE REPORT

- to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years;
- to assess the effectiveness of the Board as a whole and its board committees, and the contribution by each individual Director to the effectiveness of the Board;
- to review the board succession plans for Directors; and
- to review the training and professional development programmes for the Board.

The NC is responsible for the re-nomination of Directors, having regard to each Director's contribution and performance and deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. The NC also determines on an annual basis, and as and when circumstance require, whether or not a Director is independent, for the purposes of the Code.

In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carries out his duties as a Director notwithstanding such commitments.

The Board has not imposed a limit on multiple board representations. The Board is of the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by case basis, as a Director's available time and attention may be affected by many different factors such as personal capabilities of the Director, differing company complexities and other responsibilities. A Director with multiple directorships is expected to manage his own time commitment and ensure that sufficient attention is given to the affairs of the Group. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments.

Generally, the NC does not appoint new Directors, but nominates them to the Board which retains the final discretion in appointing such new Directors. In the search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on the mix of the attributes of the existing Board and the requirements of the Group. Thereafter, the NC taps on the resources of the existing Directors' personal contacts and recommendations of potential candidates for the shortlisting process. If candidates shortlisted are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

Succession planning is an important part of the governance process. The NC seeks to refresh the Board membership progressively in an orderly manner, and regularly reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. Over the course of review, the successors to key positions are identified and development plans instituted for them.

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Information required in respect of the academic and professional qualifications and principal commitments of the Directors is set out in the “Board of Directors” section of this Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the “Directors’ Report” section of this Annual Report.

The dates of initial appointment and last re-election of each of the Directors, together with their directorships in other listed companies, are set out below:

Name	Position	Date of Appointment	Date of Last Re-election	Current directorships in other listed companies	Past directorships in listed companies (in last three years)
Mr Hsu Ching Yuh @ Sheu Ching Yuh (Date of cessation: 29 December 2017)	CEO and Group Managing Director	28 February 1994	N.A.	-	-
Mr Soh Weng Kheong (Date of cessation: 20 December 2017)	Executive Director and Group Deputy Managing Director	30 June 1994	27 April 2017	-	-
Mr Yau Woon Foong	Lead Independent Director	10 October 2015	25 April 2016	AA Group Holdings Ltd.	Sincap Group Limited
Mr Jake Lam (Date of cessation: 23 March 2017)	Independent Director	10 October 2015	25 April 2016	-	-
Mr Woo Say Hock (Date of cessation: 23 March 2017)	Independent Director	10 October 2015	25 April 2016	-	-
Mr Chuang Shaw Peng (Date of cessation: 1 August 2017)	Independent Director	23 March 2017	27 April 2017	-	-
Mr Shih Chih-Lung (Date of cessation: 31 October 2017)	Independent Director	23 March 2017	27 April 2017	-	-

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Name	Position	Date of Appointment	Date of Last Re-election	Current directorships in other listed companies	Past directorships in listed companies (in last three years)
Mr Lim Jin Wei	Independent Director	1 August 2017	N.A.	Sincap Group Limited; Epicentre Holdings Limited	-
Ms Pok Mee Yau	Independent Director	31 October 2017	N.A.	Zhengli Holdings Limited; ecoWise Holdings Limited	Transcorp Holdings Limited; Imperium Crown Limited
Mr Darren Chen Yu King (Date of cessation: 5 March 2018)	Executive Director	27 December 2017	N.A.	-	-
Mr Poh Wee Chiow, Roger	Executive Director	5 March 2018	N.A.	-	Imperium Crown Limited

The Company's Constitution requires that one-third of the Directors for the time being (other than the Managing Director or a Director holding an equivalent position), or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office at each annual general meeting (the "AGM"), provided all Directors (except the Managing Director or a Director holding an equivalent position) retire at least once every three (3) years. The NC has reviewed and recommended the re-election of the retiring Directors, namely, Mr Lim Jin Wei, Ms Pok Mee Yau and Mr Poh Wee Chiow, Roger at the forthcoming Annual General Meeting. Mr Lim Jin Wei, Ms Pok Mee Yau and Mr Poh Wee Chiow, Roger do not have any immediate family relationships with any of the Directors, the Company or its shareholders with shareholdings of 10% or more in the voting shares of the Company. Mr Lim Jin Wei and Ms Pok Mee Yau are members of the NC as at the date of this Annual Report, and have abstained from deliberating on their re-election. The Board has accepted the NC's recommendations and Mr Lim Jin Wei, Ms Pok Mee Yau and Mr Poh Wee Chiow, Roger will retire and submit himself/herself for re-election at the AGM following his/her appointment. Thereafter, he/she is subject to be re-elected at least once every three (3) years.

PRINCIPLE 5: BOARD PERFORMANCE

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value.

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of individual Directors. These performance criteria include return on assets and return on equity, which allow the Board to make comparisons with its industry peers and are linked to long-term shareholders' value, as well as other factors set out in the Code. The selected performance criteria will not change from year to year unless deemed necessary and the Board is able to justify the changes.

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The assessment process which is conducted on an annual basis involves and includes input from Board members, applying the performance criteria of the NC and approved by the Board. Such input is collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussion and, where appropriate, approval for implementation.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

PRINCIPLE 6: ACCESS TO INFORMATION

The Company believes that the Board should be provided with timely, complete and adequate information prior to the Board meetings and as and when the need arises.

The Company recognises the importance of the flow of information for the Board to discharge its duties effectively. All Directors are furnished with the management accounts of the Group and regular updates on the financial position of the Company. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including the background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

The Directors have also been provided with the contact details of the Company's senior management and Company Secretary to facilitate separate and independent access. Requests for information by the Board are dealt with promptly.

As a general rule, notices are sent to the Directors one (1) week in advance of Board meetings, followed by the relevant Board papers in order for the Directors to be adequately prepared for the meetings. The Company Secretary provides secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary and/or his colleagues attend all meetings of the Board and board committees. The appointment and removal of the Company Secretary are subject to the Board's approval.

Each member of the Board has independent access to the Group's independent professional advisers, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director. Any cost of professional advice obtained will be borne by the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises Mr Lim Jin Wei (Chairman), Ms Pok Mee Yau and Mr Yau Woon Foong, all of whom, including the Chairman, are Independent Directors. The RC meets at least once a year.

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

- to recommend to the Board a framework of remuneration for the Directors and the key management personnel;
- to determine specific remuneration packages for each executive director as well as for the key management personnel. The RC's recommendations are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and senior management's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits in kind are covered by the RC. If necessary, expert advice shall be sought inside and/or outside the Company on remuneration of all Directors;

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- to review and recommend to the Board any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith by considering whether Executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes;
- to consider the use of contractual provisions to allow Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;
- to consider the various disclosure requirements for Directors' and key executives' remuneration, particularly those required by regulatory bodies such as the Singapore Exchange Securities Trading Limited (the "SGX-ST"), and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;
- in the case of service contracts of Directors, to review and to recommend to the Board the terms of renewal and termination clause of the service contracts. The RC will be fair and avoid rewarding poor performers, and will ensure that such contracts of services contain reasonable termination clauses which are not overly generous; and
- to carry out such other duties as may be agreed to by the RC and the Board.

The recommendations of the RC would be submitted to the Board for endorsement. The RC will have to seek expert advice inside and/or outside the Company with regard to remuneration matters, if necessary. The RC members are familiar with executive compensation matters as they are performing executive functions in the companies where they are employed and/or are holding directorships in other public listed companies. The members of the RC do not participate in any decisions concerning their own remuneration package.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The remuneration packages for Executive Directors take into account the performance of the Group and each Executive Director. The Independent Directors' remuneration in the form of Directors' fees takes into account the roles that each individual Director plays, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Directors. The remuneration of the Executive Directors includes a fixed salary and a discretionary bonus to be determined by the RC and recommended to the Board. All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. The Directors' fees are further subject to shareholders' approval at the forthcoming AGM. Each member of the RC will abstain from reviewing and approving his or her own remuneration and the remuneration packages of persons related to him.

Each of the Executive Directors has entered into a formal service agreement with the Company, and the service agreements shall automatically renew on an annual basis and on such terms and conditions as the Executive Directors and the Company may mutually agree.

The Company note that under Guideline 8.4 of the Code, companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company. The Company will be looking into its existing Service of Agreements to consider possible avenues of addressing this Guideline.

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PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Board has not included a separate annual remuneration report as it is of the view that the matters that are required to be disclosed in the annual remuneration report, have been sufficiently disclosed in this corporate governance report and the financial statements of the Group.

A breakdown showing the percentage mix of remuneration of each of the Directors in bands of S\$250,000 for FY2017 is as follows:

Directors	Salary*	Bonus*	Profit sharing	Directors' Fees**	Benefits-in-kind and Others^	Total
S\$3,000,001 to S\$3,250,000						
Mr Hsu Ching Yuh @ Sheu Ching Yuh (Date of cessation: 29 December 2017)	15%	–	–	–	85%	100%
S\$500,001 to S\$750,000						
Mr Soh Weng Kheong (Date of cessation: 20 December 2017)	60%	–	–	–	40%	100%
Up to S\$250,000						
Mr Yau Woon Foong	–	–	–	100%	–	100%
Mr Jake Lam (Date of cessation: 23 March 2017)	–	–	–	100%	–	100%
Mr Woo Say Hock (Date of cessation: 23 March 2017)	–	–	–	100%	–	100%
Mr Chuang Shaw Peng (Date of cessation: 1 August 2017)	–	–	–	100%	–	100%
Mr Shih Chih-Lung (Date of cessation: 31 October 2017)	–	–	–	100%	–	100%
Mr Lim Jin Wei	–	–	–	100%	–	100%
Ms Pok Mee Yau	-	-	-	100%	-	100%

* Salary and bonus are inclusive of CPF

** Subject to shareholders' approval at the AGM

^ Herein included the compensation for termination of service agreements

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The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

The Company adopts a remuneration policy for staff comprising a fixed component and a performance related variable component. The fixed component is in the form of a base salary. The variable component is in the form of variable bonus that depends on the relative performance of the Company and the performance of each Executive Director and key management personnel in alignment of their interests with that of shareholders'. The Company has no long-term incentive schemes. Performance appraisals are conducted twice a year. The Executive Directors do not receive Directors' fees.

The Non-Executive Directors receive Directors' fees in accordance with the roles that each individual Director plays, taking into account their efforts, time spent and responsibilities. The Directors' fees are recommended by the RC and further subject to shareholders' approval at the forthcoming AGM.

The Company believes that a full disclosure as recommended by the Code would be prejudicial to the Company's interest. The annual aggregate remuneration paid to all seven (7) key management personnel of the Group (who are not Directors or the CEO) for FY2017 is S\$1,340,989. The Company has instead presented the information as follows:–

Key Executives	Salary*	Bonus*	Benefits-in-kind and Others	Total
S\$250,001 to S\$500,000				
Ms Tan Siang Keng ⁽¹⁾	63%	31%	6%	100%
Up to S\$250,000				
Mr Tung Gee Khim	73%	19%	8%	100%
Mr Ng Choon Wah ⁽²⁾	79%	20%	1%	100%
Mr Tan Lay Thiam ⁽³⁾	89%	5%	6%	100%
Mr Yokota Tatsuya ⁽⁴⁾	93%	6%	1%	100%
Mr Mei Feng ⁽⁵⁾	93%	7%	–	100%
Ms Ang Lee Ai ⁽⁶⁾	67%	33%	–	100%

(1) Ms Tan Siang Keng was appointed as Chief Operating Officer of the Group on 27 December 2017. She was formerly the Group General Manager before 27 December 2017.

(2) Mr Ng Choon Wah was appointed as Deputy General Manager (Malaysia) on 1 July 2017 and resigned on 28 February 2018.

(3) Mr Tan Lay Thiam is Deputy General Manager (Engineering/Technical) in Allied Technologies (Suzhou) Co., Ltd, which the disposal was completed on 31 January 2018.

(4) Mr Yokota Tatsuya is General Manager (Suzhou) in Allied Technologies (Suzhou) Co., Ltd, which the disposal was completed on 31 January 2018.

(5) Mr Mei Feng was appointed on 1 July 2017 as Deputy General Manager (Finance) in Allied Technologies (Suzhou) Co., Ltd. which the disposal was completed on 31 January 2018.

(6) Ms Ang Lee Ai was appointed as Financial Controller of the Group on 27 December 2017. She was formerly the Group Accountant before 27 December 2017.

* Salary and bonus are inclusive of CPF

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No termination, retirement and post-employment benefits were granted to the directors, CEO and key management personnel other than what has been disclosed.

In FY2017, the following employees are immediate family members of the former CEO and Group Managing Director, which their respective remuneration are disclosed below in incremental bands of S\$50,000:

Name of employee	Family relationship
S\$50,001 to S\$100,000	
Mr Hsu Hsiu Ming	Son of Mr Hsu Ching Yuh, the former CEO and Group Managing Director

Save as disclosed above, there is no employee who is an immediate family member of a Director or the former CEO whose remuneration exceeds S\$50,000 during the financial year under review.

PRINCIPLE 10: ACCOUNTABILITY AND AUDIT

The Company has taken efforts to comply with the Listing Manual of the SGX-ST on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders with details of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators.

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance.

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISKS AND MAINTAINS A SOUND SYSTEM OF INTERNAL CONTROLS TO SAFEGUARD SHAREHOLDERS' INTERESTS AND THE COMPANY'S ASSETS.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' interests and the Group's assets.

The Board notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities. However, the system of internal controls maintained by the Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems annually.

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Based on the internal controls established and maintained by the Company, work performed by the internal auditors, and reviews performed by the Management, the Board opines, with the concurrence of the AC, that there are adequate and effective internal controls and risk management systems in place within the Group addressing financial, operational, compliance and information technology risks to meet the needs of the Group in their current business environment.

The Executive Director and the Financial Controller have provided a letter of confirmation that as at the end of FY2017, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control system are effective.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises Mr Yau Woon Foong (Chairman), Mr Lim Jin Wei and Ms Pok Mee Yau, all of whom, including the Chairman, are Independent Directors.

Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. They are also not related to the other Directors or other Substantial Shareholders.

Any business or professional relationship arising from any of the Independent Directors must comply with guidelines as described in the section "Interested Person Transaction" below and Chapter 9 of the SGX-ST Listing Manual for Interested Person Transactions.

The AC carries out its functions in accordance with the Singapore Companies Act, Cap. 50 and the Code. The main functions of the AC are as follows:

- to review the internal and external auditors' audit plans and auditors' reports;
- to review the co-operation given by our officers to the internal and external auditors;
- to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- meeting with the internal auditors and external auditors without the presence of the Management at least once a year;
- to review the financial statements before submission to the Board;
- to review all interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted at an arm's length basis; and
- to review the independence of the external auditors annually, and recommend to the Board the appointment, re-appointment or removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on our operational results and/or financial position.

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

In the event that a member of the AC is interested in any matter being considered by the AC, he shall abstain from reviewing that particular transaction or voting on that particular resolution.

Information in respect of the academic and professional qualifications of the Directors is set out in the "Board of Directors" section of this Annual Report. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

Summary of the AC's activities

The AC met four (4) times during the year under review. Details of members' attendance at the meetings are set out on page 30. The Financial Controller, Company Secretary, internal auditors and external auditors are invited to these meetings. Where appropriate, other members of the senior management are also invited to attend as appropriate to present reports.

The AC has met four (4) times with the external auditors and twice with the internal auditors respectively. The AC has met one (1) time with the external auditors and internal auditors respectively without the presence of the Management in FY2017.

The AC met on a quarterly basis and reviewed the quarterly and full-year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit results report presented by the external auditors. The external auditors provide regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC had reviewed the annual financial statements and discussed with the Management, Financial Controller and external auditors regarding the significant accounting policies, judgments and estimates applied by the Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended the audited annual financial statements to the Board for the Board's approval.

The AC has reviewed all the non-audit services provided to the Company by the external auditors, Ernst and Young LLP ("EY"), and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of EY, has confirmed their re-nomination. The aggregate amount of fees paid to EY and its member firms for FY2017 was S\$335,000, of which audit fees amounted to S\$292,000 and non-audit fees amounted to S\$43,000.

The AC has also met with EY without the presence of the Management. The Company confirms that the appointment of EY complies with Rule 712, Rule 715 and Rule 716 of the SGX-ST Listing Manual.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

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The Company has put in place a whistle-blowing policy and procedure, which provides staff with well-defined and accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence and there is independent investigation of such matters and appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policy and procedure have been made available to all employees of the Company.

PRINCIPLE 13: INTERNAL AUDIT

The Group has outsourced its internal audit function to Crowe Horwath First Trust Risk Advisory Pte Ltd (“IA”) for endorsing the Group’s internal control procedures and to safeguard shareholders’ interests and the Group’s assets.

The IA report directly to the Chairman of the AC but plan their internal audit schedules in consultation with the Management. The AC approves the hiring, removal, evaluation and compensation of the IA. The IA have unrestricted direct access to all of the Company’s documents, records, properties and personnel and a direct and primary reporting line to the AC.

The AC approves the engagement, removal, evaluation and compensation of the IA and reviews the activities of the IA on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified.

The IA will present to the AC on the qualification and experience of their team members involved in the internal audit function to ensure that the staff are equipped with relevant qualifications and experience and they will carry out their internal audit function according to the standards set by The Institute of Internal Auditors.

PRINCIPLE 14: SHAREHOLDER RIGHTS

The Board treats all shareholders fairly and equitably and facilitates the exercise of shareholder rights. The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board’s policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

All shareholders are entitled to attend the AGM and are afforded the opportunity to participate effectively at the AGM. The Constitution of the Company allows a shareholder to appoint up to two proxies to attend and vote in the shareholder’s place at the AGM.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Company believes in regular and timely communication with shareholders as part of its organisational development to build systems and procedures.

Information is communicated to shareholders on a timely basis through annual reports that are prepared and issued to all shareholders within the mandatory period, quarterly and full-year announcements of its financial statements on the SGXNET, other SGXNET announcements, press releases on major developments regarding the Company and the Company’s website at www.allied-tech.com.sg, at which the shareholders can access information on the Group.

CORPORATE GOVERNANCE REPORT

The Company has appointed a public relations firm Galleria Asia Capital Pte Ltd ("**GAC**") as Investor Relations ("**IR**") Advisors to the Company to provide a full suite of corporate communications and Investor Relations Services. The scope of GAC's services is as follows:–

- Provision of strategic counsel in terms of strategies, key messages and action plans
- Drafting and distribution of company announcements/press releases
- Identification and Monitoring of media, social media and stock market news channels for publicity opportunities
- Development of internal guidelines/processes for media engagement
- Monitoring of media outlets for news and issues relevant to the Company
- Training and counsel to company spokesperson
- Organising and managing Media and Analysts Briefings/Press Conferences
- Organising and managing Conference Calls with Stakeholders
- Managing ongoing Media/Analysts/Fund Managers' Enquiries
- Review, development and updating of all corporate communications collaterals ranging from corporate factsheets to presentations to Annual Reports
- Conceptualisation, content development for key sections of the Annual Report
- Support during Shareholder Meetings

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via the SGXNET.

The Company has announced via SGXNet on 26 February 2018 on the proposed payment of final one-tier exempt dividend of 0.01 Singapore cents per ordinary share for the financial year ended 31 December 2017, subject to the shareholder's approval in the upcoming AGM.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. A shareholder may appoint up to two (2) proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting.

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters overseen by these committees. The external auditors will also be present to assist the Directors in addressing any queries posed by the shareholders. The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and Management, and to make such minutes available to shareholders upon their request.

Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings. The polling results are also announced to the SGX-ST after the meetings.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company's Constitution provides that a Director shall abstain from voting in any contract or arrangement in which he has a personal material interest.

The AC has established internal policy in reviewing all interested person transactions to ensure that they are transacted on an arm's length basis, at normal commercial terms, and will not be prejudicial to the shareholders.

There were no interested person transactions entered into with individual transaction value of more than S\$100,000 during the financial year ended 31 December 2017.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the SGX-ST Listing Manual on dealings in the Company's securities.

The Company prohibits its Directors and officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Directors and officers are also not allowed to deal in the Company's shares during the two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and the one (1) month before the announcement of the Company's full-year financial statements.

RISK MANAGEMENT

The Management regularly reviews and improves the Group's business and operational activities to take into account the risk management perspective. The Group seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1204(8) of the SGX-ST Listing Manual, the Company confirms that there were no material contracts or loans entered into by the Company and its subsidiaries involving the interest of the former CEO, any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

NON-SPONSOR FEES

In compliance with Rule 1204(21) of the SGX-ST Listing Manual, there were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, subsequent to the Company's transfer to Catalist to the date of this report.

UPDATE ON USE OF PLACEMENT PROCEEDS

The Company has released an announcement dated 24 January 2018 in relation to the binding memorandum of understanding ("MOU") entered between the Company and Platform Internet Capital Pte. Ltd. (the "Vendor") on 23 January 2018 pertaining to the proposed acquisition of 51% of the entire issued and fully paid-up capital of Asia Box Office Pte. Ltd. (the "Proposed Acquisition").

CORPORATE GOVERNANCE REPORT

The Company has released further announcements on 3 April 2018 and 4 April 2018 pursuant to the MOU and the Proposed Acquisition, announcing that S\$30 million consideration sum has been paid to the Vendor following completion of the Proposed Acquisition. This was funded through the proceeds (the “**Placement Proceeds**”) from the issue and allotment of 675,164,460 placement shares in October 2017 (the “**Placement**”).

The table below reflected the update on the use of the Placement Proceeds as follows:

Use of Net Proceeds	Allocation of Net Proceeds S\$ million	Net Proceeds utilised as at 6 April 2018 S\$ million	Balance of Net Proceeds as at 6 April 2018 S\$ million
(i) Business expansion through acquisitions, joint ventures and collaborations and funding needs of such business expansion	30.1	(30.1)	–
(ii) General working capital purposes	3.3	–	3.3
	<u>33.4</u>	<u>(30.1)</u>	<u>3.3</u>

The above use of proceeds relates to the S\$30 million consideration sum paid on completion of the Proposed Acquisition and transaction costs incurred for the Proposed Acquisition, and it is in accordance with the intended use as announced by the Company.

The Company will continue to make periodic announcements via SGXNET upon utilization of the remaining Placement Proceeds as and when the funds are materially disbursed.

DIRECTORS' STATEMENT

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

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Poh Wee Chiow, Roger
Yau Woon Foong
Lim Jin Wei
Pok Mee Yau

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, at the end of the financial year, or as at 21 January 2018.

DIRECTORS' STATEMENT

5. AUDIT COMMITTEE

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

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

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

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

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

DIRECTORS' STATEMENT

6. AUDITOR

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

On behalf of the board of directors,

Poh Wee Chiow, Roger
Director

Pok Mee Yau
Director

Singapore
6 April 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED TECHNOLOGIES LIMITED

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Key audit matters (cont'd)

Revenue recognition

The Group recognised revenue of S\$94.8 million for the financial year ended 31 December 2017, generated mainly from the sale of stamped metal parts and sale of tooling.

The Group recognises revenue for sale of stamped metal parts upon the transfer of significant risks and rewards of ownership of the goods to the customers. The timing of revenue recognition differs from customer to customer, depending on the agreed shipping terms when significant risk and rewards of ownership are transferred to the customers. Due to the high volume of transactions and variety of shipping terms used, there is a risk that revenue could be recorded in the incorrect period, especially for sales transactions occurring on and around the year-end. As such, we considered cut-off of revenue recognition for sale of stamped metal parts to be a key audit matter.

We evaluated the appropriateness of the Group's accounting policies over revenue recognition. Our audit procedures included, amongst others, obtaining an understanding and testing of management's internal controls over the revenue recognition process, including the timing of the revenue recognition. We performed trend analysis on monthly revenue and cost of sales to look for unusual fluctuations; traced sales invoices to delivery orders and reviewed the significant terms and conditions in the contracts with these customers on a sample basis. We also reviewed material sales and delivery orders that occurred on and around the year-end to assess if revenue was appropriately recorded in the correct period. We requested debtors' confirmations for selected accounts receivable balance, and examined credit notes issued after the year-end to ascertain that there was no significant reversal of revenue recognised during the year. We also considered the adequacy of the disclosures in respect of revenue in Note 6.

Allowance for inventory obsolescence and write down to net realisable value ("NRV")

As of 31 December 2017, the total inventories and related allowance for inventory obsolescence and NRV write down amounted to S\$10.6 million and S\$0.3 million, respectively.

We focused on this key audit matter as the inventory and related inventory allowance amounts are material to the financial statements. Further, the determination of allowance for inventory obsolescence and NRV write down requires management to exercise judgment in identifying slow-moving inventory and make estimates of the appropriate level of allowance required.

As part of our audit procedures, amongst others, we attended and observed management's inventory count process at material inventory locations, including identification of slow-moving and obsolete inventories by management. In addition, we evaluated the assessment made by management with respect to slow moving and excess inventories, in particular, management's process in identifying and monitoring end-of-life inventories, and management's estimation of the expected demand of slow-moving inventories. We tested the net realisable values of inventories on a sample basis by comparing the carrying values of the inventories to the subsequent or latest available selling prices to check that the carrying values are not higher than the selling prices. We also considered the adequacy of the disclosures related to inventories in Note 19.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Key audit matters (cont'd)

Allowance for impairment loss on trade debtors

As at 31 December 2017, trade debtors balance and related allowance for impairment loss amounted to S\$20.7 million and S\$0.1 million respectively.

The collection of monies owed by trade debtors is a key element of the Group's working capital management, which is monitored on an ongoing basis by management. The assessment of trade debtors allowance to identify trade debtors that may be impaired, as well as to determine the amount of allowance for impairment loss required for debtors identified by management where recoverability is in doubt requires significant management judgment. As such, we determined that this is a key audit matter.

As part of our audit procedures, amongst others, we assessed the Group's processes, controls and judgements made relating to the monitoring of debtors' balance and consideration of long overdue debts to identify collection risks. For debtors identified by management where recoverability is in doubt, we reviewed management's assumptions used in determining the allowance amount through an analysis of the aging of the receivables and reviewed significant overdue debtors' balances by considering the payment history, receipts subsequent to year end and underlying reasons for the delay in payment. We tested aging of receivables and also requested confirmations for selected trade debtor balances.

We considered the adequacy of the Group's disclosures on trade debtors allowance in Note 21 to the financial statements.

Disposal of Allied Technologies Suzhou Co., Ltd. ("ATSU")

As disclosed in Note 12, in December 2017, the Group entered into a sale and purchase agreement to dispose Allied Technologies Suzhou Co., Ltd ("ATSU"), a wholly owned subsidiary, and received a deposit of S\$2.0 million, representing 10% of the agreed consideration. As at 31 December 2017, the legal and administrative process of the disposal had not been completed.

The assets and liabilities of ATSU were classified as held-for-sale as at 31 December 2017 as its carrying amount will be recovered principally through a sale transaction rather than through continuing use. As at 31 December 2017, the assets and liabilities balances attributable to ATSU were S\$54.4 million and S\$32.7 million, representing 32% of Group's total assets and 45% of Group's total liabilities respectively. As the assets and liabilities balances attributable to ATSU were material to the consolidated financial statements for the financial year ended 31 December 2017 and the disposal group was required to be carried at the lower of carrying value or fair value less costs to sell, we identified this matter as a key audit matter.

As part of our audit procedures, we reviewed the sale and purchase agreement to understand the terms and conditions of the disposal. We reviewed management's basis in classifying assets and liabilities of ATSU as held for sale (i.e. disposal group) as at year-end, including probability of completing the sale within one year from the date of classifying ATSU as a disposal group. We assessed whether the assets of the disposal group was measured in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations at the lower of carrying amount and fair value less costs to sell. We also considered the adequacy of the disclosures in Note 12.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
6 April 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 \$	Restated 2016 \$
Continuing operations			
Revenue	6	94,804,099	85,423,227
Other income	7	2,201,704	2,867,060
Costs and expenses			
Changes in inventories of finished goods and work-in-progress		320,080	812,385
Raw materials and consumables used		(65,323,026)	(59,060,588)
Depreciation of property, plant and equipment		(1,545,186)	(1,701,541)
Depreciation of investment property		–	(93,575)
Amortisation expense	13	(10,737)	(18,597)
Staff costs	8	(13,121,452)	(14,637,826)
Other operating expenses	9	(13,604,167)	(11,807,090)
		(93,284,488)	(86,506,832)
Operating profit from continuing operations		3,721,315	1,783,455
Finance costs	10	(93,763)	(171,723)
Profit before tax from continuing operations		3,627,552	1,611,732
Taxation	11	(162,951)	(61,849)
Profit from continuing operations, net of tax		3,464,601	1,549,883
Discontinued operation			
Loss from discontinued operation, net of tax	12	(189,462)	(190,402)
Profit for the financial year		3,275,139	1,359,481
Attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		3,464,601	1,549,883
Loss from discontinued operation, net of tax		(189,462)	(190,402)
Profit for the financial year attributable to owners of the Company		3,275,139	1,359,481
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
Basic and diluted	33 (a)	0.44	0.23
Earnings per share (cents per share)			
Basic and diluted	33 (b)	0.41	0.20

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	2017 \$	Restated 2016 \$
Profit for the financial year	3,275,139	1,359,481
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation of foreign subsidiaries	(317,307)	(1,414,531)
Foreign currency translation recycled to profit or loss upon liquidation and disposal of subsidiaries	(151,889)	(272,179)
Total comprehensive income for the financial year	2,805,943	(327,229)
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations	3,231,214	770,776
Total comprehensive income from discontinued operation	(425,271)	(1,098,005)
Total comprehensive income for the financial year	2,805,943	(327,229)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2017

(In Singapore dollars)

	Note	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
Non-current assets					
Intangible assets	13	124,176	148,881	–	9,986
Property, plant and equipment	14	20,571,224	35,610,120	92,804	32,141
Investment in subsidiaries	15	–	–	12,601,527	21,919,028
Loan receivables from subsidiaries	15	–	–	13,637,827	17,916,268
Deferred tax assets	28	–	477,247	–	–
Other investments	16	2,205,263	2,205,263	2,080,934	2,080,934
Other debtor	17	–	12,430,897	–	10,404,757
Prepayments	18	–	1,679,623	–	–
		<u>22,900,663</u>	<u>52,552,031</u>	<u>28,413,092</u>	<u>52,363,114</u>
Current assets					
Inventories	19	10,331,832	12,610,022	–	–
Amounts due from subsidiaries	20	–	–	4,759,832	4,684,722
Trade debtors	21	20,581,571	33,299,385	1,953,084	1,549,892
Other debtors	17	3,526,722	9,949,503	397,934	5,868,765
Prepayments and advances to suppliers		962,041	720,470	46,085	37,329
Income tax recoverable		–	3,835	–	–
Fixed deposits	22	1,756,537	1,096,229	–	347,520
Cash and bank balances	22	58,050,519	13,939,360	51,215,073	1,108,558
		<u>95,209,222</u>	<u>71,618,804</u>	<u>58,372,008</u>	<u>13,596,786</u>
Assets of disposal group classified as held for sale	12	54,407,413	–	19,044,383	–
		<u>149,616,635</u>	<u>71,618,804</u>	<u>77,416,391</u>	<u>13,596,786</u>
Current liabilities					
Amount due to a subsidiary	20	–	–	139,087	–
Trade creditors	23	22,771,730	31,945,170	177,396	763,410
Hire purchase creditors	24	3,667	8,496	–	–
Other creditors and accruals	25	8,797,715	8,291,406	3,313,388	3,024,493
Deferred compensation income	26	–	491,208	–	–
Deposit received	12	2,000,000	–	2,000,000	–
Income tax payable		118,018	–	–	–
Loans and borrowings	27	3,257,792	5,688,216	–	266,432
		<u>36,948,922</u>	<u>46,424,496</u>	<u>5,629,871</u>	<u>4,054,335</u>
Liabilities of disposal group classified as held for sale	12	32,727,689	–	–	–
		<u>69,676,611</u>	<u>46,424,496</u>	<u>5,629,871</u>	<u>4,054,335</u>
Net current assets		<u>79,940,024</u>	<u>25,194,308</u>	<u>71,786,520</u>	<u>9,542,451</u>
Non-current liabilities					
Hire purchase creditors	24	–	3,594	–	–
Other creditors and accruals	25	1,183,250	2,201,152	1,183,250	1,842,381
Deferred compensation income	26	–	8,104,936	–	–
Loans and borrowings	27	1,877,176	–	–	–
Deferred tax liabilities	28	–	3,862,779	–	–
		<u>3,060,426</u>	<u>14,172,461</u>	<u>1,183,250</u>	<u>1,842,381</u>
Net assets		<u>99,780,261</u>	<u>63,573,878</u>	<u>99,016,362</u>	<u>60,063,184</u>
Equity attributable to owners of the Company					
Share capital	29	90,737,794	57,337,354	90,737,794	57,337,354
Foreign currency translation reserve	30	871,901	1,049,711	–	–
Statutory reserve fund	31	15,781	1,938,234	–	–
Other reserves	32	188,948	188,948	188,948	188,948
Retained earnings		6,318,989	3,059,631	8,089,620	2,536,882
Reserves of disposal group classified as held for sale	12	1,646,848	–	–	–
		<u>99,780,261</u>	<u>63,573,878</u>	<u>99,016,362</u>	<u>60,063,184</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	Ordinary shares \$	Foreign currency translation reserve \$	Statutory reserve fund \$	Other reserves \$	(Accumulated losses)/ Retained earnings \$	Reserve of disposal group classified as held for sale \$	Total equity attributable to owners of the Company \$
Group								
Balance at 1 January 2016		57,337,354	2,736,421	4,889,439	188,948	(1,251,055)	–	63,901,107
Profit for the financial year		–	–	(2,951,205)	–	4,310,686	–	1,359,481
Other comprehensive income:								
Foreign currency translation		–	(1,414,531)	–	–	–	–	(1,414,531)
Foreign currency translation recycled to profit or loss upon disposal of subsidiaries		–	(272,179)	–	–	–	–	(272,179)
Total comprehensive income for the financial year		–	(1,686,710)	(2,951,205)	–	4,310,686	–	(327,229)
Balance at 31 December 2016 and 1 January 2017		57,337,354	1,049,711	1,938,234	188,948	3,059,631	–	63,573,878
Profit for the financial year		–	–	–	–	3,275,139	–	3,275,139
Other comprehensive income:								
Foreign currency translation		–	(317,307)	–	–	–	–	(317,307)
Foreign currency translation recycled to profit or loss upon liquidation of subsidiaries		–	(151,889)	–	–	–	–	(151,889)
Total comprehensive income for the financial year		–	(469,196)	–	–	3,275,139	–	2,805,943
Issuance of ordinary shares (net of transaction costs)	29	33,400,440	–	–	–	–	–	33,400,440
Reserve attributable to disposal group classified as held for sale	12	–	291,386	(1,938,234)	–	–	1,646,848	–
Transfer to statutory reserve		–	–	15,781	–	(15,781)	–	–
Balance at 31 December 2017		90,737,794	871,901	15,781	188,948	6,318,989	1,646,848	99,780,261

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

		Ordinary shares \$	Other reserves \$	Retained earnings \$	Total equity attributable to owners of the Company \$
Company	Note				
Balance at 1 January 2016		57,337,354	188,948	6,266,997	63,793,299
Loss for the financial year		–	–	(3,730,115)	(3,730,115)
Total comprehensive income for the financial year		–	–	(3,730,115)	(3,730,115)
Balance at 31 December 2016 and 1 January 2017		57,337,354	188,948	2,536,882	60,063,184
Profit for the financial year		–	–	5,552,738	5,552,738
Total comprehensive income for the financial year		–	–	5,552,738	5,552,738
Issuance of ordinary shares (net of transaction costs)	29	33,400,440	–	–	33,400,440
Balance at 31 December 2017		90,737,794	188,948	8,089,620	99,016,362

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(In Singapore dollars)

	Note	2017 \$	Restated 2016 \$
Cash flows from operating activities:			
Profit before tax from continuing operations		3,627,552	1,611,732
Loss before tax from discontinued operation		(189,462)	(59,591)
Profit before tax, total		3,438,090	1,552,141
Adjustments for:			
Gain on disposal of property, plant and equipment	7	(28,343)	(181,996)
Gain on disposal of intangible assets	7	(56,325)	–
Depreciation of property, plant and equipment	14	3,461,786	3,816,177
Depreciation of investment property		–	93,575
Amortisation of intangible assets	13	10,737	18,597
Impairment loss on assets of disposal group classified as held for sale	12	245,000	–
Gain on liquidation of subsidiaries	7	(141,495)	–
Gain on disposal of subsidiaries	5	–	(1,198,626)
Gain on re-measurement of financial receivables	7	(1,454,581)	–
Amortisation of deferred interest income	7	(328,600)	(22,281)
Amortisation of deferred compensation income	7	(482,652)	(491,157)
Interest income	7	(61,799)	(39,777)
Interest expense	10	454,064	380,638
Dividend income from other investments	7	(110,405)	(87,021)
Exchange differences		625,395	(96,052)
Operating cash flows before changes in working capital		5,570,872	3,744,218
Increase in inventories		(1,332,764)	(1,869,762)
Decrease/(increase) in trade debtors, other debtors and prepayments		2,921,304	(9,802,045)
Increase in trade creditors and other creditors and accruals		7,035,777	14,490,099
Cash flows generated from operations		14,195,189	6,562,510
Interest paid		(454,064)	(380,638)
Interest received		61,799	39,777
Tax paid		(71,085)	(201)
Net cash flows generated from operating activities		13,731,839	6,221,448
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		495,350	194,509
Proceeds from disposal of intangible assets		59,717	–
Net cash outflow on disposal of subsidiaries	5	–	(373,523)
Purchase of property, plant and equipment		(10,729,166)	(2,655,681)
Prepayment for purchase of land		–	(1,701,282)
Deposit received from disposal of a subsidiary	12	2,000,000	–
Dividend receipt from other investments		110,405	87,021
Net cash used in investing activities		(8,063,694)	(4,448,956)
Cash flows from financing activities:			
Proceeds from issuance of ordinary shares (net of transaction costs)		33,400,440	–
Net decrease of hire purchase creditors		(8,403)	(8,183)
Drawdown of bank borrowings		19,879,271	13,603,004
Repayment of bank borrowings		(12,196,170)	(16,502,947)
Increase in fixed deposits		(683,327)	(499,539)
Net cash flows generated from/(used in) financing activities		40,391,811	(3,407,665)
Net increase/(decrease) in cash and bank balances		46,059,956	(1,635,173)
Cash and cash equivalents at beginning of financial year		13,939,360	15,513,706
Effects of exchange rates on opening cash and cash equivalents		(381,210)	60,827
Cash and cash equivalents at end of financial year	22	59,618,106	13,939,360

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Allied Technologies Limited (the “Company”) is a limited liability company listed on the Singapore Exchange. It is incorporated and domiciled in Singapore with its registered office and principal place of business at 11 Woodlands Close #10-11, Woodlands 11, Singapore 737853.

The principal activities of the Company and of the Group are mainly those of manufacturing of metal stamped parts, tools and dies and provision of related design services, sub-assembly of mechanical components, plastic injection moulding, manufacturing of plastic parts and assembly of consumer electronics.

There have been no significant changes in the nature of the Group’s operating activities during the financial year. Subsequent to year-end, an extraordinary General Meeting was held on 26 March 2018 to seek shareholders’ approval to diversify its business to include the following new businesses:

- (a) e-commerce platforms in the business of event ticketing, booking reservation systems, internet finance, payment gateways and loyalty redemption platforms;
- (b) operating of technology and digital payment applications that enable digital and mobile payments; and
- (c) identify and invest in or build proven business models relating to e-commerce or the internet of things and seek to scale them into market leading online companies.

The shareholders have approved the proposed diversification of the current core business of the Group to include the new businesses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements, which are presented in Singapore Dollars (SGD or \$), have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

Convergence with International Financial Reporting Standards

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

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

2.2 Changes in accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
Improvements to FRSs (December 2016)	
– Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 & FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The Group's assessment of the changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group is in the business of manufacturing and sale of metal stamped parts, plastic parts, tools and dies and sub-assembly of components. The Group does not provide customers with right of return, trade discounts and volume rebates and variable consideration and constraints under FRS 115 are not applicable to the Group. There are also no service-type warranties offered to customers. Hence the Group has preliminarily assessed that there will be no significant impact upon adoption of FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

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

(a) Classification and measurement

The Group's trade debtors arise from its principal activities and the principal is deemed to be the amount resulting from a transaction in the scope of FRS 115. The Group assessed that the trade receivables do not include a significant financing component and involve only a single cash flow – payment of the amount resulting from a transaction in the scope of FRS 115. Therefore the cash flows resulting from the receivables meet the solely payments of principal and interest despite the interest component being zero. The Group does not factor its receivables and intends to hold the receivables to collect the contractual cash flows. Consequently these will be classified as measured at amortised cost, when it applies FRS 109 and with no significant impact on adoption.

The Group currently measures its investment in unquoted equity securities at cost of S\$2,205,263. Under FRS 109, the Group will be required to measure the investment at fair value. This investment is not held for trading and the Group is allowed to elect irrevocably to present gains and losses on this equity investment in Other Comprehensive Income ("FVOCI"). No impairment assessment will need to be made as the Group will not record gains on sale through profit or loss under this option. If the Group does not elect the FVOCI option, fair value gains and losses will be recognised in the profit or loss.

The Group intends to elect the FVOCI option. The difference between the current carrying amount and the fair value as at 31 December 2017 would be recognised in the opening reserves. As the Group has assessed that the difference is not significant, it does not expect significant impact to arise from adoption of FRS 109 on this investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

FRS 109 Financial Instruments (cont'd)

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group intends to apply the simplified approach and record lifetime expected credit losses on all trade receivables. The trade receivables do not contain a significant financing component. The Group uses a provision matrix as a practical expedient for determining expected credit loss on trade receivables based on historical observed default rates and adjusted for forward-looking estimates. Trade receivables are grouped by customer segments which have similar loss patterns. Upon the application of the expected credit loss model, the Group does not expect a material impact to the financial statements.

In addition, FRS 109 requires the Company to record expected credit losses on its loans receivables from subsidiaries including quasi-equity loans, either on a 12-month or lifetime basis. The Company intends to record 12-month expected credit loss on its quasi-equity loan. Upon the application of the expected credit loss model, the Company does not expect a significant loss allowance on its quasi-equity loan because there have not been actual or expected significant adverse changes in the operating results of the subsidiaries, nor any actual or expected significant adverse changes in the regulatory, economic or technological environments of the subsidiaries.

FRS 116 Leases

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

The Group has performed a preliminary assessment on the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.4 Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.5 Foreign currency

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

2.6 Intangible assets

Membership rights

Membership rights are measured at cost less accumulated amortisation and any impairment losses.

Membership rights are amortised on a straight-line basis over the estimated useful lives of the respective memberships of 19, 25, 31 and 45 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.7 Property, plant and equipment

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

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

Leasehold land and properties (including land use rights)	–	over the term of lease (ranges from 43 to 50 years)
Plant and machinery	–	5 years
Furniture and fittings	–	5 years
Electrical installations	–	5 years
Office equipment	–	5 years
Computers	–	3 years
Motor vehicles	–	5 years
Renovations	–	5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.8 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement.

2.9 Subsidiaries

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

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

At each balance sheet date, the Company assesses whether there are any indicators of impairment of its investments in the subsidiaries. If any such indication exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of investment in subsidiaries exceeds its recoverable amounts, the investment is written down to its recoverable amount. Impairment losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.10 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment when the financial asset is derecognised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

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

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.11 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.11 Impairment of financial assets (cont'd)

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials on a first-in-first-out basis and in the case of finished products and work-in-progress, includes direct materials and labour and attributable production overheads based on normal level of activity which costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

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

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

2.15 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.16 Borrowing costs

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

2.17 Employee benefits

(a) *Short term employee benefits*

All short term employee benefits, including accumulated compensated absences, are recognised in the income statement in the period in which the employees render their services.

(b) *Defined contribution plans*

As required by law, the Company and certain subsidiaries make contributions to the national pension schemes in their respective countries. Such pension schemes are defined contribution pension schemes, where contributions are recognised as an expense in the period in which the related service is performed.

In particular, the Singapore company in the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore. The Malaysia companies in the Group make contributions to the Employee Provident Fund ("EPF") scheme in Malaysia.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.18 Leases

(a) *As lessee*

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

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

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

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21. Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Disposal groups held for sale and discontinued operations

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met and such a component represents a separate major geographical area of operations.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.20 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred compensation grant on the balance sheet and is amortised to the income statement over the expected useful life of the relevant asset.

A government grant that becomes receivable as compensation for expenses or losses shall be recognised on the balance sheet and amortized to the income statement for the period in which the expenses or losses occur.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

- (a) Revenues from the sales of manufactured goods are recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with the delivery and acceptance of the goods.
- (b) Tooling revenue is recognised when the Group satisfied its performance obligations which generally coincide with the 100% completion of mould manufacturing processes and acceptance of the goods.
- (c) Revenues from the provision of design services are recognised when services have been rendered.
- (d) Interest income is recognised using the effective interest method.
- (e) Dividend income is recognised when the Group's right to receive payment is established.
- (f) Rental income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.22 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.22 Taxes (cont'd)

(b) *Deferred tax* (cont'd)

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in income statement.

(c) *Sales tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.23 Share capital and share issuance expenses

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

2.24 Contingencies

A contingent liability is:

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

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

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

2.25 Segmental reporting

For management purposes, the Group is organised into operating segments based on geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical judgements made in applying accounting policies

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

(i) *Allowance for impairment loss on trade debtors*

The Group assesses at each balance sheet date whether there is any objective evidence that a trade debtor is impaired.

Trade debtors allowance assessment requires significant management judgement to identify trade debtors that may be impaired, as well as to determine the amount of allowance for impairment loss required.

To determine whether there is objective evidence of impairment, the Group considers factors such as: aging of the receivables, payment history and receipts subsequent to year-end for overdue debtors, and underlying reasons for the delay in payment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for trade debtors with similar credit risk characteristics. As at 31 December 2017, management has recognised allowance for impairment loss on trade debtors, as disclosed in Note 21, amounting to S\$108,891 (2016: S\$94,501).

(ii) *Allowance for inventory obsolescence and write down to net realisable value*

The Group exercised judgement in identifying slow-moving inventories. Based on the slow-moving inventory identified, the Group will then further analyse the slow-moving inventories to identify excess or obsolete inventories after considering a number of factors, including: committed orders and/or production forecasts provided by customer, procurement and production cycle of the inventories, age of the inventories, and if the inventories are declared as end-of-life inventories by the customers.

Based on management's assessment, an allowance amount has been determined by the Group based on the estimates made. Please refer to Section 3(b)(i) for further details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) *Allowance for inventory obsolescence and write down to net realisable value*

Based on the excess or obsolete inventories identified, as discussed in Note 3 (a)(ii), the Group provides allowance for inventory obsolescence for obsolete or excess inventories that are not expected to be utilised/sold and end-of-life inventories that are not expected to be sold.

This review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the financial year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write down to net realisable value include ageing analysis, technical assessment and subsequent events.

(ii) *Fair value less costs to sell estimation*

The Group carries its disposal group classified as held for sale at the lower of their carrying amount and fair value less costs to sell. The Group has estimated the fair value less costs to sell based on agreed selling price stated in the sale and purchase agreement entered into with the purchaser, as disclosed in Note 12, and adjusted for the estimated tax payable on the disposal.

The carrying amount of the net assets of disposal group classified as held for sale carried at fair value as at 31 December 2017 is \$21,679,724 (2016: \$Nil).

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical location, and has five reportable operating segments: Singapore and Malaysia, China, Vietnam, Thailand and others. Consequent to Group's decision to dispose Allied Technologies (Suzhou) Co., Ltd. ("ATSU"), ATSU business is presented as a discontinued operation segment in current year. For comparative purposes, the prior year segment information has been restated to be consistent with the current year's presentation.

Management monitors the operating results of its business units separately for the purpose of making decisions which in certain respects, as explained in the table below, is measured differently from operating income statement in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments. Inter-segment pricing is on terms agreed between the segments.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION (CONT'D)

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION (CONT'D)

	Singapore and Malaysia \$	China \$	Vietnam \$	Thailand \$	Others \$	Discontinued operation ATSU \$	Elimination \$	Note	Total \$
2017									
Segment assets	83,806,974	-	27,615,865	4,481,783	-	51,686,433	-		167,591,055
Unallocated assets								(ii)	<u>4,926,243</u>
									<u>172,517,298</u>
Other segment information:									
Additions to non-current assets	11,937,116	-	89,999	41,059	-	331,954	-		12,400,128
Depreciation and amortisation	413,411	-	426,179	716,333	-	1,916,600	-		3,472,523
Allowance for/ (write-back of) inventory									
obsolescence	13,764	-	113,510	(984)	-	(30,303)	-		95,987
Gain on disposal of property, plant and equipment	(10,685)	-	(6,929)	-	-	(10,729)	-		(28,343)
Allowance for impairment loss on:									
- trade debtors	19,486	-	-	-	-	2,258,934	-		2,237,291
- sundry debtors	-	-	-	-	-	41,129	-		41,129
Impairment loss on assets of disposal group classified as held for sale	-	-	-	-	-	245,000	-		245,000

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION (CONT'D)

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION (CONT'D)

	Singapore and Malaysia \$	China \$	Vietnam \$	Thailand \$	Others \$	Discontinued operation ATSU \$	Elimination \$	Note	Total \$
2016 (Restated)									
Segment assets	13,570,893	5,073,646	31,213,998	4,149,684	6,389	49,300,590	–		103,315,200
Unallocated assets								(ii)	20,855,635
									<u>124,170,835</u>
Other segment information:									
Additions to non-current assets	1,595,013	221,653	333,164	236,509	–	269,342	–		2,655,681
Depreciation and amortisation	228,111	462,349	429,994	693,189	70	2,114,636	–		3,928,349
Allowance for/(write-back of) inventory obsolescence	8,236	(24,670)	(48,079)	12,394	–	23,156	–		(28,963)
(Gain)/loss on disposal of property, plant and equipment	(6,037)	(183,557)	–	–	4,536	3,062	–		(181,996)
(Write-back of)/allowance for impairment loss on:									
– trade debtors	(263,255)	(54,075)	–	–	–	(1,028)	–		(318,358)
– sundry debtors	–	–	–	–	–	853,123	–		853,123

Note: Nature of adjustments and eliminations to arrive at amounts in the consolidated financial statements.

- (i) Unallocated expenses primarily relate to Directors' fee, Directors' remuneration, corporate personnel payroll costs and other corporate related expenses.
- (ii) Unallocated assets pertain to amount due from Carapace Daybreak Ltd (refer to Note 5 for nature of the balance), deferred tax assets and other investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION (CONT'D)

Information about product and services

The Group manufactures a wide range of metal and plastics parts which are used as components for products in diverse industries. The contribution of different products as a percentage of total revenue is summarised as follows:

	Group	
	2017	Restated
	%	2016
	%	%
Copier	73	58
Printer	16	15
LCD related stamping	6	9
Computer enclosure	2	2
Data storage devices	1	2
Automotive	–	10
Others	2	4
	100	100

Others mainly comprise product and services in switches and telecommunication systems.

Information about major customers

For the current financial year, revenue from the top 10 customers of the Group represents 97% (2016: 92%) of the total Group's revenue from continuing operations.

Revenue from one (2016: one) major customer, who individually contributes more than 10% of the Group's revenue from continuing operations, amounts to \$69,239,000 (2016: \$48,695,000). The sales to this major customer is recorded in Singapore and Malaysia, Vietnam, and Thailand segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. DISPOSAL OF SUBSIDIARIES

For financial year ended 31 December 2016

On 2 June 2016, the Company entered into sale and purchase agreements to dispose wholly owned subsidiaries, Allied Machineries (Shanghai) Co., Ltd. ("AMSH") and Taicang Shanfeng Hardware Co., Ltd. ("TCSF"), to an external party, Carapace Daybreak Ltd. ("Carapace") for an aggregate consideration of S\$10,721,679 ("Disposal of subsidiaries"). Both AMSH and TCSF were part of "China" operating segment. The assets and liabilities of AMSH and TCSF were classified as disposal groups held for sale from 2 June 2016 in accordance with FRS 105. The sales of AMSH and TCSF, which are concurrent and inter-conditional upon the completion of each other, was completed in November 2016.

The consideration of the disposal was contracted to be received in 6 payments over 3 years. In addition, the purchaser agreed to repay the loan owing by these disposed entities to the Group in 6 payments over 3 years ("loan assignment consideration"). As the payment of proceeds from disposal would be received over 3 years, management exercised judgment to compute the net present value of the payments based on a discount rate of 10% reflecting the cost of debt and credit risk of the counterparty.

The total considerations were scheduled to be received in 6 payments over 3 years, as follows:

	Equity consideration	Loan assignment consideration AMSH	Loan assignment consideration TCSF	Total consideration
	\$	\$	\$	\$
30 November 2016	999,056	563,966	303,234	1,866,256
31 May 2017	1,498,581	845,950	456,556	2,801,087
30 November 2017	1,573,511	888,247	479,383	2,941,141
31 May 2018	1,612,369	910,183	491,222	3,013,774
30 November 2018	1,652,187	932,660	503,352	3,088,199
31 May 2019	3,385,975	1,911,383	1,031,566	6,328,924
	10,721,679	6,052,389	3,265,313	20,039,381
Less: deferred interest income	(1,362,458)	(769,108)	(415,084)	(2,546,650)
Fair value of consideration	9,359,221	5,283,281	2,850,229	17,492,731

In November 2016, the Group received the first payment amounting to S\$1,866,256.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. DISPOSAL OF SUBSIDIARIES (CONT'D)

The value of assets and liabilities of TCSF and AMSH recorded in the consolidated financial statements as at 30 November 2016, and the effects of the disposal were:

	AMSH \$	TCSF \$	Total \$
Property, plant and equipment	8,638,639	402,158	9,040,797
Investment property	–	4,076,906	4,076,906
Inventories	1,958,002	–	1,958,002
Trade and other debtors	11,214,329	297,486	11,511,815
Fixed deposits (pledged)	414,766	–	414,766
Cash and bank balances	1,330,602	41,977	1,372,579
Total assets	<u>23,556,338</u>	<u>4,818,527</u>	<u>28,374,865</u>
Trade and other creditors	(10,955,671)	(8,456,732)	(19,412,403)
Loans and borrowings	(1,078,391)	–	(1,078,391)
Total liabilities	<u>(12,034,062)</u>	<u>(8,456,732)</u>	<u>(20,490,794)</u>
Net assets/(liabilities)	<u>11,522,276</u>	<u>(3,638,205)</u>	<u>7,884,071</u>
Consideration received			999,056
Cash and cash equivalents of the subsidiaries			<u>(1,372,579)</u>
Net cash outflow on disposal of subsidiaries			<u>(373,523)</u>

Gain on disposal of subsidiaries:

	2016 \$
Equity consideration	9,359,221
Net assets derecognised	(7,884,071)
Foreign currency translation recycled to profit or loss upon disposal of subsidiaries	272,179
Loss on re-measurement of financial receivables	(548,703)
Gain on disposal of subsidiaries	<u>1,198,626</u>

The gain on disposal of subsidiaries amounted to S\$1,198,626 and was included in other income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. DISPOSAL OF SUBSIDIARIES (CONT'D)

For financial year ended 31 December 2017

The Group has received the payment due on 31 May 2017 from Carapace of \$2,801,087.

On 29 November 2017, the Company entered into a revised payment plan with Carapace to early repay the equity consideration and loan assignment consideration of AMSH and deferral of scheduled payments of loan assignment consideration of TCSF with an early repayment of the final payment to be made on 30 November 2018.

	Equity consideration	Loan assignment consideration AMSH	Loan assignment consideration TCSF	Total consideration
	\$	\$	\$	\$
30 November 2017	7,867,554	4,441,238	–	12,308,792
30 November 2018	–	–	2,486,330	2,486,330
	<u>7,867,554</u>	<u>4,441,238</u>	<u>2,486,330</u>	<u>14,795,122</u>

Pursuant to the revised payment plan, the Group recognized a net gain on re-measurement of financial receivables of \$1,454,581 (after offset early payment discount of \$546,678). Payment due on 30 November 2017 of \$12,308,792 has been collected by the Group. The balance loan assignment consideration TCSF due to Allied Technologies (Suzhou) Co. Ltd has been reclassified from non-trade debtor balance to assets of disposal group classified as held for sale as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. DISPOSAL OF SUBSIDIARIES (CONT'D)

As at 31 December, the Group recorded non-trade debtor balances and deferred interest income arising from this transaction as follow:

	Note	2017 \$	2016 \$
Amount due from Carapace (non-current)	17	–	12,430,897
Amount due from Carapace (current)	17	–	5,742,228
		–	18,173,125
Deferred interest income (non-current)	25	–	(2,201,152)
Deferred interest income (current)	25	–	(323,217)
		–	(2,524,369)

6. REVENUE

Revenue represents invoiced value of goods supplied and services rendered. In respect of the Group, it excludes intra-group transactions.

	Group 2017 \$	Restated 2016 \$
Sales of goods	131,339,669	116,467,950
Tooling revenue	5,922,342	7,263,618
Provision of design services	90,488	133,968
	137,352,499	123,865,536
Less: Revenue from discontinued operation (Note 12)	(42,548,400)	(38,442,309)
	94,804,099	85,423,227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. OTHER INCOME

	Group	Restated
	2017	2016
	\$	\$
Dividend income from other investments		
> continuing operations	110,405	87,021
Interest income from bank deposits		
> continuing operations	57,891	36,201
> discontinued operation	3,908	3,576
Gain/(loss) on disposal of property, plant and equipment, net		
> continuing operations	17,614	185,058
> discontinued operation	10,729	(3,062)
Gain on disposal of intangible assets		
> continuing operations	56,325	–
Rental income		
> continuing operations	122,570	291,477
> discontinued operation	17,672	17,983
Sundry income		
> continuing operations	140,209	246,535
> discontinued operation	43,940	83,714
Amortisation of deferred interest income		
> continuing operations	247,995	18,650
> discontinued operation	80,605	3,631
Gain on re-measurement of financial receivables (Note 5)		
> continuing operations	1,307,200	–
> discontinued operation	147,381	–
Amortisation of deferred compensation income #		
> discontinued operation	482,652	491,157
Gain/(loss) on disposal of subsidiaries, net (Note 5)		
> continuing operations	–	1,390,945
> discontinued operation	–	(192,319)
Gain on liquidation of subsidiaries		
> continuing operations	141,495	–
Write back of impairment loss on trade debtors		
> continuing operations	–	318,358
Write back of payables		
> continuing operations	–	292,815
	2,988,591	3,271,740
Less: Other income from discontinued operation (Note 12)	(786,887)	(404,680)
	2,201,704	2,867,060

This amount relates to amortisation of capital grant received from government for acquisition of new assets for relocation purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. STAFF COSTS

	Group	
	2017	Restated
	\$	2016
	\$	\$
Salaries, bonuses and other costs		
> continuing operations	12,262,396	12,635,636
> discontinued operation	8,875,393	7,860,619
CPF and other pension contributions		
> continuing operations	859,056	2,002,190
> discontinued operation	1,506,143	1,422,037
	23,502,988	23,920,482
Less: Staff costs from discontinued operation	(10,381,536)	(9,282,656)
	13,121,452	14,637,826

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. OTHER OPERATING EXPENSES

The following items have been included in other operating expenses:

	Group	
	2017	Restated
	\$	2016
	\$	\$
Audit fees		
– Auditors of the Company		
> continuing operations	155,000	138,000
– Other auditors		
> continuing operations	70,000	97,000
> discontinued operation	67,000	64,000
Non-audit fees		
– Auditors of the Company		
> continuing operations	28,000	20,000
– Other auditors		
> continuing operations	15,000	9,000
Utilities		
> continuing operations	1,100,741	1,318,950
> discontinued operation	1,039,145	1,016,648
Freight and packaging expenses		
> continuing operations	2,301,897	2,379,120
> discontinued operation	1,324,537	1,076,852
Directors' emoluments		
– Directors' remuneration #		
> continuing operations	802,169	794,581
– Directors' fee		
> continuing operations	97,575	105,000
– Directors' compensation for termination of service agreements		
> continuing operations	2,751,500	–
Allowance for impairment loss on trade debtors		
> continuing operations	19,486	–
> discontinued operation	2,258,934	–
Allowance for impairment loss on sundry debtors		
> discontinued operation	41,129	853,123
Foreign exchange loss/(gain), net		
> continuing operations	1,199,056	190,277
> discontinued operation	24,025	(65,136)
Operating lease expenses		
> continuing operations	877,967	738,354

Includes CPF contributions of \$16,935 (2016: \$14,997).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. FINANCE COSTS

	Group	
	2017	Restated 2016
	\$	\$
Interest on loans and borrowings		
> continuing operations	93,082	171,060
> discontinued operations	360,301	208,915
Hire purchase interest		
> continuing operations	681	663
	454,064	380,638
Less: Finance costs from discontinued operation (Note 12)	(360,301)	(208,915)
	93,763	171,723

The effective interest rate for loans and borrowings and hire purchase creditors ranged from 3.40% to 5.35% (2016: 3.25% to 3.36%) and 2.70% (2016: 2.70%) per annum respectively.

11. TAXATION

Major components of income tax expense

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

	Group	
	2017	Restated 2016
	\$	\$
Current income tax – continuing operations:		
– Current income taxation	196,951	–
– Under provision in respect of previous years	–	61,849
	196,951	61,849
Deferred income tax – continuing operations (Note 28):		
– Reversal of temporary differences	(34,000)	–
	(34,000)	–
Income tax attributable to continuing operations	162,951	61,849
Income tax attributable to discontinued operation (Note 12)	–	130,811
Income tax expense recognised in profit or loss	162,951	192,660

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. TAXATION (CONT'D)

Major components of income tax expense (cont'd)

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

	Group	
	2017	2016
	\$	\$
Profit before taxation from continuing operations	3,627,552	1,611,732
Loss before taxation from discontinued operation (Note 12)	(189,462)	(59,591)
Profit before taxation	3,438,090	1,552,141
Tax at the domestic rates applicable to profit in the countries where the Group operates	742,354	1,181,833
Adjustments for:		
Non-deductible expenses	829,115	480,235
Non-taxable income	(554,689)	(660,511)
Deferred tax assets not recognised	391,551	3,066
Benefits from previously unrecognised deferred tax assets	(1,211,380)	(872,189)
(Over)/under provision in respect of previous years	–	61,849
Others	(34,000)	(1,623)
Income tax expense recognised in profit or loss	162,951	192,660

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

Tax payable for compensation received by Allied Technologies (Suzhou) Co., Ltd. ("ATSU") arising from compulsory land acquisition

In March 2013, the Group received a formal notice from the relevant authority of Suzhou City, the People's Republic of China with regard to the compulsory land acquisition of the Group's factory and office premises at No. 111, Shihu West Road, Changqiao Township, Wuzhong District, Suzhou City for the purpose of urban planning. Pursuant to the notice, the Group was required to relocate its production plant from Wuzhong district. The Group entered into a compensation agreement with the local authority for a total compensation of approximately RMB209.6 million arising from this compulsory land acquisition.

The tax impact of the compensation income recorded in financial year 2014 was estimated based on a Tax Rule 40 effective for compensation agreements signed on or after 1 October 2012. During the year ended 31 December 2014, ATSU submitted a Tax Verification Report to the tax authority based on another Tax Rule 11. In consultation with an independent local tax consultant, the Group determined that Tax Rule 11 (effective for compensation agreements signed before 1 October 2012) was the relevant tax rule to apply as there was a preliminary compensation agreement signed before 1 October 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. TAXATION (CONT'D)

Tax payable for compensation received by Allied Technologies (Suzhou) Co., Ltd. ("ATSU") arising from compulsory land acquisition (cont'd)

The difference in the application of the two Tax Rules lies in whether capital expenditure incurred for the relocated plant is deductible upfront in one financial year (Tax Rule 11) or over time with the depreciation of the capital expenditure (Tax Rule 40). The Tax Verification Report has been filed and accepted by the local tax authority who has up to 5 years from the submission date to review and assess the tax computation.

The carrying amount of the Group's net income tax payable and deferred tax liabilities at 31 December 2017 was \$Nil and \$3,312,094 (2016: \$Nil and \$3,385,532). Should the tax authority determine that Tax Rule 40 should be applied instead of Tax Rule 11, deferred tax liability would be reduced by RMB15.3 million, current income tax payable increase by RMB13.6 million and net results of the Group would increase by RMB1.7 million in the financial year ended 31 December 2014. As at 31 December 2017, ATSU is classified as held for sale (Note 12).

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

On 20 December 2017, the Company entered into sale and purchase agreement with an external party, Madam Hong Siou-Jhu, to dispose a wholly owned subsidiary, Allied Technologies (Suzhou) Co., Ltd. ("ATSU") with an aggregate consideration of S\$20,997,024 and loan assignment consideration of S\$4,002,976.

On 29 December 2017, the Company received a deposit of S\$2,000,000 in accordance with the sale and purchase agreement.

As at 31 December 2017, the assets and liabilities related to ATSU have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale" ("disposal group"), and its results are presented separately on profit or loss as "Loss from discontinued operation, net of tax". The cost of investment in ATSU recorded on the Company's balance sheet amounted to \$19,044,383 has been reclassified as "Assets of disposal group classified as held for sale". The disposal was completed on 31 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Consequent to the classification of ATSU as a disposal group held for sale, an impairment loss of \$245,000 was recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell. This amount was included as part of the "Loss from discontinued operation, net of tax".

The value of assets and liabilities of the disposal group classified as held for sale and the related reserves as at 31 December 2017 are as follows:

Balance sheet disclosures

	Carrying amount \$	Group 2017 Impairment loss \$	Fair value less costs to sell \$
Assets:			
Property, plant and equipment	22,980,647	(106,061)	22,874,586
Deferred tax assets	235,738	(1,088)	234,650
Inventories	3,131,294	(14,452)	3,116,842
Trade and other debtors	26,737,147	(123,399)	26,613,748
Cash and bank balances	1,567,587	–	1,567,587
Total assets	54,652,413	(245,000)	54,407,413
Liabilities:			
Trade and other creditors			(12,948,298)
Deferred compensation income			(8,006,933)
Loans and borrowings			(8,225,714)
Deferred tax liabilities			(3,546,744)
Total liabilities			(32,727,689)
Net assets of disposal group classified as held for sale			21,679,724
Reserves:			
Statutory reserve fund			1,938,234
Foreign currency translation reserve			(291,386)
			1,646,848

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Income statement disclosures

The results of ATSU for the years ended 31 December are as follows:

	Group	
	2017 \$	2016 \$
Revenue	42,548,400	38,442,309
Other income	786,887	404,680
Expenses	(42,919,448)	(38,697,665)
Profit from discontinued operation	415,839	149,324
Finance costs	(360,301)	(208,915)
Impairment loss	(245,000)	–
Loss from discontinued operation before taxation	(189,462)	(59,591)
Taxation	–	(130,811)
Loss from discontinued operation, net of tax	(189,462)	(190,402)

Cash flow statement disclosures

The cash flows attributable to ATSU are as follows:

	Group	
	2017 \$	2016 \$
Operating	(4,662,517)	1,433,853
Investing	(321,184)	(264,427)
Financing	4,090,689	(12)
Net cash (outflows)/inflows	(893,012)	1,169,414

Loss per share disclosure

	Group	
	2017 \$	2016 \$
Loss per share from discontinued operation attributable to owners of the Company (cents per share)		
Basic and diluted	(0.02)	(0.03)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation. These loss and share data are presented in the tables in Note 33(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. INTANGIBLE ASSETS

	Membership rights	
	Group	Company
	\$	\$
Cost		
At 1 January 2016	513,689	325,260
Currency realignment	2,651	–
At 31 December 2016 and 1 January 2017	516,340	325,260
Currency realignment	(14,732)	–
Disposals	(325,360)	(325,360)
At 31 December 2017	176,248	–
Accumulated amortisation and impairment		
At 1 January 2016	348,056	300,974
Currency realignment	806	–
Charge for the year	18,597	14,000
At 31 December 2016 and 1 January 2017	367,459	315,374
Currency realignment	(4,156)	–
Charge for the financial year	10,737	6,594
Disposals	(321,968)	(321,968)
At 31 December 2017	52,072	–
Net book value		
At 31 December 2017	124,176	–
At 31 December 2016	148,881	9,986

The membership rights of the Group have remaining useful lives of 31 years (2016: 5 to 32 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Freehold land \$	Leasehold land \$	Leasehold properties \$	Plant and machinery \$	Furniture and fittings \$	Electrical installations \$	Office equipment \$	Computers \$	Motor vehicles \$	Renovations \$	Assets under construction \$	Total \$
At 1 January 2016	-	8,155,374	40,568,706	62,204,864	374,975	3,399,354	767,586	4,236,651	678,153	4,065,711	37,681	124,489,055
Currency realignment	-	(305,583)	(1,338,723)	(1,759,690)	(8,271)	(135,191)	(18,392)	(52,632)	(26,926)	(175,675)	(13,956)	(3,835,039)
Additions	-	-	77,265	1,957,254	1,359	34,728	46,038	70,386	-	123,314	345,337	2,655,681
Disposals	-	-	-	(955,748)	-	-	(7,677)	(73,271)	-	-	-	(1,036,696)
Disposal of subsidiaries (Note 5)	-	(3,694,169)	(8,094,075)	(16,711,654)	(147,120)	(333,089)	(204,127)	(605,015)	(304,473)	(2,779,097)	-	(32,872,819)
Reclassification	-	-	-	35,912	-	-	-	-	-	-	(35,912)	-
At 31 December 2016 and 1 January 2017	-	4,155,622	31,213,173	44,770,938	220,943	2,965,802	583,428	3,576,119	346,754	1,234,253	333,150	89,400,182
Currency realignment	70,517	(93,750)	(858,834)	(529,309)	(2,052)	(31,772)	(12,277)	(19,303)	(4,790)	(30,713)	158,404	(1,353,879)
Additions	2,536,048	-	29,082	3,434,241	1,884	6,718	51,376	323,136	-	65,790	5,951,853	12,400,128
Disposals	-	-	-	(1,151,612)	-	-	-	(4,585)	-	-	-	(1,156,197)
Reclassification	-	-	-	524,825	-	-	-	-	-	-	(524,825)	-
Attributable to discontinued operation (Note 12)	-	(2,433,725)	(20,582,589)	(21,207,573)	(14,707)	(2,315,375)	(201,596)	(493,865)	(241,647)	(755,277)	-	(48,246,354)
At 31 December 2017	2,606,565	1,628,147	9,800,832	25,841,510	206,068	625,373	420,931	3,381,502	100,317	514,053	5,918,582	51,043,880
Accumulated depreciation and impairment loss												
At 1 January 2016	-	2,605,915	7,658,572	56,127,067	332,849	1,646,204	595,025	4,078,122	539,748	3,374,720	-	76,958,222
Currency realignment	-	(74,370)	(143,313)	(1,610,458)	(8,217)	(56,035)	(14,685)	(50,945)	(23,070)	(147,039)	-	(2,128,132)
Charge for the financial year	-	140,311	780,063	1,957,118	8,844	489,070	55,884	102,720	54,045	228,122	-	3,816,177
Disposals	-	-	-	(947,771)	-	-	(6,574)	(69,838)	-	-	-	(1,024,183)
Disposal of subsidiaries (Note 5)	-	(1,395,736)	(2,403,669)	(15,957,226)	(146,877)	(333,089)	(168,898)	(512,819)	(277,172)	(2,636,536)	-	(23,832,022)
At 31 December 2016 and 1 January 2017	-	1,276,120	5,891,653	39,568,730	186,599	1,746,150	460,752	3,547,240	293,551	819,267	-	53,790,062
Currency realignment	-	(19,244)	(162,154)	(565,889)	(1,500)	(15,761)	(10,489)	(20,787)	(4,614)	(23,857)	-	(824,295)
Charge for the financial year	-	71,258	622,792	1,943,690	8,525	481,981	42,097	93,550	19,202	178,691	-	3,461,786
Disposals	-	-	-	(684,605)	-	-	-	(4,585)	-	-	-	(689,190)
Attributable to discontinued operation (Note 12)	-	(250,953)	(1,982,438)	(20,007,522)	(12,952)	(1,638,295)	(184,703)	(450,826)	(241,647)	(496,371)	-	(25,265,707)
At 31 December 2017	-	1,077,181	4,369,853	20,254,404	180,672	574,075	307,657	3,164,592	66,492	477,730	-	30,472,656
Net book value												
At 31 December 2017	2,606,565	550,966	5,430,979	5,587,106	25,396	51,298	113,274	216,910	33,825	36,323	5,918,582	20,571,224
At 31 December 2016	-	2,879,502	25,321,520	5,202,208	34,344	1,219,652	122,676	28,879	53,203	414,986	333,150	35,610,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Furniture and fittings \$	Office equipment \$	Computers \$	Renovations \$	Total \$
Company					
Cost					
At 1 January 2016	83,453	65,927	2,663,215	14,925	2,827,520
Additions	–	–	18,041	–	18,041
At 31 December 2016 and 1 January 2017	83,453	65,927	2,681,256	14,925	2,845,561
Additions	–	–	81,891	–	81,891
At 31 December 2017	<u>83,453</u>	<u>65,927</u>	<u>2,763,147</u>	<u>14,925</u>	<u>2,927,452</u>
Accumulated depreciation					
At 1 January 2016	83,453	62,469	2,628,784	7,096	2,781,802
Charge for the financial year	–	2,538	26,470	2,610	31,618
At 31 December 2016 and 1 January 2017	83,453	65,007	2,655,254	9,706	2,813,420
Charge for the financial year	–	875	17,743	2,610	21,228
At 31 December 2017	<u>83,453</u>	<u>65,882</u>	<u>2,672,997</u>	<u>12,316</u>	<u>2,834,648</u>
Net book value					
At 31 December 2017	<u>–</u>	<u>45</u>	<u>90,150</u>	<u>2,609</u>	<u>92,804</u>
At 31 December 2016	<u>–</u>	<u>920</u>	<u>26,002</u>	<u>5,219</u>	<u>32,141</u>

Included in property, plant and equipment of the Group and of the Company are plant and machinery with net book values of \$15,296 (2016: \$21,982) acquired under hire purchase agreements.

In addition to assets held under hire purchase, freehold land of a subsidiary with a carrying amount of \$2,606,565, leasehold land and properties with a carrying amount of \$25,249,705 classified as held for sale (2016: leasehold land and properties of certain subsidiaries with a carrying amount of \$24,993,059) are pledged to secure loans and borrowings (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. INVESTMENT IN SUBSIDIARIES AND LOAN RECEIVABLES FROM SUBSIDIARIES

	Company	
	2017	2016
	\$	\$
Unquoted shares, at cost	27,315,335	40,334,960
Discount implicit in the interest-free company loans	573,829	573,829
Less: Allowance for impairment in value of investments in subsidiaries	(15,287,637)	(18,989,761)
	12,601,527	21,919,028
Loan receivables, unsecured	2,473,070	6,545,133
Loans and receivables designated as quasi – equity	12,856,793	17,916,268
Less: Allowance for impairment in loan receivables	(1,692,036)	(6,545,133)
	13,637,827	17,916,268
 <u>Investment in ATSU #</u>		
Unquoted shares, at cost	19,044,383	–

As disclosed in Note 12, the cost of investment in ATSU recorded on the Company's balance sheet amounted to \$19,044,383 has been reclassified as "Assets of disposal group classified as held for sale".

The impairment in value of investments and loan receivables has been provided for subsidiaries who are in net liabilities and/or loss making position.

The loan receivables due from the subsidiaries bear interest at SIBOR + 1.5% per annum, are non-trade related, and are not expected to be repaid within one year.

Analysis of allowance for impairment loss:

	Company	
	2017	2016
	\$	\$
Balance at beginning of the financial year	25,534,894	28,378,588
Amount provided during the financial year	349,352	1,458,853
Amount write back during the financial year	(8,631,029)	(2,055,510)
Disposal of subsidiaries	–	(2,247,037)
Liquidation of subsidiaries	(273,544)	–
Balance at end of the financial year	16,979,673	25,534,894
Impairment loss on:		
– Investments in subsidiaries	15,287,637	18,989,761
– Loan receivables	1,692,036	6,545,133
	16,979,673	25,534,894

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. INVESTMENT IN SUBSIDIARIES AND LOAN RECEIVABLES FROM SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held		
		2017 %	2016 %	
Held by the Company:				
+ ^ Allied Technologies (Suzhou) Co., Ltd. (People’s Republic of China)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (People’s Republic of China)	100	100	
* Allied Technologies (Dongguan) Co., Ltd. (People’s Republic of China)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (People’s Republic of China)	–	100	
+ Allied Precision Manufacturing (M) Sdn. Bhd. (Malaysia)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (Malaysia)	100	100	
+ Allied Technologies (Saigon) Co., Ltd. (Vietnam)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (Vietnam)	100	100	
* Allied Technologies (Taiwan) Co., Ltd. (Taiwan)	Marketing office (Taiwan)	–	100	
+ Allied Precision (Thailand) Co., Ltd. (Thailand)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (Thailand)	100	100	
+ Allied Precision Technologies (M) Sdn. Bhd. (Malaysia)	Toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services (Malaysia)	100	100	
Held through Allied Technologies (Suzhou) Co., Ltd.:				
@ ^ Yitong Precision Technology (Suzhou) Co., Ltd. (People’s Republic of China)	Dormant (People’s Republic of China)	100	100	

+ Audited by member firms of Ernst & Young Global in the respective countries.

@ Not required to be audited by law in its country of incorporation.

* Allied Technologies (Dongguan) Co., Ltd. and Allied Technologies (Taiwan) Co., Ltd. had been liquidated as at 31 December 2017.

^ As at 31 December 2017, Allied Technologies (Suzhou) Co., Ltd. and its wholly owned subsidiary, Yitong Precision Technology (Suzhou) Co., Ltd., were classified as disposal group held for sale (Note 12). The legal and administrative process of the disposal was completed on 31 January 2018 (Note 42).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. OTHER INVESTMENTS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Available-for-sale financial assets – unquoted shares	2,205,263	2,205,263	2,080,934	2,080,934

The unquoted shares are ordinary shares, representing 3.85% interest in a Taiwanese company which is in the electronics components industry. The shares are not quoted on any market and do not have any comparable industry price that is publicly available.

The unquoted shares are denominated in Taiwan dollars and are stated at cost, in accordance with accounting policy of the Group.

During the financial year, the Group received dividend income of \$110,405 (2016: \$87,021) from its other investment.

The Group does not intend to dispose of this investment in the foreseeable future.

17. OTHER DEBTORS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Non-current				
Amount due from Carapace (Note 5)	–	12,430,897	–	10,404,757
Current				
Amount due from Carapace (Note 5)	–	5,742,228	–	4,806,289
Sundry debtors	2,050,908	3,465,817	118,440	78,783
Less: Allowance for sundry debtors	–	(853,123)	–	–
	2,050,908	2,612,694	118,440	78,783
Deposits	168,886	135,529	13,520	13,530
Deferred cost	1,306,928	1,459,052	265,974	970,163
	3,526,722	9,949,503	397,934	5,868,765

Deferred cost relates to the billings from subcontractor for services rendered for construction of tooling.

Sundry debtors of the Group are mainly custom guarantees, VAT receivables, and receivables from non-trade debtor arising from disposal of machineries. Deposits of the Group mainly relate to rental deposits and custom deposits.

Allowance has been provided for certain sundry debtors when the Group determines that the recoverability is in doubt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. PREPAYMENTS

This amount relates to prepayment to acquire freehold land in Malaysia in prior year. As at 31 December 2017, the land titles have been transferred to a subsidiary, Allied Precision Technologies (M) Sdn. Bhd. and the amounts have been classified as property, plant and equipment.

19. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Inventories	10,631,918	13,193,261	–	–
Less: Allowance for Inventory obsolescence	(300,086)	(583,239)	–	–
	10,331,832	12,610,022	–	–
Balance sheet				
Finished goods	3,202,691	3,769,500	–	–
Work-in-progress	5,822,583	6,521,365	–	–
Raw materials	1,306,558	2,319,157	–	–
Total inventories at lower of cost and net realisable value	10,331,832	12,610,022	–	–

	Group		Company	
	2017	Restated 2016	2017	2016
	\$	\$	\$	\$
Inventories recognised as an expense in cost of sales	77,640,684	71,713,239	5,588,800	3,790,079
Write-back of inventory obsolescence	–	(52,119)	–	–

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2017	2016
	\$	\$
Amounts due from subsidiaries		
Trade	6,877	1,820,393
Non-trade	5,231,589	3,620,727
	5,238,466	5,441,120
Less: Allowance for impairment loss	(478,634)	(756,398)
	4,759,832	4,684,722
Amount due to a subsidiary		
Trade	(139,087)	–
Analysis of allowance for impairment loss:		
Balance at beginning of the financial year	756,398	733,878
Charge to income statement	478,634	22,520
Liquidation of subsidiary	(756,398)	–
Balance at end of the financial year	478,634	756,398

Amounts due from/(to) subsidiaries are unsecured, interest-free, repayable on demand and are expected to be settled in cash. Management has determined that the carrying amount of amounts due from subsidiaries based on their notional amounts, reasonably approximate their fair values as these are mostly short term in nature.

The non-trade amounts due from subsidiaries relate to sale of plant and equipment, payments made on behalf of the subsidiaries (raw materials and sundry expenses), and loan interests.

Net amounts due from subsidiaries (gross) were denominated in the following foreign currencies, other than the functional currency of the Company, at the balance sheet date:

	Company	
	2017	2016
	\$	\$
United States dollars	5,090,173	5,097,578
Taiwan dollars	–	336,181

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. TRADE DEBTORS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade debtors	20,690,462	33,393,886	1,997,592	1,589,709
Less: Allowance for impairment loss	(108,891)	(94,501)	(44,508)	(39,817)
	20,581,571	33,299,385	1,953,084	1,549,892

Receivables that are past due but not impaired:

Less than 30 days	907,353	2,854,689	442,569	459,090
30 days to 60 days	515,866	792,945	216,853	162,881
60 days to 90 days	51,163	619,277	18,761	–
More than 90 days	186,338	1,476,712	33,172	–
	1,660,720	5,743,623	711,355	621,971

Receivables that are impaired:

Trade debtors – nominal amounts	108,891	94,501	44,508	39,817
Less: Allowance for impairment loss	(108,891)	(94,501)	(44,508)	(39,817)
	–	–	–	–

Movement in allowance accounts:

Balance at beginning of the financial year	94,501	1,113,886	39,817	232,716
Charge for/(write back of)				
the financial year	2,278,420	(318,358)	4,691	(192,899)
Written off	(3,364)	–	–	–
Attributable to discontinued operation	(2,258,934)	–	–	–
Disposal of subsidiaries	–	(670,879)	–	–
Currency realignment	(1,732)	(30,148)	–	–
Balance at end of the financial year	108,891	94,501	44,508	39,817

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are long outstanding, in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade debtors (gross) were denominated in the following foreign currency, other than the functional currencies of the Company and the subsidiaries, at the balance sheet date:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
United States dollars	17,623,068	20,096,280	1,689,003	1,398,036

Trade debtors are non-interest bearing and are generally on 30 to 180 days' term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. CASH AND BANK BALANCES AND FIXED DEPOSITS

Cash at bank earns interest at floating rates based on daily bank deposit rates. Fixed deposits with financial institutions mature with varying periods within 12 months (2016: 12 months) from the financial year end. The weighted average effective interest rates for the financial year ranged from 1.25% to 5.20% (2016: 0.25% to 3.30%) per annum.

Cash and bank balances denominated in foreign currencies, other than the functional currencies of the Company and the subsidiaries, at the balance sheet date:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
United States dollars	3,824,507	7,812,138	2,583,643	911,297

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2017	2016
	\$	\$
Cash and cash equivalents:		
– Continuing operations	58,050,519	13,939,360
– Discontinued operation (Note 12)	1,567,587	–
	59,618,106	13,939,360

Cash and cash equivalents of \$45,684,003 as at 31 December 2017 is held with an escrow agent. These amounts arose primarily from share issuance from placement shares (Note 29) and receipt of amount from Carapace (Note 5). These amounts are non-interest bearing and there are no restriction on the utilisation of these amounts.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current				
Fixed deposits (pledged)	1,489,990	1,096,229	–	347,520
Fixed deposits	266,547	–	–	–
	1,756,537	1,096,229	–	347,520

Fixed deposits (pledged) are amounts pledged as security for loans (Note 27), electricity and utility services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. TRADE CREDITORS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade creditors	22,771,730	31,945,170	177,396	763,410

These amounts are non-interest bearing and are generally on 30 – 120 days' term.

Trade creditors were denominated in the following foreign currencies, other than the functional currencies of the Company or subsidiaries, at the balance sheet date:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
United States dollars	18,196,640	20,110,082	142,476	702,666
Euro	700,103	75,278	–	–

24. HIRE PURCHASE CREDITORS

The average interest rate implicit in the hire purchase obligation is 2.70% (2016: 2.70%) per annum.

The future minimum payments under hire purchase agreements are as follows:

	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2017	2017	2016	2016
	\$	\$	\$	\$
Group				
Within one year	3,822	3,667	9,126	8,496
After one year but not more than five years	–	–	3,801	3,594
Total minimum lease payments	3,822	3,667	12,927	12,090
Less: Amounts representing finance charges	(155)	–	(837)	–
Present value of minimum lease payments	3,667	3,667	12,090	12,090

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Non-current				
Amount due to a former director	1,183,250	–	1,183,250	–
Deferred interest income (Note 5)	–	2,201,152	–	1,842,381
	1,183,250	2,201,152	1,183,250	1,842,381
Current				
Sundry creditors	4,125,726	2,255,624	251,764	193,964
Payroll accruals	1,515,513	1,341,539	840,638	429,843
Accrued operating expenses	852,326	3,342,648	336,226	1,101,773
Amount due to former directors	1,553,250	–	1,553,250	–
Deferred income	750,900	1,028,378	331,510	1,028,378
Deferred interest income (Note 5)	–	323,217	–	270,535
	8,797,715	8,291,406	3,313,388	3,024,493

Sundry creditors of the Group mainly relates to payable to non-trade suppliers, including suppliers for the property, plant and equipment of the Group. These amounts are generally on 30 to 180 days' term.

Deferred income relates to the advance billings to customers for on-going tooling project.

Amount due to former directors relates to the compensation payable to the former directors of the Company for the termination of service agreements with these directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. DEFERRED COMPENSATION INCOME

	Group	
	2017	2016
	\$	\$
Current	–	491,208
Non-current	–	8,104,936
	<u>–</u>	<u>8,596,144</u>

In the financial year ended 31 December 2013, the Group received compensation from the local authority of Suzhou arising from compulsory land acquisition of Suzhou plant.

	Group	
	2017	2016
	\$	\$
<i>Movement in deferred compensation income:</i>		
Balance at beginning of the financial year	8,596,144	9,533,881
Charge to income statement	(482,652)	(491,157)
Currency realignment	(106,559)	(446,580)
Attributable to discontinued operation (Note 12)	(8,006,933)	–
Balance at end of the financial year	<u>–</u>	<u>8,596,144</u>

The deferred compensation income had been recognised to the income statement on a straight line basis based on the nature of the compensation, as follows:

Amortisation of compensation for newly acquired leasehold properties,
which has been accounted for as government grant

20 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
Loans and borrowings:					
Current	2018	3,257,792	5,688,216	–	266,432
Non-current	2032	1,877,176	–	–	–
		5,134,968	5,688,216	–	266,432

The current and non-current borrowings bear effective interest rates ranging from 3.40% to 5.35% (2016: 3.25% to 5.00% per annum).

Loans and borrowings are secured facilities granted to the Group and the Company. The facilities granted are secured as follows:

- (a) \$3,034,596 (2016: \$1,525,031) of the outstanding loans are secured by fixed deposits placement by the respective subsidiaries.
- (b) \$1,962,632 of the outstanding loans are secured by pledging freehold land of a subsidiary (2016: \$4,163,185 of the outstanding loans are secured by pledging leasehold land and properties of the respective subsidiaries).

Current and non-current borrowings are denominated in the following foreign currencies, other than the functional currencies of the Company and the subsidiaries, at the balance sheet date:

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
United States dollars	1,426,859	1,525,031	–	266,432

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Cash flows	Non-cash changes		2017
			Classified as disposal group classified as held for sale (Note 12)	Foreign exchange movement	
	\$	\$	\$	\$	\$
Loans and borrowings:					
– Current	5,688,216	5,856,710	(8,225,714)	(61,420)	3,257,792
– Non-current	–	1,826,391	–	50,785	1,877,176
Total	5,688,216	7,683,101	(8,225,714)	(10,635)	5,134,968

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017 \$	2016 \$
Deferred tax assets		
Balance at beginning of the financial year	477,247	888,299
Reversal for the financial year	(234,467)	(369,409)
Reclassified as assets of disposal group classified as held for sale (Note 12)	(235,738)	–
Currency realignment	(7,042)	(41,643)
Balance at end of financial year	–	477,247
Deferred tax liabilities		
Balance at beginning of the financial year	(3,862,779)	(4,301,264)
Reversal for the financial year	268,467	238,598
Reclassified as liabilities of disposal group classified as held for sale (Note 12)	3,546,744	–
Currency realignment	47,568	199,887
Balance at end of the financial year	–	(3,862,779)
Net deferred tax liabilities	–	(3,385,532)
The deferred tax liabilities arose as a result of:		
Differences in depreciation for tax purposes	–	(3,828,779)
Unutilised tax losses		
– Expiring in year 2017	–	238,624
– Expiring in year 2018	–	238,623
	–	477,247
Unremitted foreign income	–	(34,000)
	–	(3,385,532)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Deferred tax liabilities:						
Differences in depreciation for tax purposes	(94,166)	(3,857,649)	65,296	70,783	–	–
Other items	(283,904)	(324,341)	(40,437)	(37,000)	(238,816)	(290,341)
Deferred tax assets:						
Differences in depreciation for tax purposes	–	–	–	–	43,780	42,766
Provisions	72,366	61,028	(11,337)	(34,720)	8,991	14,091
Unutilised tax losses	253,321	721,964	(8,604)	21,572	186,045	233,484
Unabsorbed capital allowances	52,383	–	(52,384)	–	–	–
Other items	–	13,466	13,466	(20,635)	–	–
Net deferred taxation	–	(3,385,532)	–	–	–	–
Deferred tax credit			(34,000)	–		

At the end of the reporting period, the Group has tax losses of approximately \$4,402,191 (2016: \$9,391,738) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The tax losses of the China subsidiaries can only be utilised within the five-year period commencing from the year in which the loss is incurred. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the countries in which the companies operate. The tax losses have no expiry date except for the following amounts:

	Group	
	2017	2016
	\$	\$
Expiring in:		
Year 2017	–	2,965,452
Year 2018	4,190,723	4,242,017
	4,190,723	7,207,469

As at 31 December 2016 and 31 December 2017, the Group has no undistributed earnings of subsidiaries, for which deferred tax liabilities have not been provided as the Group has determined that such earnings will not be distributed in the foreseeable future.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 41).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares	\$	No. of shares	\$
Issued and fully paid ordinary shares:				
At 1 January	675,164,460	57,337,354	675,164,460	57,337,354
Issuance	675,164,460	33,758,223	–	–
Share issuance expense	–	(357,783)	–	–
At 31 December	<u>1,350,328,920</u>	<u>90,737,794</u>	<u>675,164,460</u>	<u>57,337,354</u>

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

During the year, the Company has issued 675,164,460 of shares via placement and raise a gross proceeds of \$33,758,223.

30. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements on foreign operations whose functional currencies are different from that of the Group's presentation currency. As at 31 December 2017, foreign currency translation reserve attributable to ATSU has been reclassified as reserves of disposal group classified as held for sale (Note 12).

31. STATUTORY RESERVE FUND

Statutory reserve fund relates to the appropriation of profit made in accordance with the relevant regulations applicable to wholly foreign-owned investment enterprises established in Thailand and China.

The Thailand subsidiary has to appropriate at least 5% of their net profit deducted by the total accumulated loss brought forward until the fund has reached 10% of its registered capital.

The China subsidiary has to appropriate at least 10% of their net profit after taxation determined according to the statutory financial statements to the statutory reserve fund until the fund has reached 50% of its registered capital.

The Thailand and China subsidiaries are prohibited from distributing dividends from statutory reserve fund. Utilisation of statutory reserve fund is governed and restricted by the relevant Thailand and China laws and regulations.

As at 31 December 2017, statutory reserve fund attributable to ATSU has been reclassified as reserves of disposal group classified as held for sale (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. OTHER RESERVES

	Group and Company	
	2017	2016
	\$	\$
Employee share option reserve	188,948	188,948

Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

33. EARNINGS PER SHARE

(a) Continuing operations

Basic earnings per share from continuing operations are calculated by dividing the profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

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

	Group	
	2017	2016
	\$	\$
Profit for the year attributable to owners of the Company	3,275,139	1,359,481
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	189,462	190,402
Profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share from continuing operations	3,464,601	1,549,883
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic and diluted earnings per share computation	796,332,122	675,164,460

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation. These profit and share data are presented in the tables in Note 33 (a) above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. OPERATING LEASE COMMITMENTS

(a) *As lessee*

The Group has entered into commercial leases on certain properties and office equipment. These leases have an average tenure of between one and five years with terms of renewal but no purchase options and escalation clauses. The Group is restricted from subleasing the leased equipment to third parties.

Future minimum lease payments under the non-cancellable operating leases of the balance sheet date are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Within one year	485,124	373,329	62,856	2,856
After one year but not more than five years	366,592	333,270	31,664	5,712
	851,716	706,599	94,520	8,568

(b) *As lessor*

The Group has entered into commercial property leases on certain of its properties. These non-cancellable leases have remaining lease terms of 2 years (2016: 2 years). These leases have no terms of renewal, no purchase options and escalation clauses. Future minimum lease receivable under the non-cancellable operating leases of the balance sheet date are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Within one year	112,906	69,591	–	–
After one year but not more than five years	93,672	11,598	–	–
	206,578	81,189	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FUTURE CAPITAL EXPENDITURE

Capital expenditure contracted as at the balance sheet date but not provided for in the financial statements:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Commitments in respect of:				
– contracts placed on purchases of equipment	2,502,386	–	–	–
– contracts placed on purchases of land	–	719,839	–	–

36. COMMITMENTS

(a) Letter of financial support

The Company has issued letters of undertaking to provide adequate financial support in the foreseeable future to enable 1 (2016: 3) subsidiaries to meet their financial obligations as and when they fall due.

At 31 December 2017, the net liability position of the subsidiaries amounted to \$2,617,259 (2016: \$9,391,550).

(b) Corporate guarantees

The Group has provided corporate guarantees for certain banking facilities granted by banks to its subsidiaries. At 31 December 2017, these corporate guarantees amounted to \$9,435,125 (2016: \$7,224,014). The unutilised banking facilities secured by such guarantees amounted to \$4,300,157 (2016: \$1,802,230) as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. SIGNIFICANT RELATED PARTIES TRANSACTIONS

An entity or individual is considered a related party of the Group if:

- (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decision of the Group or vice-versa; or
- (ii) it is subject to common control or common significant influence.

Related parties refer to companies within the Group and companies in which certain Directors have or are deemed to have significant interests or exercise significant influence. Related parties transactions were based on terms agreed between the parties.

In addition to related party transactions disclosed in other notes to the financial statements, the following are significant related party transactions entered into, at terms agreed between the parties, by the Group with:

- (i) Sale and purchase of goods or services:

	Group	
	2017	2016
	\$	\$
Professional services rendered by a firm, in which a director is a partner	1,000	–

- (ii) Compensation of key management personnel (excluding Directors):

	Group	
	2017	2016
	\$	\$
Short term employee benefits	1,272,345	909,383
CPF and other pension expenses	68,644	27,780
	1,340,989	937,163

Directors' compensation is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

(b) Assets and liabilities measured at fair value

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

	Group 2017 \$		
	Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
			Total
Assets measured at fair value			
Non-financial asset:			
Disposal group classified as held for sale	–	19,343,880	–
	<u>–</u>	<u>19,343,880</u>	<u>–</u>
			<u>19,343,880</u>

Disposal group classified as held for sale were written down to their fair value less costs to sell based on agreed selling price stated in the sale and purchase agreement entered into with the purchaser and adjusted for the estimated tax payable on the disposal. The Group recorded impairment loss of \$245,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Apart from access to management accounts and audited accounts, the Group is unable to obtain additional information to value its other investment in unquoted shares. As management has determined that fair value cannot be established reliably through valuation techniques, this financial asset has been carried at cost and tested for impairment.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Management has determined that the carrying amount of cash balances, current trade and other debtors, current trade and other creditors and accruals, loans and borrowings, reasonably approximate their fair values because these are mostly short term in nature or bear interest at floating rates and are re-priced frequently.

The carrying amounts of loan receivables from subsidiaries approximates their fair values since they are floating rate instruments that are re-priced to market interest rate.

The carrying amount of non-current other debtor approximates its fair value as the amount has been discounted at a rate that is based on the market interest rate near year end after adjusting for credit risk of the counterparty.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the current and previous financial year the Group's and the Company's policy not to hold or issue derivative financial instruments for trading purposes.

The financial risks are summarised as follows:

(a) Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and the corporate guarantees provided by the Company to the banks on its subsidiaries' loans. Details of the corporate guarantees are provided in Note 36(b).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry and country sector profile of its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtor balances at the end of the reporting period is as follows:

	Group			
	2017		2016	
	\$	% of total	\$	% of total
<i>By country:</i>				
China	8,718,719	42	24,505,184	74
Malaysia	6,510,128	32	3,738,971	11
Thailand	2,207,174	11	1,709,165	5
Singapore	2,270,713	11	1,657,235	5
Vietnam	497,177	2	472,351	1
Hong Kong	156,960	1	172,755	1
United States	80,749	–	87,846	–
Others	139,951	1	955,878	3
	20,581,571	100	33,299,385	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Credit risk concentration profile (cont'd)

	Group			
	2017		2016	
	\$	% of total	\$	% of total
By industry:				
Information Technology	20,107,813	98	28,424,467	85
Solar Energy	–	–	4,067,818	12
Others	473,757	2	807,100	3
	20,581,570	100	33,299,385	100

At the end of the reporting period, approximately 87% (2016: 68%) of the Group's trade debtors were due from 3 major customers located in Vietnam, Thailand and Malaysia (2016: 5 major customers located in the People's Republic of China, Vietnam, Thailand and Malaysia).

For trade and other debtors that are neither past due nor impaired are credit-worthy debtors with good payment records with the Group. Surplus funds are placed with reputable financial institutions.

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(b) **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash equivalents to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group will constantly raise funding from both capital markets and financial institutions and prudently balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

(i) *Analysis of financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments, excluding discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(i) *Analysis of financial liabilities by remaining contractual maturities* (cont'd)

	2017			2016		
	1 year or less \$	1 to 5 years \$	Total \$	1 year or less \$	1 to 5 years \$	Total \$
Group						
Financial assets						
Trade and other debtors	22,801,365	–	22,801,365	41,789,836	12,430,897	54,220,733
Cash and bank balances	58,050,519	–	58,050,519	13,939,360	–	13,939,360
Fixed deposits (pledged)	1,489,990	–	1,489,990	1,096,229	–	1,096,229
Fixed deposits	266,547	–	266,547	–	–	–
Total undiscounted financial assets	<u>82,608,421</u>	<u>–</u>	<u>82,608,421</u>	<u>56,825,425</u>	<u>12,430,897</u>	<u>69,256,322</u>
Financial liabilities						
Trade creditors	22,771,730	–	22,771,730	31,945,170	–	31,945,170
Other creditors and accruals	8,046,815	1,183,250	9,230,065	6,939,811	–	6,939,811
Loans and borrowings	3,370,799	2,528,899	5,899,698	5,813,063	–	5,813,063
Hire purchase creditors	3,822	–	3,822	9,126	3,801	12,927
Total undiscounted financial liabilities	<u>34,193,166</u>	<u>3,712,149</u>	<u>37,905,315</u>	<u>44,707,170</u>	<u>3,801</u>	<u>44,710,971</u>
Total net undiscounted financial assets/ (liabilities)	<u>48,415,255</u>	<u>(3,712,149)</u>	<u>44,703,106</u>	<u>12,118,255</u>	<u>12,427,096</u>	<u>24,545,351</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(i) *Analysis of financial liabilities by remaining contractual maturities* (cont'd)

	2017			2016		
	1 year or less \$	1 to 5 years \$	Total \$	1 year or less \$	1 to 5 years \$	Total \$
Company						
Financial assets						
Amounts due from subsidiaries	4,759,832	–	4,759,832	4,684,722	–	4,684,722
Trade and other debtors	2,085,044	–	2,085,044	6,448,494	10,404,757	16,853,251
Cash and bank balances	51,215,073	–	51,215,073	1,108,558	–	1,108,558
Fixed deposits (pledged)	–	–	–	347,520	–	347,520
Total undiscounted financial assets	58,059,949	–	58,059,949	12,589,294	10,404,757	22,994,051
Financial liabilities						
Amount due to a subsidiary	139,087	–	139,087	–	–	–
Trade creditors	177,396	–	177,396	763,410	–	763,410
Other creditors and accruals	2,981,878	1,183,250	4,165,128	1,725,580	–	1,725,580
Loans and borrowings	–	–	–	267,668	–	267,668
Total undiscounted financial liabilities	3,298,361	1,183,250	4,481,611	2,756,658	–	2,756,658
Total net undiscounted financial assets/ (liabilities)	54,761,588	(1,183,250)	53,578,338	9,832,636	10,404,757	20,237,393

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(ii) *Analysis of contingent liabilities by contractual expiry*

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

	2017			2016		
	1 year or less \$	1 to 5 years \$	Total \$	1 year or less \$	1 to 5 years \$	Total \$
Group						
Financial guarantee	<u>5,134,968</u>	<u>–</u>	<u>5,134,968</u>	<u>5,421,784</u>	<u>–</u>	<u>5,421,784</u>

(c) *Interest rate risk*

Interest rate risk is the risk that changes in interest rate will have an adverse financial effect on the Group's financial conditions and/or results.

The Group's exposure to market risk for changes in interest rate environment relates mainly to its cash balances, fixed deposits and debt obligations.

The Group manages its interest rate exposure through reviews of its debt portfolio and cash resources deployment, taking into account the debts and deposits periods and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve certain level of protection against rate hikes.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been higher by 75 (2016: 75) basis points with all other variables held constant, the Group's profit before tax for the financial year ended 31 December 2017 would have been lower (2016: lower) by \$100,205 (2016: \$42,662) as a result of higher interest expenses on floating rate loans and borrowings. If the interest rate had been lower by 75 (2016: 75) basis points, the Group's profit would have had the equal but opposite effect, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, PRC Renminbi (RMB), Malaysian Ringgit (MYR) and Vietnamese Dong (VND). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 77% (2016: 68%) of the Group's sales are denominated in foreign currencies whilst approximately 38% (2016: 54%) of costs are denominated in the respective functional currencies of the Group entities.

The Group and the Company also hold cash and fixed deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

Foreign currency risk arises from a change in foreign currency exchange rate which is expected to have adverse effects on the Group in the current reporting period and in future years.

The Group is exposed to foreign currency exchange fluctuations mainly in USD.

The Group maintains a natural hedge, wherever possible, by matching the foreign currencies assets against its liabilities. However, the Group continues to be exposed to foreign currency risk relating to any unmatched amounts, which is managed by the use of forward contracts when appropriate.

In relation to its overseas investments in its foreign subsidiaries whose net assets are exposed to currency translation risk are not hedged as they are held for long term investment purposes, the differences arising from such translation are captured under the exchange translation reserve. These translation differences are reviewed and monitored on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) *Foreign currency risk* (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant, of the Group's profit net of tax.

	Profit net of tax	
	2017	2016
	Increase profit/ (Decrease profit)	Increase profit/ (Decrease profit)
	\$	\$
USD/SGD – strengthened 3% (2016: 3%)	373,266	222,698
– weakened 3% (2016: 3%)	(373,266)	(222,698)
USD/RMB – strengthened 1% (2016: 1%)	(8,395)	36,756
– weakened 1% (2016: 1%)	8,395	(36,756)
USD/VND – strengthened 1% (2016: 1%)	(53,984)	(54,738)
– weakened 1% (2016: 1%)	53,984	54,738
USD/MYR – strengthened 3% (2016: 3%)	(69,234)	(197,180)
– weakened 3% (2016: 3%)	69,234	197,180

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Classification of financial instruments

The table below is an analysis of the carrying amount of financial instruments by categories as defined in FRS 39 as at 31 December:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Loans and receivables</i>				
Trade debtors	20,581,571	33,299,385	1,953,084	1,549,892
Other debtors	2,219,794	20,921,348	131,960	15,303,359
Cash and bank balances	58,050,519	13,939,360	51,215,073	1,108,558
Fixed deposits	1,756,537	1,096,229	–	347,520
Amounts due from subsidiaries	–	–	4,759,832	4,684,722
Total	82,608,421	69,256,322	58,059,949	22,994,051
<i>Available-for-sale financial assets</i>				
Other investments	2,205,263	2,205,263	2,080,934	2,080,934
<i>Financial liabilities measured at amortised cost</i>				
Trade creditors	22,771,730	31,945,170	177,396	763,410
Other creditors and accruals	9,230,065	6,939,811	4,165,128	1,725,580
Loans and borrowings	5,134,968	5,688,216	–	266,432
Hire purchase creditors	3,667	12,090	–	–
Amount due to a subsidiary	–	–	139,087	–
Total	37,140,430	44,585,287	4,481,611	2,755,422

40. CAPITAL MANAGEMENT

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 shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. During the financial year ended 31 December 2017 and 31 December 2016, there has been no change to the Group's objective, policies and processes for managing capital.

Management monitors capital based on a gearing ratio. The Group's strategy, which was unchanged from prior year, is to maintain gearing ratios within 150%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. CAPITAL MANAGEMENT

The gearing ratio is calculated as total liabilities divided by net worth. Total liabilities are calculated as borrowings plus trade and other creditors and accruals. Net worth is calculated as equity less foreign currency translation reserve.

	Group	
	2017 \$	2016 \$
Total liabilities	39,891,330	48,138,034
Net worth	98,908,360	62,524,167
Gearing ratio	40%	77%

As disclosed in Note 31, the China subsidiaries are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2017 and 2016.

In addition, the Group is required to comply with certain debt covenants imposed by a bank on the loans drawn down. The Group is in compliance with the debt covenants as at year-end.

41. DIVIDENDS

	Group and Company	
	2017 \$	2016 \$
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
– Final one-tier tax exempt dividend for 2017: 0.01 cents	135,033	–

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Disposal of ATSU

On 31 January 2018, the Company completed the disposal of a wholly-owned subsidiary, ATSU, which has been classified as discontinued operation held for sale (Note 12) as at 31 December 2017.

On 5 April 2018, the Company has received the balance aggregate consideration of S\$18,997,024 and loan assignment consideration of S\$4,002,976 from Madam Hong Siou-Jhu.

Completion of Acquisition of Asia Box Office Pte. Ltd. ("ABO")

On 23 January 2018, the Company entered into a binding memorandum of understanding ("MOU") with Platform Internet Capital Pte. Ltd. ("PICPL") for the proposed acquisition of 51% of the entire issued and fully paid-up ordinary shares in the capital of Asia Box Office Pte. Ltd. ("Proposed Acquisition"). On 3 April 2018, the Company entered into a sale and purchase agreement with PICPL in relation to the proposed acquisition for a consideration sum of S\$30,000,000. The acquisition has been completed on 4 April 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

Completion of Acquisition of Asia Box Office Pte. Ltd. ("ABO") (cont'd)

As the acquisition of ABO is completed near to the date of this report, the Group is still in the midst of collating more information relating to ABO as at the date of this report. As such, certain disclosures required by FRS 103 Business Combination and FRS 7 Statement of Cash Flows have not been made.

Proposed Investment in 8travelpay Intelligence & Technology (Shanghai) Co. Ltd.

The initial binding MOU with 8TPS was signed on 18 December 2017 between the Company and 8TPS to subscribe for ordinary shares in 8TPS and non-redeemable convertible loan notes ("Notes") issued by 8TPS of US\$2,500,000 and US\$7,500,000, respectively ("Proposed Investment"). Upon subscription of the shares and assuming full conversion of the Notes, the Company will hold, in aggregate, a 25% interest in 8TPS.

The Company has, on 6 April 2018, entered into a variation letter with 8TPS to inter alia, extend the signing of the investment agreement in relation to the Proposed Investment to 30 April 2018 and remove the requirement for the payment of the deposit under the initial MOU.

43. COMPARATIVE FIGURES

As disclosed in Note 12, profit or loss for the financial year ended 31 December 2016 have been restated in order to present results of ATSU as discontinued operation in accordance with FRS 105: *Non-current Assets held for Sale and Discontinued Operations*. For comparative purposes, the following have been restated to be consistent with the current year's presentation.

	Group	
	As restated	As previously
	2016	reported
	\$	2016
	\$	\$
Continuing operations		
Revenue	85,423,227	123,865,536
Other income	2,867,060	3,271,740
Costs and expenses		
Changes in inventories of finished goods and work-in-progress	812,385	(1,849,553)
Raw materials and consumables used	(59,060,588)	(77,002,060)
Depreciation of property, plant and equipment	(1,701,541)	(3,816,177)
Depreciation of investment property	(93,575)	(93,575)
Amortisation expense	(18,597)	(18,597)
Staff costs	(14,637,826)	(23,920,482)
Other operating expenses	(11,807,090)	(18,504,053)
	(86,506,832)	(125,204,497)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

43. COMPARATIVE FIGURES (CONT'D)

	Group	
	As restated 2016 \$	As previously reported 2016 \$
Operating profit from continuing operations	1,783,455	1,932,779
Finance costs	(171,723)	(380,638)
Profit before tax from continuing operations	1,611,732	1,552,141
Taxation	(61,849)	(192,660)
Profit from continuing operations, net of tax	1,549,883	1,359,481
Discontinued operation		
Loss from discontinued operation, net of tax	(190,402)	–
Profit for the financial year	1,359,481	1,359,481
Attributable to:		
Owners of the Company		
Profit from continuing operations, net of tax	1,549,883	1,359,481
Loss from discontinued operation, net of tax	(190,402)	–
	1,359,481	1,359,481
Earnings per share from continuing operations attributable to the owners of the Company (cents per share)		
Basic and diluted	0.23	0.20
Earnings per share (cents per share)		
Basic and diluted	0.20	0.20

44. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 6 April 2018.

STATISTICS OF SHAREHOLDINGS

Issued & fully paid-up capital	:	90,737,794
Number of shares	:	1,350,328,920
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	67	2.98	773	0.00
100 – 1,000	145	6.44	130,040	0.01
1,001 – 10,000	510	22.67	3,136,864	0.23
10,001 – 1,000,000	1,452	64.53	161,839,638	11.99
1,000,001 AND ABOVE	76	3.38	1,185,221,605	87.77
TOTAL	2,250	100.00	1,350,328,920	100.00

SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
1. Lim Tah Hwa @ Lin Tah Hwa	343,442,066	25.43	–	0.00
2. New Outlook Limited ⁽¹⁾	78,819,308	5.84	–	0.00
3. Yu Yi Chang ⁽²⁾	–	0.00	78,819,308	5.84
4. Yeh Shun Wei ⁽²⁾	–	0.00	78,819,308	5.84

NOTES:

- (1) New Outlook Limited is incorporated in Samoa and is owned by Yu Yi Chang (19%), his wife, Yeh Shun Wei (71%), Yu Min-Hui (2.5%), Yu I Yuan (2.5%), Yang Pi Yueh (2.5%) and Chen Yun Ju (2.5%).
- (2) Yu Yi Chang and Yeh Shun Wei are deemed to have an interest in the 78,819,308 shares held by virtue of Section 7 of the Companies Act, Cap 50.

STATISTICS OF SHAREHOLDINGS

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	402,750,466	29.83
2	OCBC SECURITIES PRIVATE LIMITED	120,705,600	8.94
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	90,569,913	6.71
4	PHILLIP SECURITIES PTE LTD	69,395,022	5.14
5	WONG KIONG HONG	48,500,000	3.59
6	HENG HUI KIAK, ROBIN	46,000,000	3.41
7	LIM YEW MING (LIN YOU MIN)	30,000,000	2.22
8	KINGSBLADE PTE. LTD.	29,257,000	2.17
9	SOH WENG KHEONG	26,037,630	1.93
10	DBS NOMINEES (PRIVATE) LIMITED	20,443,684	1.51
11	TAN MAY HUA LINDA	19,000,000	1.41
12	TAN LAY THIAM	17,354,100	1.29
13	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	15,628,096	1.16
14	K ASIA HOLDINGS PTE LTD	14,361,400	1.06
15	TONG YOKE CHAN	13,165,707	0.98
16	LAI PING LIANG DAMIEN IAIN	13,000,000	0.96
17	UOB KAY HIAN PRIVATE LIMITED	12,459,600	0.92
18	LIM YEW CHOY	9,913,760	0.73
19	RAFFLES NOMINEES (PTE) LIMITED	9,888,200	0.73
20	CHANG CHI-YUNG	9,600,000	0.71
TOTAL		1,018,030,178	75.40

SHAREHOLDING IN THE HANDS OF PUBLIC

Based on the information provided to the Company as at 23 March 2018, approximately 68.73% of the issued ordinary shares of the Company were held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST, which require that at least 10% of the total number of issued shares (excluding preference shares and convertible equity securities and treasury shares) in a class that is listed is at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of **ALLIED TECHNOLOGIES LIMITED** will be held at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853, on Monday, 30 April 2018, at 2.00 p.m. for the following purposes of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors, and the Statement of Directors. **(Resolution 1)**
2. To re-elect the following directors of the Company (“**Directors**”) retiring pursuant to Regulation 117 of the Company’s Constitution:

(i) Mr Lim Jin Wei	[refer to explanatory note (i)]	(Resolution 2)
(ii) Ms Pok Mee Yau	[refer to explanatory note (ii)]	(Resolution 3)
(iii) Mr Poh Wee Chiow, Roger	[refer to explanatory note (iii)]	(Resolution 4)
3. To approve the payment of Directors’ fees of S\$97,575 for the financial year ended 31 December 2017. **(Resolution 5)**
4. To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix the Auditors’ remuneration. **(Resolution 6)**
5. To authorise the Directors of the Company to approve the payment of the final one-tier tax exempt dividend of 0.01 Singapore cent per ordinary share for the financial year ended 31 December 2017. **(Resolution 7)**
6. To transact any other ordinary business that may be properly transacted at the AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolutions.

7. Authority to allot and issue new shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”), the Directors be and are hereby authorised to:

- (a) (i) allot and issue shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments exchangeable into Shares,

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

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below); and
 - (ii) (subject to such manner of calculation and adjustments 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) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
 - (aa) new Shares arising from the conversion or exercise of convertible securities;
 - (bb) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (cc) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and
 - (iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution 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.

(Resolution 8)

BY ORDER OF THE BOARD

Kennedy Chen
Company Secretary
Singapore
13 April 2018

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON RESOLUTIONS TO BE PASSED:

- (i) Mr Lim Jin Wei will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Ms Pok Mee Yau will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee, and the Board considers her to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iii) Mr Poh Wee Chiow, Roger will, upon re-election as a Director of the Company, remain as Executive Director of the Company.

NOTES:

- (i) A member of the Company who is entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
- (ii) Where a member appoints multiple proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under its Common Seal or the hand of its attorney or its duly authorised officer.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853, not less than 48 hours before the time appointed for holding the above AGM.
- (v) A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the AGM in order to be entitled to attend and vote at the AGM.

PERSONAL DATA PRIVACY:

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

NOTICE OF ANNUAL GENERAL MEETING

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Lee Chee Cheong, Associate Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

ALLIED TECHNOLOGIES LIMITED

(Company Registration No. 199004310E)

(Incorporated in the Republic of Singapore)

PROXY FORM**ANNUAL GENERAL MEETING****IMPORTANT**

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the “**Act**”), relevant intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF/SRS monies to buy shares in the Company (“**CPF/SRS Investors**”), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS Operators for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks/SRS Operators as proxies for the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM dated 13 April 2018.

I/We, _____ (Name) _____ (*NRIC/Passport/Registration No.)

of _____ (Address)

being a *member/members of ALLIED TECHNOLOGIES LIMITED (the “**Company**”), hereby appoint:

Name	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting (“**AGM**”) of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853 on Monday, 30 April 2018 at 2.00 p.m. and at any adjournment thereof.

No.	Resolutions relating to:	No. of Votes For	No. of Votes Against
Ordinary Business			
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors, and the Statement of Directors		
2.	To re-elect Mr Lim Jin Wei, a Director retiring pursuant to the Company’s Constitution.		
3.	To re-elect Ms Pok Mee Yau, a Director retiring pursuant to the Company’s Constitution.		
4.	To re-elect Mr Poh Wee Chiow, Roger, a Director retiring pursuant to the Company’s Constitution.		
5.	To approve the payment of Directors’ fees of \$97,575 for the financial year ending 31 December 2017		
6.	To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix the Auditors’ remuneration		
7.	To authorise the Directors to approve the payment of the final one-tier tax exempt dividend of 0.01 Singapore cent per ordinary share for the financial year ended 31 December 2017		
Special Business			
8.	To authorise the Directors to allot and issue shares and convertible securities.		

(Please indicate your vote ‘For’ or ‘Against’ with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

Dated this _____ day of _____, 2018.

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



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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

1. A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
2. A member of the Company who is entitled to attend and vote at the Annual General Meeting who is and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.
4. 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) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company’s registered office at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853, not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form 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.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this proxy form shall be treated as invalid.

General

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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Poh Wee Chiow, Roger

Independent Directors

Mr Yau Woon Foong

Mr Lim Jin Wei

Ms Pok Mee Yau

AUDIT COMMITTEE

Chairman

Mr Yau Woon Foong

Members

Mr Lim Jin Wei

Ms Pok Mee Yau

NOMINATING COMMITTEE

Chairman

Ms Pok Mee Yau

Members

Mr Yau Woon Foong

Mr Lim Jin Wei

REMUNERATION COMMITTEE

Chairman

Mr Lim Jin Wei

Members

Mr Yau Woon Foong

Ms Pok Mee Yau

REGISTERED OFFICE

11 Woodlands Close,
#10-11, Woodlands 11

Singapore 737853

Telephone number: +65 6560 2011

AUDITORS

Ernst & Young LLP

Chartered Accountants

One Raffles Quay

Level 18, North Tower

Singapore 048583

Partner-in-charge: Ms Ho Shyan Yan

(Since Financial Year 2014)

COMPANY SECRETARIES

Mr Ong Wei Jin

Mr Chen JianHao Kennedy

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place,

#32-01, Singapore Land Tower,

Singapore 048623

PRINCIPAL BANKERS

CTBC Bank

DBS Bank Limited

Malayan Banking Berhad

Standard Chartered Bank

LEGAL COUNSEL

Eversheds Harry Elias LLP

4 Shenton Way,

#17-01, SGX Centre 2

Singapore 068807

SPONSOR

CIMB Bank Berhad, Singapore Branch

50 Raffles Place,

#09-01, Singapore Land Tower,

Singapore 048623

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Lee Chee Cheong, Associate Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01, Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.





ALLIED TECHNOLOGIES LIMITED

Company Registration No. 199004310E

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