



ALLIED TECHNOLOGIES LIMITED



**DEVELOPING
NEW SYMMETRY
OF POSSIBILITIES**

ANNUAL REPORT 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Hsu Ching Yuh

Mr Soh Weng Kheong

Independent Directors

Mr Yau Woon Foong

Mr Shih Chih-Lung

(Appointed on 23 March 2017)

Mr Chuang Shaw Peng

(Appointed on 23 March 2017)

Mr Jake Lam

(Resigned on 23 March 2017)

Mr Woo Say Hock

(Resigned on 23 March 2017)

AUDIT COMMITTEE

Chairman

Mr Yau Woon Foong

Members

Mr Shih Chih-Lung

Mr Chuang Shaw Peng

NOMINATING COMMITTEE

Chairman

Mr Shih Chih-Lung

Members

Mr Yau Woon Foong

Mr Chuang Shaw Peng

REMUNERATION COMMITTEE

Chairman

Mr Chuang Shaw Peng

Members

Mr Yau Woon Foong

Mr Shih Chih-Lung

REGISTERED OFFICE

11 Woodlands Close #10-11

Woodlands 11

Singapore 737853

Telephone number: +65 6560 2011

Facsimile number: +65 6560 2055

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 Khoo Boo Han

Ms Geraldine Goh

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.

50 Raffles Place

Singapore Land Tower #32-01

Singapore 048623

PRINCIPAL BANKERS

Bank of China

CTBC Bank

DBS Bank Limited

First Commercial Bank

Standard Chartered Bank

LEGAL COUNSEL

Harry Elias Partnership LLP

SGX Centre 2, #17-01,

4 Shenton Way,

Singapore 068807



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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.





CORPORATE PROFILE

Listed on the Main Board of the Singapore Exchange in June 2003, 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.

In order to ride on the growing outsourcing trend in Asia by multinational corporations ("MNCs"), Allied Technologies set up its first overseas plant in Shanghai, China in 1997. Since then, the Group has established more production facilities at low-cost bases to be close to its customers and to improve its cost competitiveness.

In November 2016, as part of its corporate restructuring plan, Allied Technologies disposed of two subsidiaries located in China, namely in Shanghai and Taicang. Today, Allied Technologies has a total of four production facilities in Asia, specifically in Malaysia, China, Vietnam and Thailand.

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

REGIONAL PRESENCE



CEO STATEMENT

In FY2016, the Group reported revenue of S\$123.9 million compared to S\$120.1 million in FY2015, representing an increase of S\$3.8 million, mainly contributed by the Group's subsidiaries located in Vietnam, Malaysia and Thailand.

Dear Shareholders

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 2016 ("FY2016").

DEVELOP NEW OPPORTUNITIES AND MANAGE CHALLENGES

FY2016 was a remarkable year for the Group. The Group faced multiple challenges from the fast-changing business environment, which fortunately, did not restrain the Group from developing new possibilities or exploring alternative opportunities in order to manage the headwinds encountered.

The Group had incorporated a new wholly-owned subsidiary located in Malaysia alongside a major customer. This new subsidiary will provide core metal stamping services to the customer when it commences its operations towards the end of FY2017 or early FY2018.

At the same time, with an objective to enhance the overall financial performance of the Group, the Group had deliberated and a decision had been made to dispose of the two wholly-owned subsidiaries located in Shanghai and Taicang, which were in continuous loss-making positions

in the previous years. This decision had scaled down the Group's total production facilities, but it turned out to be a positive game-changing one and the Group saw a reported net profit of S\$1.4 million in FY2016 which was partly due to the disposal.

Besides, the Group is also seeking alternative means to safeguard and provide greater value to its shareholders with the intention to transfer from the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") to the Catalist Board of the SGX-ST, the sponsor-supervised listing platform of the SGX-ST (the "Proposed Transfer").

On 13 February 2017, the Company had obtained approval-in-principle from the SGX-ST for the Proposed Transfer, subject to certain conditions disclosed in the announcement made by the Company on the same date. The Company's Board of Directors proposed to appoint CIMB Bank Berhad, Singapore Branch as the Company's continuing sponsor, subject to the Proposed Transfer taking effect. CIMB Bank Berhad, Singapore Branch, is a wholly owned subsidiary of CIMB Group, one of Malaysia's largest financial services provider and a leading universal banking group in Southeast Asia.



FINANCIAL PERFORMANCE

In FY2016, the Group reported revenue of S\$123.9 million compared to S\$120.1 million in FY2015, representing an increase of S\$3.8 million, mainly contributed by the Group's subsidiaries located in Vietnam, Malaysia and Thailand.

Geographically, the Group's subsidiaries in People's Republic of China ("PRC") remained as the regional revenue contributor and accounted for 43% of the Group's revenue, followed by its Vietnam subsidiary which accounted for 38% of the Group's revenue. The increase in revenue generated by the Vietnam subsidiary had brought the revenue gap between the PRC subsidiaries and the Vietnam subsidiary closer by 13% as compared to the previous year. We also saw improvement in revenue reported by the Singapore and Malaysia subsidiaries as well as the Thailand subsidiary, which represented 14% and 5% of the Group's revenue respectively.

In comparison to the previous year, total revenue contribution of PRC subsidiaries had decreased by 9%, mainly due to the disposal of the Shanghai subsidiary in the

current year and cessation of operation of the Dongguan subsidiary in the second half of FY2015. In order to stay competitive, the Group had reduced its presence in the PRC, due to the trend of increasing operating costs, especially in Shanghai.

Vietnam ranks among the world's fastest-growing economies with its economy expanded by more than 6% in FY2016 as its manufacturing activities surged. Riding on the wave of the economy growth, our Vietnam subsidiary had secured a few new projects from our major customers and achieved a higher top line in FY2016 amounting to S\$46.7 million. The Group views Vietnam as one of the key bright spots that will contribute to its growth due to Vietnam's highly competitive labour and low operating costs environment.

It is also worthy to note that our Malaysia entity had generated a higher revenue in the current year as a result of the new printers and copiers projects awarded by the major existing customers. We are positive that the project demands will be boosted when we commence our new production operation in the newly incorporated Malaysia subsidiary.

FUTURE OUTLOOK AND PROSPECTS

In FY2017, 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.

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 strive to deliver sustainable shareholders' value in the coming years.

Hsu Ching Yuh @ Sheu Ching Yuh
CEO & Group Managing Director



OPERATIONS REVIEW

In the financial year ended 2016 ("FY2016"), the Group had shown positive results as a result of the new projects awarded by our major existing customers to our overseas subsidiaries and corporate restructuring plan undertaken by the Group. One such restructuring decision was the disposal of two subsidiaries in Shanghai and Taicang, which were completed at the end of November 2016. A gain on disposal of subsidiaries of S\$1.2 million had been recorded by the Group included in the total net profit of the Group to S\$1.4 million in FY2016.

The Group recorded revenue of S\$123.9 million in FY2016, an increase of 3% from S\$120.1 million reported in FY2015. The largest revenue contributors of the Group were the PRC subsidiaries followed by the Vietnam subsidiary, representing 43% and 38% of the Group's revenue respectively.

In tandem with higher revenue, raw materials and consumables used had increased by 3% to S\$77.0 million in FY2016 compared to S\$74.9 million in FY2015. The Group is always maintaining a good control on the inventory usage to minimise wastage, which could be detrimental to the Group's bottom line. Additionally, staff costs had also increased from S\$22.4 million to S\$23.9 million as a result of more headcount being recruited to cope with the higher sales.

On the other hand, the Group's other operating expenses had increased slightly by 2% to S\$18.5 million in FY2016. The increase is mainly due to the allowance for impairment loss on sundry debtors of S\$0.8 million. The increase is partially offset by the decrease in operating expense arising from the disposal of Shanghai and Taicang subsidiaries, which was completed in November 2016.

GEOGRAPHICAL CONTRIBUTION

PEOPLE'S REPUBLIC OF CHINA (PRC)

Revenue contribution from our PRC subsidiaries had decreased from 52% in FY2015 to 43% in FY2016. This was mainly attributable to the disposal of Shanghai subsidiary while slightly offset by the marginal increase in revenue achieved by Suzhou subsidiary.

In spite of having the highest revenue contribution amongst all the other subsidiaries, the bottom lines of our PRC subsidiaries were adversely impacted by higher production costs and operating costs in PRC due to the gradual rise of the minimum wage requirement as well as the inflationary business environment. As a result, the Group's PRC subsidiaries were in loss-making positions for FY2016.

VIETNAM

The Group's Vietnam subsidiary recorded an increase in revenue of 17% to S\$46.7 million in FY2016. The improved top line is mainly contributed by the increase in revenue relating to copier assembly project and the metal stamping and plastic injection business.

With higher sales, the Group's Vietnam subsidiary registered a net profit in FY2016. We believe that there are many potential business opportunities awaiting to be tapped on in this emerging market. We will continue to grow our business in Vietnam and explore new opportunities of higher margin projects aimed at achieving a better result in FY2017.

SINGAPORE AND MALAYSIA

The Group's Singapore holding company and Malaysia subsidiary saw their combined revenue increase by 24% to S\$17.6 million in FY2016, contributed by the new printers and copiers projects from its major existing customers.

With efforts to expand our operations, we had incorporated a new subsidiary in Malaysia in August 2016 located within close proximity to the site of one of our major customers. Malaysia remains the production base while Singapore continues to function as the head office to provide corporate services comprising operation and corporate sales support, procurement, finance, information technology and human resources.

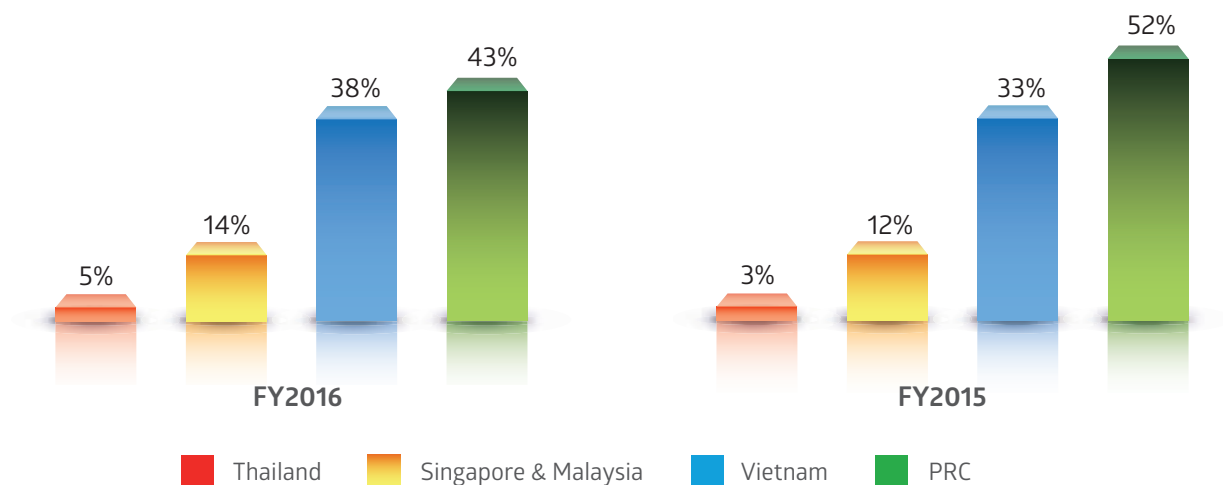
THAILAND

Our Thailand subsidiary continues to supply printer and copier parts to Cal-comp, which is producing for Hewlett Packard Group and Konica Minolta respectively. It contributed S\$5.6 million of revenue to the Group in FY2016.

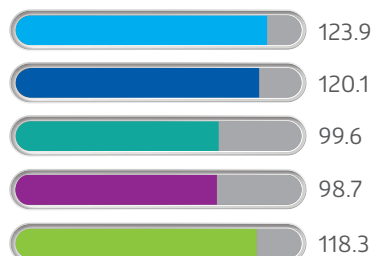
To summarise, the Group had produced a better financial performance in FY2016. With the Group's present strong financial position and concerted efforts with its business partners, we are optimistic that we will be able to overcome the uncertain challenges ahead and will continue to look out for available opportunities to capitalise on and invest in.

FINANCIAL HIGHLIGHTS

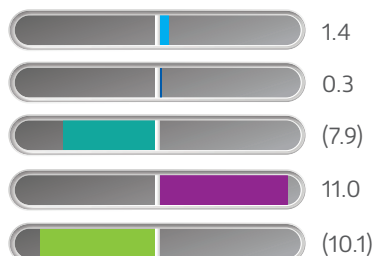
TURNOVER BY GEOGRAPHICAL LOCATIONS



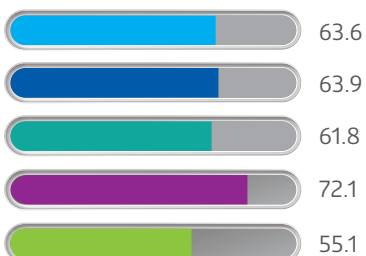
TURNOVER (\$M)



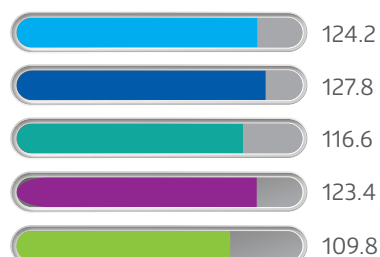
NET PROFIT (\$M)



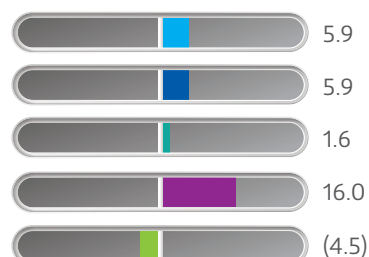
SHAREHOLDERS' EQUITY (\$M)



TOTAL ASSETS (\$M)



EBITDA (\$M)



2016 2015 2014 2013 2012

BOARD OF DIRECTORS



From left to right: Mr Shih Chih-Lung, Mr Yau Woon Foong, Mr Hsu Ching Yuh, Mr Chuang Shaw Peng, Mr Soh Weng Kheong

MR HSU CHING YUH @ SHEU CHING YUH

Chief Executive Officer and Group Managing Director

Mr Hsu Ching Yuh @ Sheu Ching Yuh, the founder of our Group, is actively involved in our strategic development, expansion and also oversees the overall operational activities of the Group. Under his leadership, the Group expanded its services from the mass production of stamped metal parts to become a fully integrated one-stop metal solutions provider. He has over 36 years of experience in the metal stamping and precision engineering industry. Mr Hsu holds a Diploma in Precision Engineering from Taiwan Taoyuan Poly-Technic. He is the Honorary President of the Taipei Business Association in Singapore.

MR SOH WENG KHEONG

Executive Director and Group Deputy Managing Director

Mr Soh Weng Kheong joined our Group in 1994 and was re-elected as our Executive Director on 25 April 2014. He oversees our Group's strategic investment and corporate planning activities. He has over 26 years of sales and managerial experience in the metal stamping and precision engineering industry. His early experience in the industry involved sales and marketing, providing technical support to customers and the preparation of quotations and product exhibitions in Singapore and South East Asia. Mr Soh holds a Bachelor of Business degree in Business Administration from the Royal Melbourne Institute of Technology.

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 both the Nominating and Remuneration Committees. Mr Yau does not hold any shares in the Company or any of its subsidiaries.

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 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 holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University.

MR SHIH CHIH-LUNG

Independent Director, Chairman of the Nominating Committee

Mr Shih was appointed as an Independent Director of the Company on 23 March 2017. He serves as Chairman of the Nominating Committee and is also a member of both the Audit Committee and Remuneration Committee.

Mr Shih is currently the Managing Director of Tien Yuan Chemical (Pte) Ltd. He is a veteran with over 30 years of experience in the aromatics industry, specialising in the production of aromatics products which are sold in major global markets.

Mr Shih holds a Bachelor in Arts Degree in Eastern Languages from the National Chengchi University. He is the Honorary President of the Taipei Business Association in Singapore and the Asia Taiwanese Chamber of Commerce, and a member of China Essential Oils, Aroma, Spices Trade Association.

MR CHUANG SHAW PENG

Independent Director, Chairman of the Remuneration Committee

Mr Chuang was appointed as an Independent Director of the Company on 23 March 2017. He serves as Chairman of the Remuneration Committee and is also a member of both the Audit Committee and Nominating Committee. Mr Chuang does not hold any shares in the Company or any of its subsidiaries.

Mr Chuang is currently the Executive Chairman of Bukit Timah View Property Pte Ltd and the Chairman of Senfu Realty Pte Ltd, Chuang Realty Pte Ltd and Chong Hin Rubber Sdn Bhd. He also holds directorship positions in various private companies. He has over 30 years of experience in building construction & property development. Mr Chuang has sat on various boards such as Building and Construction Authority, Singapore Contractors Association Limited and Nanyang Girls' High School and has also participated in several venture capital investment projects.

Mr Chuang holds a Bachelor Degree in Engineering from the University of Sydney, Master of Science in Aeronautics & Astronautics from Stanford University, Master of Business Administration from the University of Chicago and Master of Science in Engineering-Economic System from Stanford University.

Mr Chuang is a Board Director of Singapore Chinese High School and being elected as Honorary Council Member of several associations in Singapore. Mr Chuang was conferred the Public Service Medal (PBM) in 1999 and the Service to Education Award (Silver) by the Ministry of Education in 2007.

KEY MANAGEMENT

MS TAN SIANG KENG

Group General Manager

Ms Tan joined the Company in 1994 and has been with Allied Technologies for 22 years. She is primarily responsible for the overall management of sales, financial reporting, accounting and treasury functions of the Group.

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.

MR TAN LAY THIAM

Deputy General Manager
(Engineering/Technical for China Region)

Mr Tan joined the Company in October 2005 and is responsible for overseeing and managing all engineering/technical aspects in the operation of all subsidiaries in China Region.

He is a veteran with over 38 years of practical experience in the metal stamping industry, specializing in product development and secondary processes. Mr Tan holds a National Trade Certificate (NTC) 1 in Precision Engineering by Economic Development Board of Singapore.

MR YOKOTA TATSUYA

General Manager (Suzhou)

Mr Yokota joined the Company in January 2016 and is responsible for overseeing and managing overall sales and operational aspects of Allied Suzhou operations.

He has more than 10 years of experience in the consumer and manufacturing industry. He was formerly the Vice President for Shanghai Tiger Metal Products Co., Ltd. from year 2007 to year 2015, responsible for overall sales and operational aspects of the business. Prior to joining Shanghai Tiger Metal Products Co., Ltd, he was with Japan Kojima Metal Co., Ltd for one year as a Sales Manager.

Mr Yokota holds a Diploma in Car Engineering in Japan.

MR TUNG GEE KHIM

Group Operations Manager

Mr Tung joined the Company in October 2005 and is responsible for overseeing and managing all operational aspects of Allied Vietnam operations. He is also supporting 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.



CORPORATE SOCIAL RESPONSIBILITY



The Company believes that an organization's growth and progress should not be attained at the expense of environmental and social well-being. The Company is cognisant of its duties as a corporate citizen and the social and environmental effects our operations have on consumers and other stakeholders. Accordingly, the Company remains committed to fulfilling its responsibilities as a good corporate citizen by acting ethically and responsibly in all areas of our operations.

Environmental conservation remains a key focus area of the Company. We are committed to playing our part in conserving the environment and reducing carbon footprint by continuously promoting a more environmentally-responsible culture and conducting our business in a sustainable manner. As part of our efforts to achieve a greener footprint, we strive to incorporate best practices in our business aimed at minimizing our impact on the environment. In this regard, we have implemented

energy and paper saving initiatives to reduce electricity consumption, reduce paper consumption and recycle paper, resources and materials across all our operations.

Aside from protecting the environment and preventing pollution, we also aim to deliver product and service excellence to the consumer, and foster a supportive, safe and healthy working environment for our employees. We will continue to improve our internal processes and environmental, health and safety performance via effective communication of policies, rules and work procedures to all employees.

Our initiatives reflect our corporate social and environmental sustainability commitments, and we aspire to continue instilling goodwill and confidence in our expanded sphere of stakeholders and communities that have interests beyond corporate profitability.

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 2016 (“**FY2016**”), 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.

Presently, the Board comprises five (5) Directors (of whom three (3) are Independent Directors). 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 Directors.

The Board has established three (3) board committees to assist in the discharge of its responsibilities. They are the Audit Committee (the “AC”), the Nominating Committee (the “NC”) and the Remuneration Committee (the “RC”), which operate within clearly defined and written terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board, and their actions are reviewed by the Board.

CORPORATE GOVERNANCE REPORT

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 number of Board and Committee Meetings held in FY2016 and the attendance of each member of the Board at the respective Board and Committee meetings are as follows:

Name	Position	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
		Numbers of meeting							
		Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Hsu Ching Yuh @ Sheu Ching Yuh	CEO and Group Managing Director	4	4	–	–	–	–	–	–
Mr Soh Weng Kheong	Executive Director and Group Deputy Managing Director	4	4	–	–	–	–	–	–
Mr Yau Woon Foong	Lead Independent Director	4	4	4	4	1	1	1	1
Mr Jake Lam ⁽¹⁾	Independent Director	4	4	4	4	1	1	1	1
Mr Woo Say Hock ⁽²⁾	Independent Director	4	4	4	4	1	1	1	1
Mr Chuang Shaw Peng ⁽³⁾	Independent Director	4	–	4	–	1	–	1	–
Mr Shih Chih-Lung ⁽⁴⁾	Independent Director	4	–	4	–	1	–	1	–

(1) Mr Jake Lam resigned on 23 March 2017.

(2) Mr Woo Say Hock resigned on 23 March 2017.

(3) Mr Chuang Shaw Peng was appointed as an Independent Director with effect from 23 March 2017.

(4) Mr Shih Chih-Lung was appointed as an Independent Director with effect from 23 March 2017.

Note: There were no Board and/or Board Committee meetings held after each of Mr Chuang Shaw Peng's and Mr Shih Chih-Lung's appointments on 23 March 2017 to the date of the Notice of Annual General Meeting, being 4 April 2017.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment 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.

Newly appointed Directors will be 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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Currently, the Board consists of five (5) 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") 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 Chuang Shaw Peng and Mr Shih Chih-Lung 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.

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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Hsu Ching Yuh @ Sheu Ching Yuh, the CEO and Group Managing Director, assumes the responsibility of the Chairman. The Board is of the opinion that the present Group structure and business scope does not warrant a meaningful split of the roles of the Chairman and CEO. The Board is of the view that there is a strong independent element on the Board to enable exercise of objective judgment of corporate affairs in the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the Group's affairs and operations.

Mr Hsu Ching Yuh @ Sheu Ching Yuh plays a vital role in charting and steering the corporate direction of the Group and bears the executive responsibility for strategic planning, execution of the Group's strategic goals as well as effective workings of the Board. Mr Hsu Ching Yuh @ Sheu Ching Yuh promotes a culture of openness at the Board, ensures the Directors receive complete, adequate and timely information, ensures effective communication with shareholders and promotes high standards of corporate governance of the Group.

In view of the above and 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 CEO 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 CEO.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises Mr Woo Say Hock, Mr Jake Lam and Mr Yau Woon Foong, before 23 March 2017 and Mr Chuang Shaw Peng, Mr Shih Chih-Lung and Mr Yau Woon Foong with effect from 23 March 2017, all of whom during the period of their appointment are Independent Directors. The Chairman of the NC before 23 March 2017 is Mr Jake Lam and the Chairman of the current NC as at the date of this Annual Report is Mr Shih Chih-Lung. 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;
- 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.

CORPORATE GOVERNANCE REPORT

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. The NC is of the view that the Independent Directors are independent.

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.

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.

The NC relies on personal contacts and recommendations for the right candidates when a vacancy arises under any circumstance. In consultation with the Board, the NC will determine the selection criteria and identify candidates with the appropriate expertise for the position. The NC then nominates the most suitable candidate to be appointed to the Board.

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.

CORPORATE GOVERNANCE 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	CEO and Group Managing Director	28 Feb 1994	NA	–	–
Mr Soh Weng Kheong	Executive Director and Group Deputy Managing Director	30 Jun 1994	25 April 2014	–	–
Mr Yau Woon Foong	Lead Independent Director	10 October 2015	25 April 2016	AA Group Holdings Ltd.	–
Mr Jake Lam	Independent Director	10 October 2015	25 April 2016	–	–
Mr Woo Say Hock	Independent Director	10 October 2015	25 April 2016	–	–
Mr Chuang Shaw Peng	Independent Director	23 March 2017	–	–	–
Mr Shih Chih-Lung	Independent Director	23 March 2017	–	–	–

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 Soh Weng Kheong, Mr Chuang Shaw Peng and Mr Shih Chih-Lung, at the forthcoming Annual General Meeting. Mr Soh Weng Kheong, Mr Chuang Shaw Peng and Mr Shih Chih-Lung 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 Chuang Shaw Peng and Mr Shih Chih-Lung 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 the three (3) retiring Directors have offered themselves for re-election.

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 Company 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises the three (3) Independent Directors, namely Mr Woo Say Hock, Mr Jake Lam and Mr Yau Woon Foong, before 23 March 2017 and Mr Chuang Shaw Peng, Mr Shih Chih-Lung and Mr Yau Woon Foong with effect from 23 March 2017. Mr Woo Say Hock is the Chairman of the RC before 23 March 2017 and the Chairman of the current RC as at the date of this Annual Report is Mr Chuang Shaw Peng. 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;
- 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.

CORPORATE GOVERNANCE REPORT

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 includes a fixed salary and a variable performance related bonus which is designed to align the interests of the Directors with the long-term interest and risk policies of the Company. 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.

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 FY2016 is as follows:

Directors	Salary*	Bonus*	Profit sharing	Directors' Fees**	Benefits-in-kind and Others	Total
\$500,001 to \$750,000						
Mr Hsu Ching Yuh @ Sheu Ching Yuh	95%	5%	–	–	–	100%
\$250,001 to \$500,000						
Mr Soh Weng Kheong	96%	4%	–	–	–	100%
Up to \$250,000						
Mr Yau Woon Fong	–	–	–	100%	–	100%
Mr Jake Lam	–	–	–	100%	–	100%
Mr Woo Say Hock	–	–	–	100%	–	100%

* Salary and bonus are inclusive of CPF

** Subject to shareholders' approval at the AGM

CORPORATE GOVERNANCE REPORT

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 five (5) key management personnel of the Company (who are not Directors or the CEO) in FY2016 is S\$937,163. The Company has instead presented the information as follows:-

Key Executives	Salary*	Bonus*	Benefits-in-kind and Others	Total
\$250,001 to \$500,000				
Ms Tan Siang Keng	95%	5%	–	100%
Up to \$250,000				
Mr Tan Lay Thiam	91%	3%	6%	100%
Mr Tung Gee Khim	88%	4%	8%	100%
Mr Hsu Chin Chieh ⁽¹⁾	84%	–	16%	100%
Mr Yokota Tatsuya ⁽²⁾	95%	3%	2%	100%

(1) Mr Hsu Chin Chieh's remuneration is shown for the period up to November 2016. He remains as the Deputy General Manager in Allied Machineries (Shanghai) Co., Ltd, which was disposed of on 20 November 2016.

(2) Mr Yokota Tatsuya was appointed as General Manager in Allied Technologies (Suzhou) Co., Ltd on 18 Jan 2016.

* Salary and bonus are inclusive of CPF or defined contribution required by local country

There were no termination, retirement or post-employment benefits granted to the Directors, the CEO and all five (5) key management personnel of the Company (who are not Directors or the CEO) in FY2016. The Company has only four (4) Key Executives as at the end of FY2016.

CORPORATE GOVERNANCE REPORT

In FY2016, the following employees are immediate family members of the CEO and Group Managing Director, whose remuneration are disclosed below in incremental bands of \$50,000:

Name of employee	Family relationship
\$100,001 to \$150,000	
Mr Hsu Chin Chieh	Brother of Mr Ching Yuh, the CEO and Group Managing Director
\$50,001 to \$100,000	
Mr Hsu Hsiu Ming	Son of Mr Hsu Ching Yuh, the CEO and Group Managing Director

Save as disclosed above, there is no employee who is an immediate family member of a Director or the 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' INVESTMENTS AND THE COMPANY'S ASSETS

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments 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.

CORPORATE GOVERNANCE REPORT

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 CEO and the Group Financial Controller[^] have provided a letter of confirmation that as at the end of FY2016, (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. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

[^] Currently, the roles and responsibilities of the Company's Group Financial Controller are being assumed by the Group General Manager, Ms Tan Siang Keng.

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three (3) Independent Directors, namely Mr Woo Say Hock, Mr Jake Lam and Mr Yau Woon Foong, before 23 March 2017 and Mr Chuang Shaw Peng, Mr Shih Chih-Lung and Mr Yau Woon Foong with effect from 23 March 2017. Mr Yau Woon Foong remains as the Chairman of the AC.

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 Transaction.

The AC carries out its functions in accordance with the Singapore Companies Act, Cap. 50, the Best Practice Guide 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;
- 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 internal control procedures and 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.

CORPORATE GOVERNANCE REPORT

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.

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 12. The Group 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 FY2016.

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 committee 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, Group 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, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, has confirmed their re-nomination. The aggregate amount of fees paid to the Company's external auditors and its member firms for FY2016 was S\$328,000, of which audit fees amounted to S\$299,000 and non-audit fees amounted to S\$29,000.

CORPORATE GOVERNANCE REPORT

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

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.

[^] Currently, the roles and responsibilities of the Company's Group Financial Controller are being assumed by the Group General Manager, Ms Tan Siang Keng.

PRINCIPLE 13: INTERNAL AUDIT

The Group has outsourced its internal audit function for endorsing the Group's internal control procedures and to safeguard shareholders' interests and the Group's assets.

The internal auditors 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 internal auditors. The internal auditors 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 reviews the scope of the internal audit and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

PRINCIPLE 14: SHAREHOLDERS' RIGHTS

The Board treats all shareholders fairly and equitably and facilitates the exercise of shareholders' 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.

CORPORATE GOVERNANCE REPORT

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.

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.

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.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTION

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 was no interested person transactions entered into with individual transaction value of more than S\$100,000 during the financial year ended 31 December 2016.

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 1207(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 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.

CORPORATE GOVERNANCE REPORT

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code, save for the following: disclosure of the remuneration of directors and key management personnel The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interest of the Company and employees to disclose such details due to the sensitive nature of such information. maximum number of listed company board appointments which a director may hold The Company has not determined a maximum number of listed company board appointments which any Director may hold as 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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • disclosure of the remuneration of directors and key management personnel The RC recommends to the Board a framework of remuneration for the Board and the senior management to ensure that the structure of remuneration is competitive and sufficient to attract, retain and motivate the Directors and senior management personnel. The recommendations of the RC on the remuneration of Directors and senior management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration. • maximum number of listed company board appointments which a director may hold 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 carried out his duties as a Director notwithstanding such commitments. The Board will also fix the maximum number of listed company board representations and other principal commitments which any Director may hold when the Board deems it to be necessary.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(a) Please refer to Principle 1 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(a) The Board believes in having an appropriate balance and diversity of skills, experience, and knowledge. (b) The current composition of the Board comprises Directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge to the Group. The Directors also provide core competencies such as accounting or finance, business or management or legal experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. The NC will review the gender diversity of the Board for suitable appointment. (c) The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Please refer to Principle 4 of the Corporate Governance Report for details on the nomination process.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) Yes. Please refer to paragraph 8 of Principle 1 of the Corporate Governance Report. (b) Please refer to paragraphs 8 and 9 of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) The Board has not determined a maximum number of listed company board appointments which any Director may hold. (b) A maximum number has not been determined as 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. (c) For the assessment of capacity of Directors, their competencies as well as their commitment, contribution and performance (including attendance at meetings) during the financial year will be considered.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least half of the Board be comprised of Independent Directors where the Chairman and the CEO is the same person is satisfied.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Yes. Please refer to Principle 9 of the Corporate Governance Report. (b) The annual aggregate remuneration paid to all five (5) Key Executives of the Company (who are not Directors or the CEO) in FY2016 is S\$937,163. The Company has only four (4) Key Executives as at the end of FY2016.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Yes. (a) Mr Hsu Chin Chieh is the brother of Mr Hsu Ching Yuh @ Sheu Ching Yuh, the CEO and Group Managing Director of the Company. (b) Mr Hsu Hsiu Ming is the son of Mr Hsu Ching Yuh @ Sheu Ching Yuh, the CEO and Group Managing Director of the Company.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. Please refer to Principle 13 of the Corporate Governance Report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) 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 (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Please refer to Principle 12 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) Please refer to Principles 14 and 15 of the Corporate Governance Report. (b) The Group has specifically entrusted the Directors or the Management, with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. (c) Please refer to Principle 15 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company did not pay any dividend for FY2016. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group'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.

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 2016.

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 2016 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.

Directors

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

Hsu Ching Yuh	(Chief Executive Officer and Group Managing Director)
Soh Weng Kheong	
Yau Woon Foong	
Shih Chih-Lung	(Appointed on 23 March 2017)
Chuang Shaw Peng	(Appointed on 23 March 2017)

Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph below, 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.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

The Company	Direct interest		
	1.1.2016	31.12.2016	21.1.2017
Number of ordinary shares			
Hsu Ching Yuh	249,697,000	249,697,000	249,697,000
Soh Weng Kheong	26,037,630	26,037,630	26,037,630

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Hsu Ching Yuh is deemed to have interest in the subsidiaries of the Company.

Except as disclosed in this statement, 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 2017.

Audit committee

The Audit Committee comprises three independent non-executive Directors, one of whom is also the Chairman of the Committee. The members of the Committee at the date of this statement are as follows:

Yau Woon Foong (Chairman)
Shih Chih-Lung
Chuang Shaw Peng

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee. The Audit Committee performs the functions set out in Section 201B(5) of the Singapore Companies Act, Chapter 50. The Audit Committee met during the year to review the scope of work of the internal and the statutory auditors, and the results arising therefrom, including the internal auditors evaluation of the system of internal accounting controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors.

DIRECTORS' STATEMENT

In addition, the Audit Committee has reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Company and of the Group to identify and report and where necessary, seek approval for interested person transactions.

In appointing the auditing firms for the Company and the subsidiaries, the Company has complied with Listing Rules 712, 715 and 716.

The Audit Committee has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee have been summarised in the Corporate Governance Report of the Annual Report.

Auditor

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

On behalf of the board of directors,

Hsu Ching Yuh
Director

Soh Weng Kheong
Director

Singapore
29 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016, 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 2016 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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.

Revenue recognition

The Group recognised revenue of S\$123.9 million for the financial year ended 31 December 2016, 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, which will indicate when risk and rewards are transferred to the customers. Due to the high volume of transactions and various shipping terms with different customers, 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 revenue recognition for sale of stamped metal parts to be a key audit matter.

To address this, as part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding 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 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key audit matters (cont'd)

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

As of 31 December 2016, the total inventories and related allowance for inventory obsolescence and NRV write down amounted to S\$13.2 million and S\$0.6 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, 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, slow-moving and excess inventories, and management's estimation of the expected demand of slow-moving inventories. We also tested the net realisable values of inventories on a sample basis by comparing the carrying values of the inventories to the subsequent selling prices to check that the carrying values are below the selling prices.

We also considered the adequacy of the disclosures related to inventories in Note 19.

Allowance for impairment loss on trade debtors

As at 31 December 2016, trade debtors balance and related allowance for impairment loss amounted to S\$33.4 million and S\$0.1 million respectively.

The collection of trade debtors balance is a key element of the Group's working capital management, which is monitored on an ongoing basis by management. Trade debtors allowance assessment requires significant management judgment 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. As such, we determined that this is a key audit matter.

As part of our audit procedure, we assessed the Group's processes, controls and judgement 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 assumption made in determining 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 have also sent confirmation requests to trade debtors.

We considered the adequacy of the Group's disclosures on the debtors allowance and the related risks such as credit risk and liquidity risk in Notes 21 and 38 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key audit matters (cont'd)

Disposal of Allied Machineries (Shanghai) Co., Ltd ("AMSH") and Taicang Shanfeng Hardware Co., Ltd ("TCSF")

As disclosed in Note 5, during the year, the Group completed the disposal of wholly owned subsidiaries, Allied Machineries (Shanghai) Co., Ltd ("AMSH") and Taicang Shanfeng Hardware Co., Ltd ("TCSF") to an external party, Carapace Daybreak Ltd ("Carapace"). Both AMSH and TCSF were material subsidiaries to the Group. The disposal proceeds will be received in 6 instalments over 3 years. In addition, the purchaser has also agreed to assume the repayment of the loans owing by these disposed entities to the Group in 6 instalments over 3 years. The Group recorded a non-trade debtor of S\$18.2 million as at year end and a gain on disposal amounting to S\$1.2 million during the year relating to this disposal. The sole shareholder of Carapace has provided a personal guarantee and pledged his interest in Carapace to the Group as security for the obligation to pay and discharge all amounts payable to the Group.

As the payment of proceeds and loans will be received over 3 years, management has to exercise judgment to assess the recoverability of these amounts and measure the fair value of these amounts by discounting the future receipts using the discount rate disclosed in the Note. We have identified this as a key audit matter given that these amounts are material to the financial statements and the determination of these amounts required management to exercise significant judgments and estimates.

As part of our audit procedures, we reviewed the sales and purchase agreements to understand the terms and conditions of the disposal. We also reviewed management's computation of the gain on disposal by re-computing the net present value of the long term receivable arising from the deferred payment terms and testing the discount rate used to compute the net present value. In addition, we also checked that the results of the disposed subsidiaries are consolidated up to the date of disposal. For the first instalment payment received by the Group in November 2016, we have traced to bank statements for evidence of receipt. We checked for any indicator of impairment for the remaining non-trade debtor balance by checking for any significant delay in payment by Carapace. We also reviewed management's assessment relating to the quality of the pledge and the recoverability of the receivables due from AMSH and TCSF. We inquired and received management's confirmation that Carapace is not a related party. We also considered the adequacy of the disclosures in Note 5.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016

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 2016

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
29 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	2016 \$	2015 \$
Revenue	6	123,865,536	120,068,688
Other income	7	3,271,740	1,274,282
Costs and expenses			
Changes in inventories of finished goods and work-in-progress		(1,849,553)	100,109
Raw materials and consumables used		(77,002,060)	(74,900,992)
Depreciation of property, plant and equipment	13	(3,816,177)	(4,730,177)
Depreciation of investment property	14	(93,575)	(231,296)
Amortisation expense	12	(18,597)	(18,674)
Staff costs	8	(23,920,482)	(22,447,942)
Other operating expenses	9	(18,504,053)	(18,163,342)
		(125,204,497)	(120,392,314)
Operating profit		1,932,779	950,656
Finance costs	10	(380,638)	(227,189)
Profit before taxation		1,552,141	723,467
Taxation	11	(192,660)	(396,495)
Profit for the financial year		1,359,481	326,972
Attributable to:			
Owners of the Company		1,359,481	326,972
Earnings per share (cents)			
Basic	33	0.20	0.05
Diluted	33	0.20	0.05

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 2016

(In Singapore dollars)

	2016 \$	2015 \$
Profit for the financial year	1,359,481	326,972
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation	(1,414,531)	1,754,294
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Foreign currency translation recycled to profit or loss upon disposal of subsidiaries	(272,179)	–
Total comprehensive income for the financial year	(327,229)	2,081,266
Attributable to:		
Owners of the Company	(327,229)	2,081,266

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

(In Singapore dollars)

	Note	Group		Company	
		2016 \$	2015 \$	2016 \$	2015 \$
Non-current assets					
Intangible assets	12	148,881	165,633	9,986	24,386
Property, plant and equipment	13	35,610,120	47,530,833	32,141	45,718
Investment property	14	–	4,362,797	–	–
Investment in subsidiaries	15	–	–	21,919,028	34,514,498
Loan receivables from subsidiaries	15	–	–	17,916,268	19,116,107
Deferred tax assets	28	477,247	888,299	–	–
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	–	–	–
Fixed deposits (pledged)	22	–	341,280	–	341,280
		52,552,031	55,494,105	52,363,114	56,122,923
Current assets					
Inventories	19	12,610,022	12,849,056	–	–
Amounts due from subsidiaries	20	–	–	4,684,722	10,517,213
Trade debtors	21	33,299,385	37,783,492	1,549,892	1,689,978
Other debtors	17	9,949,503	4,727,979	5,868,765	1,445,081
Prepayments and advances to suppliers		720,470	719,125	37,329	40,672
Income tax recoverable		3,835	68,467	–	–
Fixed deposits (pledged)	22	1,096,229	659,917	347,520	–
Cash and bank balances	22	13,939,360	15,513,706	1,108,558	957,984
		71,618,804	72,321,742	13,596,786	14,650,928
Current liabilities					
Trade creditors	23	31,945,170	31,077,377	763,410	83,537
Hire purchase creditors	24	8,496	8,272	–	–
Other creditors and accruals	25	8,291,406	9,125,448	3,024,493	3,276,603
Deferred compensation income	26	491,208	515,345	–	–
Loans and borrowings	27	5,688,216	9,595,129	266,432	3,358,764
		46,424,496	50,321,571	4,054,335	6,718,904
Net current assets		25,194,308	22,000,171	9,542,451	7,932,024
Non-current liabilities					
Hire purchase creditors	24	3,594	11,721	–	–
Other creditors and accruals	25	2,201,152	–	1,842,381	–
Deferred compensation income	26	8,104,936	9,018,536	–	–
Loans and borrowings	27	–	261,648	–	261,648
Deferred tax liabilities	28	3,862,779	4,301,264	–	–
		14,172,461	13,593,169	1,842,381	261,648
Net assets		63,573,878	63,901,107	60,063,184	63,793,299
Equity attributable to owners of the Company					
Share capital	29	57,337,354	57,337,354	57,337,354	57,337,354
Foreign currency translation reserve	30	1,049,711	2,736,421	–	–
Statutory reserve fund	31	1,938,234	4,889,439	–	–
Other reserves	32	188,948	188,948	188,948	188,948
Retained earnings/(accumulated losses)		3,059,631	(1,251,055)	2,536,882	6,266,997
		63,573,878	63,901,107	60,063,184	63,793,299

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 2016

(In Singapore dollars)

	Note	Ordinary shares \$	Foreign currency translation reserve \$	Statutory reserve fund \$	Other reserves \$	Retained earnings/ (Accumulated losses) \$	Total equity attributable to owners of the Company \$
Group							
Balance at 1 January 2015		57,337,354	982,127	4,889,439	188,948	(1,578,027)	61,819,841
Profit for the financial year		-	-	-	-	326,972	326,972
<i>Other comprehensive income:</i>							
Foreign currency translation		-	1,754,294	-	-	-	1,754,294
Total comprehensive income for the financial year		-	1,754,294	-	-	326,972	2,081,266
Balance at 31 December 2015 and 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
<i>Other comprehensive income:</i>							
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		57,337,354	1,049,711	1,938,234	188,948	3,059,631	63,573,878

(In Singapore dollars)

	Note	Ordinary shares \$	Other reserves \$	Retained earnings \$	Total equity attributable to owners of the Company \$
Company					
Balance at 1 January 2015		57,337,354	188,948	5,103,958	62,630,260
Profit for the financial year		-	-	1,163,039	1,163,039
Total comprehensive income for the financial year		-	-	1,163,039	1,163,039
Balance at 31 December 2015 and 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		57,337,354	188,948	2,536,882	60,063,184

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 2016

(In Singapore dollars)

	Note	2016 \$	2015 \$
Cash flows from operating activities:			
Profit before taxation		1,552,141	723,467
Adjustments for:			
Gain on disposal of property, plant and equipment	7	(181,996)	(396,866)
Depreciation of property, plant and equipment	13	3,816,177	4,730,177
Depreciation of investment property	14	93,575	231,296
Amortisation of intangible assets	12	18,597	18,674
Gain on disposal of subsidiaries	5, 7	(1,198,626)	–
Amortisation of deferred interest income		(22,281)	–
Amortisation of deferred compensation income	7	(491,157)	(516,614)
Interest income	7	(39,777)	(42,378)
Interest expense	10	380,638	227,189
Dividend income from other investments	7	(87,021)	–
Exchange differences		(96,052)	940,672
Operating cash flows before changes in working capital		3,744,218	5,915,617
Increase in inventories		(1,869,762)	(3,661,807)
Increase in trade debtors, other debtors and prepayments		(9,802,045)	(5,283,481)
Increase in trade creditors and other creditors and accruals		14,490,099	2,649,441
Cash flows generated from/(used in) operations		6,562,510	(380,230)
Interest paid		(380,638)	(227,189)
Interest received		39,777	42,378
Tax paid		(201)	(292,929)
Net cash flows generated from/(used in) operating activities		6,221,448	(857,970)
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		194,509	859,144
Net cash outflow on disposal of subsidiaries	5	(373,523)	–
Purchase of property, plant and equipment	13	(2,655,681)	(937,863)
Prepayment for purchase of land	18	(1,701,282)	–
Addition to investment property	14	–	(22,995)
Dividend receipt from other investments	7	87,021	–
Net cash used in investing activities		(4,448,956)	(101,714)
Cash flows from financing activities:			
Net (decrease)/increase of hire purchase creditors		(8,183)	20,398
Decrease in amount due to a director		–	(600,000)
Drawdown of bank borrowings		13,603,004	15,826,179
Repayment of bank borrowings		(16,502,947)	(8,775,292)
Increase in pledged fixed deposits		(499,539)	(684,204)
Net cash flows (used in)/generated from financing activities		(3,407,665)	5,787,081
Net (decrease)/increase in cash and bank balances		(1,635,173)	4,827,397
Cash and cash equivalents at beginning of financial year		15,513,706	10,256,184
Effects of exchange rates on opening cash and cash equivalents		60,827	430,125
Cash and cash equivalents at end of financial year	22	13,939,360	15,513,706

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 2016

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.

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.

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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 7: <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Improvements to FRSs (December 2016)	
– Amendments to FRS 112: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2017
– Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i>	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Description	Effective for annual periods beginning on or after
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
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i>	1 January 2018
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 ¹

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

FRS 115 *Revenue from Contracts with Customers*

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

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

A full retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115.

¹ The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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. 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.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109.

FRS 116 Leases

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

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

IFRS Convergence

On 29 May 2014, the Accounting Standards Council (ASC) announced that Singapore incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the IFRS for annual periods beginning on or after 1 January 2018. Non-listed Singapore incorporated companies may also voluntarily apply the new framework at the same time.

Upon convergence of IFRS, an entity may elect to recognise all translation adjustments arising on the translation of the financial statements of foreign entities in accumulated profits or losses at the opening IFRS balance sheet date (that is, reset the translation reserve included in equity under previous GAAP to zero). The Group is evaluating if they would elect to recognize the translation adjustments in the opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016

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 2016

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.

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.

2.8 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.8 Investment properties (cont'd)

The Group has adopted the cost model which is to measure investment properties at cost less accumulated depreciation and accumulated impairment losses. Investment property of the Group has a useful life of 44 years and remaining useful life of 40 years. The investment property of the Group has been disposed of following the disposal of subsidiaries as disclosed in Note 5.

Depreciation is computed on a straight-line basis over the estimated useful life. The carrying values of investment properties are reviewed for impairment when event or charges in circumstances indicate that the carrying value may not be recoverable.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.10 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.

2.11 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.11 Financial instruments (cont'd)

(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 2016

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

2.12 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 2016

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

2.12 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.

2.13 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 2016

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

2.14 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.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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.

2.16 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 2016

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

2.17 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.

2.18 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 make contributions to the Central Provident Fund ("CPF") scheme in Singapore.

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 2016

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

2.19 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.

2.20 Disposal groups held for sale

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.21 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.

2.22 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 2016

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

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.23 Taxes (cont'd)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.23 Taxes (cont'd)

(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.

2.24 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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.26 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.

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 2016, management has recognised allowance for impairment of trade debtor, as disclosed in Note 21, amounting to S\$94,501 (2015: S\$1,113,886).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(a) Critical judgements made in applying accounting policies (cont'd)

(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.

(iii) *Recoverability of non-trade debtor arising from the Disposal of Allied Machineries (Shanghai) Co., Ltd ("AMSH") and Taicang Shanfeng Hardware Co., Ltd ("TCSF")*

As disclosed in Note 5, the consideration arising from the disposal of AMSH and TCSF will be received in 6 payments over 3 years. In addition, the purchaser (i.e. Carapace Daybreak Ltd, "Carapace") has agreed to repay the loan owing by the disposed entities to the Group in 6 payments over 3 years. As the payment of proceeds and loan will be received over 3 years, management has exercised judgment to compute the net present value of the payments based on a discount rate of 10%. The discount rate has been determined after considering the cost of debt and credit risk of the counterparty.

In addition, the Group has exercised significant judgement to review for indicator of impairment for the remaining non-trade debtor balance by checking for any significant delay in payment by Carapace. Based on the assessment, the Group concluded that there is no indicator of impairment for non-trade debtor balance owing by Carapace as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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.

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 in the current financial year. In the financial year ended 31 December 2016, the Company incorporated a wholly-owned subsidiary Allied Precision Technologies (M) Sdn. Bhd. ("APT") in Malaysia.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SEGMENT INFORMATION (CONT'D)

	Singapore and Malaysia	China	Vietnam	Thailand	Others	Elimination	Note	Total
	\$	\$	\$	\$	\$	\$		\$
2016								
Segment revenue								
External customers	17,622,891	53,909,347	46,696,758	5,636,540	-	-		123,865,536
Inter-segment sales	-	751,659	-	3,452	-	(755,111)		-
Total revenue	17,622,891	54,661,006	46,696,758	5,639,992	-	(755,111)		123,865,536
Segment profit/(loss)								
Finance costs	4,479,081	(2,197,356)	597,441	985,855	(1,042)	-		3,863,979
Unallocated expenses							(i)	(380,638)
Profit before taxation								(1,931,200)
Taxation								1,552,141
Net profit after taxation								(192,660)
								<u>1,359,481</u>
Segment assets								
Unallocated assets	13,570,893	54,374,236	31,213,998	4,149,684	6,389	-	(ii)	103,315,200
								<u>20,855,635</u>
								<u>124,170,835</u>
Other segment information:								
Additions to non-current assets	1,595,013	490,995	333,164	236,509	-	-		2,655,681
Depreciation and amortisation	228,111	2,576,985	429,994	693,189	70	-		3,928,349
Allowance for/(write-back of) inventory obsolescence	8,236	(1,514)	(48,079)	12,394	-	-		(28,963)
(Gain)/loss on disposal of property, plant and equipment	(6,037)	(180,495)	-	-	4,536	-		(181,996)
(Write-back)/allowance for impairment loss on:								
- trade debtors	(263,255)	(55,103)	-	-	-	-		(318,358)
- sundry debtors	-	853,123	-	-	-	-		853,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SEGMENT INFORMATION (CONT'D)

	Singapore and Malaysia	China	Vietnam	Thailand	Others	Elimination	Note	Total
	\$	\$	\$	\$	\$	\$		\$
2015								
Segment revenue								
External customers	14,265,558	62,790,908	40,038,600	2,967,508	6,114	-		120,068,688
Inter-segment sales	5,729	989,936	27,497	20,503	-	(1,043,665)		-
Total revenue	14,271,287	63,780,844	40,066,097	2,988,011	6,114	(1,043,665)		120,068,688
Segment profit/(loss)	2,967,440	(632,863)	1,034,892	(200,037)	(44,376)	-		3,125,056
Finance costs								(227,189)
Unallocated expenses							(i)	(2,174,400)
Profit before taxation								723,467
Taxation								(396,495)
Net profit after taxation								326,972
Segment assets	8,825,585	83,357,304	27,912,457	4,615,626	11,313	-		124,722,285
Unallocated assets							(ii)	3,093,562
								127,815,847
Other segment information:								
Additions to non-current assets	60,658	309,183	487,630	103,387	-	-		960,858
Depreciation and amortisation	89,891	3,867,673	379,718	642,551	314	-		4,980,147
Write-back of inventory obsolescence	(224,266)	(226,878)	(419,261)	-	-	-		(870,405)
Inventories written off (Gain) / loss on disposal of property, plant and equipment	226,998	26,196	-	-	-	-		253,194
Allowance for/(write-back of) impairment loss on: - trade debtors	(4,764)	(391,678)	(3,558)	-	3,134	-		(396,866)
	263,856	271,241	(11,859)	-	2,134	-		525,372

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 2016

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 percentage of product segments over the total revenue can be summarised as follows:

	Group	
	2016	2015
	%	%
Copier	51	43
Printer	22	23
Automotive	8	9
LCD related stamping	6	3
Data storage devices	4	5
Solar energy related products	4	4
Computer enclosure	2	6
Others	3	7
	100	100

Other segments mainly comprises 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 86% (2015: 81%) of the total Group's revenue.

Sales revenue to two (2015: two) major customers, who individually contribute more than 10% of the Group's revenue, amounts to \$49,114,000 and \$17,475,000 (2015: \$39,542,000 and \$20,863,000) respectively. The sales to these major customers are recorded in Singapore and Malaysia, China, Vietnam, and Thailand segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. DISPOSAL OF SUBSIDIARIES

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" segment information. 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 will be received in 6 payments over 3 years. In addition, the purchaser has 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 and loan will be received over 3 years, management has 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 are deferred into 6 payment terms over 3 years, as follow:

	Equity consideration \$	Loan assignment consideration \$	Total consideration \$
30 November 2016	999,056	867,200	1,866,256
31 May 2017	1,498,581	1,302,506	2,801,087
30 November 2017	1,573,511	1,367,630	2,941,141
31 May 2018	1,612,369	1,401,405	3,013,774
30 November 2018	1,652,187	1,436,012	3,088,199
31 May 2019	3,385,975	2,942,949	6,328,924
	10,721,679	9,317,702	20,039,381
Less: deferred interest income	(1,362,458)	(1,184,192)	(2,546,650)
Fair value of consideration	9,359,221	8,133,510	17,492,731

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	23,556,338	4,818,527	28,374,865
Trade and other creditors	(10,955,671)	(8,456,732)	(19,412,403)
Loans and borrowings	(1,078,391)	–	(1,078,391)
Total liabilities	(12,034,062)	(8,456,732)	(20,490,794)
Net assets/(liabilities)	11,522,276	(3,638,205)	7,884,071
Consideration received			999,056
Cash and cash equivalents of the subsidiaries			(1,372,579)
Net cash outflow on disposal of subsidiaries			(373,523)

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	1,198,626

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. DISPOSAL OF SUBSIDIARIES (CONT'D)

As at 31 December 2016, the Group recorded non-trade debtor balances and deferred interest income arising from this transaction as follow:

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

6. REVENUE

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

	Group	
	2016 \$	2015 \$
Sales of goods supplied	116,467,950	108,691,579
Tooling revenue	7,263,618	11,211,355
Provision of design services	133,968	165,754
	<u>123,865,536</u>	<u>120,068,688</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. OTHER INCOME

	Group	
	2016	2015
	\$	\$
Dividend income from other investments	87,021	–
Interest income from bank deposits	39,777	42,378
Gain on disposal of property, plant and equipment	181,996	396,866
Rental income	309,460	121,245
Sundry income	352,530	197,179
Amortisation of deferred compensation income #	491,157	516,614
Gain on disposal of subsidiaries (Note 5)	1,198,626	–
Write back of impairment loss on trade debtors	318,358	–
Write back of payables	292,815	–
	3,271,740	1,274,282

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

8. STAFF COSTS

	Group	
	2016	2015
	\$	\$
Salaries, bonuses and other costs	20,496,255	19,455,572
CPF and other pension contributions	3,424,227	2,992,370
	23,920,482	22,447,942

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. OTHER OPERATING EXPENSES

The following items have been included in other operating expenses:

	Note	2016 \$	Group 2015 \$
Audit fees			
– Auditors of the Company		138,000	115,000
– Other auditors		161,000	209,000
Non-audit fees			
– Auditors of the Company		20,000	20,000
– Other auditors		9,000	3,019
Utilities		2,335,598	2,443,681
Freight and packaging expenses		3,455,972	4,118,594
Directors' emoluments			
– Directors' remuneration #		794,581	785,263
– Directors' fee		105,000	160,000
Allowance for impairment loss on			
– Trade debtors	21	–	525,372
– Sundry debtors	17	853,123	–
Foreign exchange loss/(gain), net		125,141	(42,287)
Operating lease expenses		738,354	677,182

Includes CPF contributions of \$14,997 (2015: \$14,791).

10. FINANCE COSTS

	2016 \$	Group 2015 \$
Interest on loans and borrowings	379,975	226,796
Hire purchase interest	663	393
	380,638	227,189

The effective interest rate for loans and borrowings and hire purchase creditors ranged from 3.25% to 5.00% (2015: 1.62% to 5.52%) and 2.70% (2015: 2.70%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. TAXATION

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	\$	\$
Current taxation	–	23,938
Deferred taxation	130,811	370,471
	130,811	394,409
Underprovision in respect of prior year	61,849	2,086
	192,660	396,495

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 2016 and 2015 are as follows:

	Group	
	2016	2015
	\$	\$
Profit before taxation	1,552,141	723,467
Tax at the domestic rates applicable to profit in the countries where the Group operates	1,181,833	(116,490)
Adjustments for:		
Non-deductible expenses	480,235	823,432
Non-taxable income	(660,511)	(839,048)
Deferred tax assets not recognised	3,066	1,295,519
Benefits from previously unrecognised deferred tax assets	(872,189)	(767,805)
Others	(1,623)	(1,199)
Current year's taxation charge	130,811	394,409

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. TAXATION (CONT'D)

Tax payable for compensation received by Allied Technologies (Suzhou) Co., Ltd. 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, Allied Technologies (Suzhou) Co., Ltd. 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.

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 2016 was \$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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS

	Membership rights \$
Group	
Cost	
At 1 January 2015	513,138
Currency realignment	551
At 31 December 2015 and 1 January 2016	513,689
Currency realignment	2,651
At 31 December 2016	516,340
Accumulated amortisation and impairment	
At 1 January 2015	329,250
Currency realignment	132
Charge for the year	18,674
At 31 December 2015 and 1 January 2016	348,056
Currency realignment	806
Charge for the financial year	18,597
At 31 December 2016	367,459
Net book value	
At 31 December 2016	148,881
At 31 December 2015	165,633

The membership rights of the Group have remaining useful lives of between 5 to 32 years (2015: 1 to 33 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS (CONT'D)

	Membership rights \$
Company	
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	<u>325,360</u>
Accumulated amortisation and impairment	
At 1 January 2015	286,574
Charge for the financial year	<u>14,400</u>
At 31 December 2015 and 1 January 2016	300,974
Charge for the financial year	<u>14,400</u>
At 31 December 2016	<u>315,374</u>
Net book value	
At 31 December 2016	<u>9,986</u>
At 31 December 2015	<u>24,386</u>

The membership rights of the Company have remaining useful lives of 5 years (2015: 1 to 6 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT

<i>Group</i>	Leasehold land	Leasehold properties	Plant and machinery	Furniture and fittings	Electrical installations	Office equipment	Computers	Motor vehicles	Renovations	Assets under construction	Total
<i>Cost</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2015	8,024,098	39,969,266	65,618,161	483,929	3,436,168	1,083,793	4,253,206	1,484,519	4,682,765	12,200	129,048,105
Currency realignment	131,276	624,867	221,441	(879)	8,502	4,990	13,422	13,178	65,859	186	1,082,842
Additions	-	72,366	605,594	10,751	2,847	50,412	60,519	33,594	64,006	37,774	937,863
Disposals	-	-	(4,267,579)	(76,275)	-	(346,994)	(174,856)	(853,138)	(860,913)	-	(6,579,755)
Reclassification	-	(97,793)	27,247	(42,551)	(48,163)	(24,615)	84,360	-	113,994	(12,479)	-
At 31 December 2015 and 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	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
Accumulated depreciation and impairment loss											
At 1 January 2015	2,424,126	6,797,462	57,140,096	406,584	1,219,933	889,257	3,984,499	1,318,592	3,890,061	-	78,070,610
Currency realignment	28,279	58,821	143,803	(1,250)	(35,159)	4,586	13,762	10,571	51,499	-	274,912
Charge for the financial year	153,510	835,136	2,641,391	18,047	510,353	53,492	198,429	60,199	259,620	-	4,730,177
Disposals	-	-	(3,817,400)	(73,312)	-	(343,093)	(174,856)	(849,614)	(859,202)	-	(6,117,477)
Reclassification	-	(32,847)	19,177	(17,220)	(48,923)	(9,217)	56,288	-	32,742	-	-
At 31 December 2015 and 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	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
Net book value											
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
At 31 December 2015	5,549,459	32,910,134	6,077,797	42,126	1,753,150	172,561	158,529	138,405	690,991	37,681	47,530,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

<i>Company</i>	Furniture and fittings \$	Office equipment \$	Computers \$	Motor vehicles \$	Renovations \$	Total \$
Cost						
At 1 January 2015	83,453	65,927	2,663,215	759,888	14,925	3,587,408
Disposals	-	-	-	(759,888)	-	(759,888)
At 31 December 2015 and 1 January 2016	83,453	65,927	2,663,215	-	14,925	2,827,520
Additions	-	-	18,041	-	-	18,041
At 31 December 2016	83,453	65,927	2,681,256	-	14,925	2,845,561
Accumulated depreciation						
At 1 January 2015	83,453	59,519	2,514,890	759,888	4,486	3,422,236
Charge for the financial year	-	2,950	113,894	-	2,610	119,454
Disposals	-	-	-	(759,888)	-	(759,888)
At 31 December 2015 and 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	83,453	65,007	2,655,254	-	9,706	2,813,420
Net book value						
At 31 December 2016	-	920	26,002	-	5,219	32,141
At 31 December 2015	-	3,458	34,431	-	7,829	45,718

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Group has ceased depreciation of the property, plant and equipment of the disposed entities when the assets were reclassified as held for sale from 2 June 2016.

Included in property, plant and equipment of the Group and of the Company are plant and machinery with net book values of \$21,982 (2015: \$27,989) acquired under hire purchase agreements.

In addition to assets held under hire purchase, leasehold land and properties of certain subsidiaries with a carrying amount of \$24,993,059 (2015: \$25,579,728) are pledged to secure loans and borrowings (Note 27).

For the financial year ended 31 December 2016, the Group has recognised \$491,157 (2015: \$516,614) of amortisation of compensation income, as follows:

	2016 \$	2015 \$
Amortisation of compensation for newly acquired asset, which has been accounted for as government grant	491,157	516,614
	491,157	516,614

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVESTMENT PROPERTY

	\$
Group	
Cost	
At 1 January 2015	5,013,511
Currency realignment	90,061
Additions	22,995
At 31 December 2015 and 1 January 2016	5,126,567
Currency realignment	(229,300)
Disposal of subsidiaries	(4,897,267)
At 31 December 2016	-
Accumulated depreciation and impairment	
At 1 January 2015	522,755
Currency realignment	9,719
Charge for the financial year	231,296
At 31 December 2015 and 1 January 2016	763,770
Currency realignment	(36,984)
Charge for the financial year	93,575
Disposal of subsidiaries	(820,361)
At 31 December 2016	-
Net book value	
At 31 December 2016	-
At 31 December 2015	4,362,797

The Group has ceased depreciation of its investment property when the asset was reclassified as held for sale from 2 June 2016 onwards.

	Group	
	2016	2015
	\$	\$
Income statement:		
Rental income from investment properties	224,864	54,732
Direct operating expenses	(64,712)	(16,891)
	160,152	37,841

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. INVESTMENT IN SUBSIDIARIES AND LOAN RECEIVABLES FROM SUBSIDIARIES

	Company	
	2016	2015
	\$	\$
Unquoted shares, at cost	40,334,960	53,337,402
Discount implicit in the interest-free company loans	573,829	955,041
Less: Allowance for impairment in value of investments in subsidiaries	(18,989,761)	(19,777,945)
	21,919,028	34,514,498
Loan receivables, unsecured	6,545,133	8,600,643
Loans and receivables designated as quasi – equity	17,916,268	19,116,107
Less: Allowance for impairment in loan receivables	(6,545,133)	(8,600,643)
	17,916,268	19,116,107

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	
	2016	2015
	\$	\$
Balance at beginning of the financial year	28,378,588	26,982,470
Amount provided during the financial year	1,458,853	1,396,118
Amount write back during the financial year	(2,055,510)	–
Disposal of subsidiaries	(2,247,037)	–
Balance at end of the financial year	25,534,894	28,378,588
Impairment loss on:		
– Investments in subsidiaries	18,989,761	19,777,945
– Loan receivables	6,545,133	8,600,643
	25,534,894	28,378,588

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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		
		2016 %	2015 %	
Held by the Company:				
+~ Allied Machineries (Shanghai) 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 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	100	
^~ Taicang Shanfeng Hardware Co., Ltd. (People’s Republic of China)	Investment holding (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	100	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held	
		2016 %	2015 %
Held by the Company: (cont'd)			
+ 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	–
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.

^ Audited by 蘇州新聯誼會計事務所

* Allied Technologies (Dongguan) Co., Ltd. ceased its operation during the financial year ended 31 December 2015 and remained dormant as at 31 December 2016. For the financial year ended 31 December 2016, this subsidiary recorded revenue of \$ nil (2015: \$6,650,000).

~ Allied Machineries (Shanghai) Co., Ltd. and Taicang Shanfeng Hardware Co., Ltd. had been disposed of as at 31 December 2016.

Allied Precision Technologies (M) Sdn. Bhd. was incorporated during the year and has not commenced its operations as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. OTHER INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
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 listed.

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

During the year, the Group received dividend income of \$87,021 (2015: \$nil) from its other investment.

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

17. OTHER DEBTORS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Non-current				
Amount due from Carapace (Note 5)	12,430,897	–	10,404,757	–
	12,430,897	–	10,404,757	–
Current				
Amount due from Carapace (Note 5)	5,742,228	–	4,806,289	–
Sundry debtors	3,465,817	1,582,585	78,783	156,902
Less: Allowance for sundry debtors	(853,123)	–	–	–
	2,612,694	1,582,585	78,783	156,902
Deposits	135,529	773,349	13,530	13,530
Deferred cost	1,459,052	2,372,045	970,163	1,274,649
	9,949,503	4,727,979	5,868,765	1,445,081

Deferred cost relates to the billings from subcontractor for tooling costs incurred.

Sundry debtors of the Group are mainly custom guarantees, VAT receivables, and amounts extended to third parties for projects tendering purpose. 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 2016

18. PREPAYMENTS

This amount relates to prepayment to a seller in Malaysia to acquire land in Malaysia. Subsequent to year end, the land titles have been transferred to a subsidiary, Allied Precision Technologies (M) Sdn. Bhd. of the Group.

19. INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Inventories	13,193,261	14,474,933	-	-
Less: Allowance for Inventory obsolescence	(583,239)	(1,625,877)	-	-
	12,610,022	12,849,056	-	-
<i>Balance sheet</i>				
Finished goods	3,769,500	4,096,503	-	-
Work-in-progress	6,521,365	6,352,552	-	-
Raw materials	2,319,157	2,400,001	-	-
Total inventories at lower of cost and net realisable value	12,610,022	12,849,056	-	-
<i>Income statement</i>				
Inventories recognised as an expense in cost of sales	103,649,988	99,170,805	3,790,079	4,418,133
Write-back of inventory obsolescence	(28,963)	(870,405)	-	(231,394)
Inventories written off	-	253,194	-	142,082

The reversal of write-down of inventories was made when the related inventories were sold subsequently.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2016	2015
	\$	\$
Trade	1,820,393	5,070,180
Non-trade	3,620,727	6,180,911
	5,441,120	11,251,091
Less: Allowance for impairment loss	(756,398)	(733,878)
	4,684,722	10,517,213
<i>Analysis of allowance for impairment loss:</i>		
Balance at beginning of the financial year	733,878	806,129
Charge to income statement	22,520	34,870
Reversal of impairment loss	–	(107,121)
Balance at end of the financial year	756,398	733,878

Amounts due from 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.

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

	Company	
	2016	2015
	\$	\$
United States dollars	5,097,578	10,922,495
Taiwan dollars	336,181	321,240

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE DEBTORS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade debtors	33,393,886	38,897,378	1,589,709	1,922,694
Less: Allowance for impairment loss	(94,501)	(1,113,886)	(39,817)	(232,716)
	33,299,385	37,783,492	1,549,892	1,689,978

Receivables that are past due but not impaired:

Less than 30 days	2,168,106	3,308,476	29,305	65,266
30 days to 60 days	549,938	292,680	-	22,183
60 days to 90 days	619,277	25,339	-	-
More than 90 days	1,476,712	155,936	-	-
	4,814,033	3,782,431	29,305	87,449

Receivables that are impaired:

Trade debtors – nominal amounts	94,501	1,113,886	39,817	232,716
Less: Allowance for impairment loss	(94,501)	(1,113,886)	(39,817)	(232,716)
	-	-	-	-

Movement in allowance accounts:

Balance at beginning of the financial year	1,113,886	1,189,153	232,716	546,493
(Write back of)/charge for the financial year	(318,358)	525,372	(192,899)	74,103
Written off	-	(550,506)	-	(387,880)
Disposal of subsidiaries	(670,879)	-	-	-
Currency realignment	(30,148)	(50,133)	-	-
Balance at end of the financial year	94,501	1,113,886	39,817	232,716

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 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
United States dollars	20,096,280	19,497,787	1,398,036	1,642,011

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 2016

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 (2015: 16 months) from the financial year end. The weighted average effective interest rates for the financial year ranged from 0.25% to 3.30% (2015: 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
United States dollars	7,812,138	11,952,057	911,297	670,594

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash and bank balances	13,939,360	15,513,706	1,108,558	957,984

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>Non-current</u>				
Fixed deposits (pledged)	–	341,280	–	341,280
<u>Current</u>				
Fixed deposits (pledged)	1,096,229	659,917	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 2016

23. TRADE CREDITORS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade creditors	31,945,170	31,077,377	763,410	83,537

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	
	2016	2015	2016	2015
	\$	\$	\$	\$
United States dollars	20,110,082	13,236,868	702,666	46,980
Euro	75,278	–	–	–

24. HIRE PURCHASE CREDITORS

The average interest rate implicit in the hire purchase obligation is 2.70% (2015: 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
	2016	2016	2015	2015
	\$	\$	\$	\$
Group				
Within one year	9,126	8,496	8,885	8,272
After one year but not more than five years	3,801	3,594	12,589	11,721
Total minimum lease payments	12,927	12,090	21,474	19,993
Less: Amounts representing finance charges	(837)	–	(1,481)	–
Present value of minimum lease payments	12,090	12,090	19,993	19,993

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Non-current				
Deferred interest income (Note 5)	2,201,152	–	1,842,381	–
	2,201,152	–	1,842,381	–
Current				
Sundry creditors	2,255,624	2,899,439	193,964	1,012,869
Payroll accruals	1,341,539	2,231,839	429,843	476,839
Accrued operating expenses	3,342,648	2,131,258	1,101,773	241,294
Deferred income	1,028,378	1,862,912	1,028,378	1,545,601
Deferred interest income (Note 5)	323,217	–	270,535	–
	8,291,406	9,125,448	3,024,493	3,276,603

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. DEFERRED COMPENSATION INCOME

	Group	
	2016	2015
	\$	\$
Current	491,208	515,345
Non-current	8,104,936	9,018,536
	8,596,144	9,533,881

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	
	2016	2015
	\$	\$
<i>Movement in deferred compensation income:</i>		
Balance at beginning of the financial year	9,533,881	9,849,188
Charge to income statement	(491,157)	(516,614)
Currency realignment	(446,580)	201,307
Balance at end of the financial year	8,596,144	9,533,881

The deferred compensation income has 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
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2016 \$	2015 \$	2016 \$	2015 \$
Loans and borrowings:					
Current	2017	5,688,216	9,595,129	266,432	3,358,764
Non-current	-	-	261,648	-	261,648
		5,688,216	9,856,777	266,432	3,620,412

The current and non-current borrowings bear effective interest rates ranging from 3.25% to 5.00% (2015: 1.62% to 5.52% per annum).

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

- (a) \$Nil (2015: \$2,133,000) of the outstanding loans are secured by a debenture with fixed and floating charges over all the present and future assets of the Company.
- (b) \$1,525,031 (2015: \$3,356,011) of the outstanding loans are secured by fixed deposits placement by the Company and its respective subsidiaries.
- (c) \$4,163,185 (2015: \$4,367,766) of the outstanding loans are secured by pledging leasehold land and properties of the respective subsidiaries.

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

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
United States dollars	1,525,031	5,489,011	266,432	3,620,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets

Balance at beginning of the financial year	
Reversal for the financial year	
Currency realignment	
Balance at end of financial year	

Group	
2016	2015
\$	\$
888,299	1,414,099
(369,409)	(555,885)
(41,643)	30,085
477,247	888,299

Deferred tax liabilities

Balance at beginning of the financial year	
Reversal for the financial year	
Currency realignment	
Balance at end of the financial year	
Net deferred tax liabilities	

(4,301,264)	(4,397,241)
238,598	185,414
199,887	(89,437)
(3,862,779)	(4,301,264)
(3,385,532)	(3,412,965)

The deferred tax assets/(liabilities) arose as a result of:

Differences in depreciation for tax purposes	
Unutilised tax losses	

- Expiring in year 2016
- Expiring in year 2017
- Expiring in year 2018
- Expiring in year 2019

Group	
2016	2015
\$	\$
(3,828,779)	(4,267,264)
–	250,349
238,624	250,349
238,623	250,349
–	137,252
477,247	888,299
(34,000)	(34,000)
(3,385,532)	(3,412,965)

Unremitted foreign income	
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

At the end of the reporting period, the Group has tax losses of approximately \$9,391,738 (2015: \$24,994,863) 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 PRC 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 respective countries in which the companies operate. The tax losses have no expiry date except for the following amounts:

	Group	
	2016	2015
	\$	\$
Expiring in:		
Year 2016	–	1,354,784
Year 2017	2,965,452	5,557,170
Year 2018	4,242,017	9,329,869
Year 2019	–	3,565,734
Year 2020	–	2,334,631
	7,207,469	22,142,188

As at 31 December 2016, the Group has undistributed earnings of subsidiaries of approximately \$Nil (2015: \$Nil), 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.

29. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares	\$	No. of shares	\$
Issued and fully paid ordinary shares:				
Balance as at beginning and end of the financial year	675,164,460	57,337,354	675,164,460	57,337,354

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

32. OTHER RESERVES

	Group and Company	
	2016	2015
	\$	\$
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

Basic earnings per share amounts are calculated by dividing the profit after taxation attributable to equity holders 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 after taxation attributable to equity holders 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 calculation for basic and diluted earnings per share is based on:

	Group	
	2016	2015
	\$	\$
Net profit attributable to shareholders	1,359,481	326,972
Weighted average number of ordinary shares for basic and diluted earnings per share computation	675,164,460	675,164,460
Basic earnings per share (cents)	0.20	0.05
Diluted earnings per share (cents)	0.20	0.05

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Within one year	373,329	367,762	2,856	7,368
After one year but not more than five years	333,270	1,210	5,712	1,210
	706,599	368,972	8,568	8,578

(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 year (2015: 1 year). 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Within one year	69,591	11,390	–	–
After one year but not more than five years	11,598	–	–	–
	81,189	11,390	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FUTURE CAPITAL EXPENDITURE

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Commitments in respect of:				
– contracts placed on purchases of equipment	–	635,906	–	–
– 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 3 (2015: 4) subsidiaries to meet their financial obligation as and when they fall due.

At 31 December 2016, the net liability position of the subsidiaries amounted to \$9,391,550 (2015: \$16,755,172).

(b) *Corporate guarantees*

The Group has provided corporate guarantees for certain banking facilities granted by banks to its subsidiaries. At 31 December 2016, these corporate guarantees amounted to \$5,421,784 (2015: \$7,780,566). The unutilised banking facilities secured by such guarantees amounted to \$1,802,230 (2015: \$1,265,844) as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	
	2016	2015
	\$	\$
Professional services rendered by a firm, in which a director is a partner	–	18,560

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

	Group	
	2016	2015
	\$	\$
Short term employee benefits	909,383	702,937
CPF and other pension expenses	27,780	23,050
	937,163	725,987

Directors' compensation is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. 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.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(a) Credit risk (cont'd)

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			
	2016		2015	
	\$	% of total	\$	% of total
<i>By country:</i>				
China	24,505,184	74	30,862,528	81
Malaysia	3,738,971	11	1,764,744	5
Thailand	1,709,165	5	1,801,952	5
Singapore	1,657,235	5	1,607,865	4
Vietnam	472,351	1	318,372	1
Hong Kong	172,755	1	–	–
United States	87,846	–	26,609	–
Australia	–	–	287,023	1
Others	955,878	3	1,114,399	3
	33,299,385	100	37,783,492	100

	Group			
	2016		2015	
	\$	% of total	\$	% of total
<i>By industry:</i>				
Information Technology	28,424,467	85	28,174,831	74
Solar Energy	4,067,818	12	7,852,199	21
Others	807,100	3	1,756,462	5
	33,299,385	100	37,783,492	100

At the end of the reporting period, approximately 68% (2015: 58%) of the Group's trade debtors were due from 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(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.

	2016			2015		
	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	41,789,836	12,430,897	54,220,733	40,139,426	–	40,139,426
Cash and bank balances	13,939,360	–	13,939,360	15,513,706	–	15,513,706
Fixed deposits (pledged)	1,096,229	–	1,096,229	671,384	342,560	1,013,944
Total undiscounted financial assets	56,825,425	12,430,897	69,256,322	56,324,516	342,560	56,667,076
Financial liabilities						
Trade creditors	31,945,170	–	31,945,170	31,077,377	–	31,077,377
Other creditors and accruals	6,939,811	–	6,939,811	7,262,536	–	7,262,536
Loans and borrowings	5,813,063	–	5,813,063	9,725,832	262,644	9,988,476
Hire purchase creditors	9,126	3,801	12,927	8,885	12,589	21,474
Total undiscounted financial liabilities	44,707,170	3,801	44,710,971	48,074,630	275,233	48,349,863
Total net undiscounted financial assets	12,118,255	12,427,096	24,545,351	8,249,886	67,327	8,317,213

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

	2016			2015		
	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	4,684,722	–	4,684,722	10,517,213	–	10,517,213
Trade and other debtors	6,448,494	10,404,757	16,853,251	1,860,410	–	1,860,410
Cash and bank balances	1,108,558	–	1,108,558	957,984	–	957,984
Fixed deposits (pledged)	347,520	–	347,520	–	342,560	342,560
Total undiscounted financial assets	12,589,294	10,404,757	22,994,051	13,335,607	342,560	13,678,167
Financial liabilities						
Trade creditors	763,410	–	763,410	83,537	–	83,537
Other creditors and accruals	1,725,580	–	1,725,580	1,731,002	–	1,731,002
Loans and borrowings	267,668	–	267,668	3,397,217	262,644	3,659,861
Total undiscounted financial liabilities	2,756,658	–	2,756,658	5,211,756	262,644	5,474,400
Total net undiscounted financial assets	9,832,636	10,404,757	20,237,393	8,123,851	79,916	8,203,767

(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.

	2016			2015		
	1 year or less \$	1 to 5 years \$	Total \$	1 year or less \$	1 to 5 years \$	Total \$
Group						
Financial guarantee	5,421,784	–	5,421,784	7,780,566	–	7,780,566

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(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 (2015: 75) basis points with all other variables held constant, the Group's profit before tax for the financial year ended 31 December 2016 would have been lower (2015: lower) by \$42,662 (2015: \$73,926) as a result of higher interest expenses on floating rate loans and borrowings. If the interest rate had been lower by 75 (2015: 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 2016

38. 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 68% (2015: 65%) of the Group's sales are denominated in foreign currencies whilst almost 54% (2015: 47%) of costs are denominated in the respective functional currencies of the Group entities.

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.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. In relation to its overseas investments in its foreign subsidiaries whose net assets are exposed to currency translation risk and which 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 2016

38. 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	
	2016	2015
	Increase profit/ (Decrease profit)	Increase profit/ (Decrease profit)
	\$	\$
USD/SGD – strengthened 3% (2015: 3%)	222,698	326,209
– weakened 3% (2015: 3%)	(222,698)	(326,209)
USD/RMB – strengthened 1% (2015: 1%)	36,756	25,166
– weakened 1% (2015: 1%)	(36,756)	(25,166)
USD/VND – strengthened 1% (2015: 1%)	(54,738)	(34,816)
– weakened 1% (2015: 1%)	54,738	34,816
USD/MYR – strengthened 3% (2015: 3%)	(197,180)	(180,057)
– weakened 3% (2015: 3%)	197,180	180,057

Fair value of financial assets and financial liabilities

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Loans and receivables</i>				
Trade debtors	33,299,385	37,783,492	1,549,892	1,689,978
Other debtors	20,921,348	2,355,934	15,303,359	170,432
Cash and bank balances	13,939,360	15,513,706	1,108,558	957,984
Fixed deposits (pledged)	1,096,229	1,001,197	347,520	341,280
Amounts due from subsidiaries	–	–	4,684,722	10,517,213
Total	69,256,322	56,654,329	22,994,051	13,676,887
<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	31,945,170	31,077,377	763,410	83,537
Other creditors and accruals	6,939,811	7,262,536	1,725,580	1,731,002
Loans and borrowings	5,688,216	9,856,777	266,432	3,620,412
Hire purchase creditors	12,090	19,993	–	–
Total	44,585,287	48,216,683	2,755,422	5,434,951

39. 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 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 2016

39. CAPITAL MANAGEMENT (CONT'D)

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	
	2016	2015
	\$	\$
Total liabilities	48,138,034	50,079,595
Net worth	62,524,167	61,164,686
Gearing ratio	77%	82%

As disclosed in Note 31, the PRC subsidiaries are required to contribute to and maintain a reserve fund. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2016 and 2015.

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

40. EVENT OCCURRING AFTER THE REPORTING PERIOD

On 31 January 2017, the Group obtained the land titles in Malaysia as disclosed in Note 18. The land titles have been obtained by a subsidiary, Allied Precision Technologies (M) Sdn. Bhd. Total investment in land amounts to S\$2,399,462. The subsidiary will build a factory on the land to undertake the business of toolmaking, manufacture of metal stamped parts, and provision of value-added assembly services.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 29 March 2017.

STATISTICS OF SHAREHOLDINGS

Issued & fully paid-up capital	:	57,337,354
Number of shares	:	675,164,460
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	67	3.39	733	0.00
100 – 1,000	135	6.82	125,220	0.02
1,001 – 10,000	517	26.12	3,170,368	0.47
10,001 – 1,000,000	1,220	61.65	91,342,530	13.53
1,000,001 AND ABOVE	40	2.02	580,525,609	85.98
TOTAL	1,979	100.00	675,164,460	100.00

SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
1. Hsu Ching Yuh @ Sheu Ching Yuh	249,697,000	36.98	–	0.00
2. New Outlook Limited ⁽¹⁾	129,456,408	19.17	–	0.00
3. Yu Yi Chang ⁽²⁾	–	0.00	129,456,408	19.17
4. Yeh Shun Wei ⁽²⁾	–	0.00	129,456,408	19.17

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 129,456,408 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	HSU CHING YUH @ SHEU CHING YUH	249,697,000	36.98
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	158,849,645	23.53
3	SOH WENG KHEONG	26,037,630	3.86
4	TAN LAY THIAM	20,354,100	3.01
5	OCBC SECURITIES PRIVATE LIMITED	13,568,000	2.01
6	CHANG WU-YIN	13,150,750	1.95
7	TAN SUN HAN	10,473,500	1.55
8	CHAN CHI-YUNG	9,600,000	1.42
9	KGI FRASER SECURITIES PTE. LTD.	8,000,500	1.18
10	UOB KAY HIAN PRIVATE LIMITED	6,699,600	0.99
11	CHANG SU-SEN	4,365,000	0.65
12	NG KIM CHOON	3,822,000	0.57
13	TAN SIANG KENG	3,735,000	0.55
14	DBS NOMINEES (PRIVATE) LIMITED	3,598,784	0.53
15	GOH KIAN SOON (WU JIANSHUN)	3,393,100	0.50
16	GOH BOON CHYE	3,148,000	0.47
17	KOH CHIN HWA	3,000,000	0.44
18	TAN ENG CHUA EDWIN	2,792,400	0.41
19	TAN KAH HUAT	2,659,000	0.39
20	TAN CHIN WAH	2,600,000	0.39
TOTAL		549,544,009	81.38

SHAREHOLDING IN THE HANDS OF PUBLIC

Based on the information provided to the Company as at 20 March 2017, approximately 40.00% of the issued ordinary shares of the Company were held by the public. Accordingly, Rule 723 of the Mainboard Listing Rules of SGX-ST has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **ALLIED TECHNOLOGIES LIMITED** will be held at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853, on Thursday, 27 April 2017, at 9.00 a.m. for the following purposes:–

AS ORDINARY BUSINESS:–

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors, and the Statement of Directors. **(Resolution 1)**

2. To re-elect Mr Soh Weng Kheong (retiring pursuant to Regulation 108 of the Company's Constitution) as a Director. **(Resolution 2)**

Mr Soh Weng Kheong will, upon re-election as a Director of the Company, remain as Group Deputy Managing Director and Executive Director of the Company.

3. To re-elect Mr Shih Chih-Lung (retiring pursuant to Regulation 107 of the Company's Constitution) as a Director. **(Resolution 3)**

Mr Shih Chih-Lung will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Chuang Shaw Peng (retiring pursuant to Regulation 107 of the Company's Constitution) as a Director. **(Resolution 4)**

Mr Chuang Shaw Peng will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the payment of Directors' fees of S\$105,000 for the financial year ended 31 December 2016. **(Resolution 5)**

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

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

BY ORDER OF THE BOARD

Khoo Boo Han
Company Secretary
Singapore
4 April 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- (i) 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.

A member of the Company who is entitled to attend and vote at the Annual General Meeting 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.

- (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 Annual General Meeting.
- (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 Annual General Meeting in order to be entitled to attend and vote at the Annual General Meeting.

PERSONAL DATA PRIVACY:

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

ALLIED TECHNOLOGIES LIMITED

(Company Registration No. 199004310E)

(Incorporated in the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

- 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.
- 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.
- 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 accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2017.

I/We, _____ (Name)

of _____ (Address)

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

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company, to be held at 11 Woodlands Close, #10-11, Woodlands 11, Singapore 737853, on Thursday, 27 April 2017, at 9.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

No.	Resolutions relating to:	For*	Against*
1	Audited Accounts for the financial year ended 31 December 2016, together with the Reports of the Directors and Auditors and the Statement of the Directors		
2	Re-election of Mr Soh Weng Kheong as a Director		
3	Re-election of Mr Shih Chih-Lung as a Director		
4	Re-election of Mr Chuang Shaw Peng as a Director		
5	Approval of Directors' fees amounting to S\$105,000 for the financial year ended 31 December 2016		
6	Re-appointment of Ernst & Young LLP as the Company's Auditors and authorisation of the Directors to fix their remuneration		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this _____ day of _____, 2017.

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 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.
2. A member of the Company who is entitled to attend and vote at the AGM 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 AGM.
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 AGM, 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.



ALLIED

ALLIED TECHNOLOGIES LIMITED

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