



GAINING
MOMENTUM
DRIVING
VALUE

ANNUAL REPORT 2018

02

Chairman's
Message

04

Financial
and
Operations
Review

06

Board of
Directors

08

Corporate
Information

09

Financials

99

Statistics of
Shareholdings

101

Notice of
Annual
General
Meeting

Proxy Form

OUR MISSION

- **BUILD A GLOBAL WORKFORCE TO SUPPORT OUR CHOSEN MARKETS.**
- **PROVIDE CUSTOMER VALUE THROUGH EXCELLENT AFTER-SALES SERVICES.**
- **STRENGTHEN EXISTING AND DEVELOP NEW MARKETS.**
- **TO CONSISTENTLY EXCEED SHAREHOLDER'S EXPECTATIONS.**

OUR CORE VALUES

AT VIBROPOWER, THERE ARE 3-POWERS AT WORK:

- **PASSION**
OUR PASSION FUELS
OUR PEOPLE;
- **PRIDE**
WE NEVER SAY NO; AND
- **POSSIBILITIES**
WE TRANSFORM CHALLENGES
TO POSSIBILITIES.



BUSINESS LOCATIONS

SINGAPORE

- VibroPower Corporation Limited
- VibroPower Pte Ltd
- VibroPower Sales and Services (S) Pte. Ltd.
- GMTM Holdings Pte Ltd
- Indamex (F.E) Pte.Ltd.
- Scott & English Pte. Ltd.

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Singapore 638929
Tel : (65) 6268 2322
Fax : (65) 6262 2922
www.vibropower.com

MALAYSIA

- VibroPower
Generators Sdn. Bhd.
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Taman Sungei Besi Indah
Seri Kembangan, 43300
Selangor, Malaysia
Tel : (603) 8942 9328
Fax : (603) 8942 9329

CHINA

- Shanxi Weineng Coal Mine
Co Development Co. Ltd
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Pingding Country,
Nan yang sheng Village, China
Tel : (86) 0353-5681550

INDIA

- VibroPower Generators
(India) Pvt. Ltd.
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off Western Express Highway,
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Mumbai 400 063, India
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- VibroPower Representative Office
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www.vprussia.com

CHAIRMAN'S MESSAGE

"I AM PLEASED TO ANNOUNCE TO SHAREHOLDERS, A CORPORATE DEVELOPMENT THAT HAS THE POTENTIAL TO ENHANCE VIBROPOWER'S REVENUE AND PROFITABILITY AS IT TAKES SHAPE."

BENEDICT CHEN ONN MENG



DEAR SHAREHOLDERS,

I am pleased to present the Annual Report of VibroPower Corporation Limited ("VibroPower", "the Group" or "the Company"), for the financial year ended 31 December 2018 ("FY2018").

OVERVIEW

The Group remained profitable in FY2018. Profit before Tax improved by 62.9% from S\$469,000 in FY2017 to S\$764,000 in FY2018. The increase in profit before tax resulted from increased revenue and enhanced operational efficiency.

More importantly, profitability was achieved despite a challenging business environment in our core custom power solutions business, in which the number of projects as well as the size of construction and infrastructure projects secured by our main competitor saw a decline during the year. Vigilant monitoring of operational efficiency and prudent management of finances has enabled us to remain profitable.

Meanwhile the coal mine methane gas power plant of our wholly-owned subsidiary Shanxi Weineng Coal Mine Gas Development Co. Ltd. in Shanxi China, is growing from strength to strength and we expect it to increase its contribution to the Group's

revenue in FY2019. In FY2017, the revenue contribution from the power plant was S\$725,000. This increased to S\$1,081,000 in FY2018. The power plant is in the progress of increasing its capacity from 5 megawatts to 8 megawatts. Capacity will gradually be scaled up to its nameplate capacity of 20 megawatts. Concurrently, the plant has made continual improvement in operational efficiency.

I am pleased to announce to shareholders, a corporate development that has the potential to enhance VibroPower's revenue and profitability as it takes shape. In February 2019, our wholly-owned subsidiary Scott & English Pte Ltd secured the exclusive distribution rights for Lister Petter Power Systems Ltd's range of engines for Singapore, Malaysia, Indonesia, Myanmar and Hong Kong, with the potential to expand the number of territories depending on performance.

Lister Petter is an iconic 150-year old British brand-name, producing a wide range of engines that is used in the manufacturing, agriculture, construction, telecommunications and marine industries. Scott & English will be offering Lister Petter engines, spare parts as well as provide product support services for Lister Petter engines.

FINANCIAL PERFORMANCE

For the twelve months ended 31 December 2018 (FY2018), the Group's revenue was S\$15.5 million. This is an 8.4% increase from the S\$14.3 million of FY2017.

The increase in revenue was mainly due to an increase in revenue from projects as well as the revenue contributed by the Shanxi power plant. However, overall Gross Profit Margin fell from 25.0% in FY2017 to 21.7% in FY2018, mainly due to a decrease in higher margin projects during the year.

Administrative Expenses decreased by S\$0.1 million mainly due to a reduction in headcount. Finance cost increased by S\$0.1 million due to higher financing cost. Other credits increased due mainly to tax rebate of S\$0.2 million from our power plant project in FY2018.

The Group registered a net profit after tax of S\$0.6 million for FY2018. This translates into an Earnings per Share of 1.25 Cents as compared to an Earnings per Share of 1.42 Cents per Share in FY2017.

FINANCIAL POSITION

The Group's financial position is healthy, with a Current Ratio of 1.9, and a Debt/Equity Ratio of 0.9. Cash and Cash Equivalents was S\$1.6 million at 31 December 2018, an

increase from S\$1.3 million as at 31 December 2017.

Net Asset Value per Share as at 31 December 2018 was 47.04 Cents per Share as compared to 45.73 Cents per Share as at 31 December 2017.

Net cash flow from operations reversed from a negative S\$877,000 in FY2017 to a positive S\$1,164,000 in FY2018.

OUTLOOK FOR THE YEAR AHEAD

The outlook for the global economy is expected to remain challenging for the year ahead. Many economic and political uncertainties remain, including the trade spat between the USA and China, several conflicts in the Middle East, a slowdown in China's economy, the U.K.'s Brexit issue, and upcoming general elections in Singapore's neighbours such as India, Thailand, Indonesia and Australia. Uncertainty and "Unknown Unknowns" create volatility and unpredictability that requires us to be nimble and respond quickly to the changes in our business environment.

The Shanxi power plant will add stability and generate a more regular income stream for the Group. This will ameliorate the current lumpy nature of income streams from our core custom power solutions

business which is dependent on our customers securing new projects.

The securing of the exclusive distribution rights for Lister Petter engines is also a positive development for the Company. Lister Petter products are well-known globally for their superior quality and reliability. This exclusive distributorship will add significantly to VibroPower's marketing reach and business potential both locally and overseas.

Indonesia, Myanmar and Malaysia are fast-growing economies requiring the kind of products that Lister Petter manufactures. VibroPower will not only make available Lister Petter products but add value by offering customised power solutions for clients in those markets.

The Board is aware of SGX's MTP (Minimum Trading Price) regulations for listed companies, and is studying various options to meet the MTP and exit from the SGX Watch List. The Board will evaluate the options available and decide on the one that best serves the interests of the Company's shareholders. Shareholders will be updated on developments pertaining to this issue when appropriate.

CONCLUSION

Our business strategy to move into the renewable energy segment, is aligned with the global macro-trend towards renewable energy and is expected to enhance long-term shareholder value. Our Shanxi coal mine methane gas power plant converts methane gas that is a by-product of coal mining to useful energy, at the same time reducing the pollution that would have been caused by uncontrolled discharge of the methane gas into the atmosphere. This is renewable energy at its best, and we are proud to be an active partner in the fight against global warming.

The Company will continue to explore and evaluate other renewable energy business opportunities and keep shareholders posted via announcements on SGX-Net when appropriate.

At the same time, with the Lister Petter distributorship and a wider range of engines for customisation into innovative power solutions, we will be able to scale up our business. The demand for our products and services is underpinned by the fast-growing ASEAN economies, and their need to fast-track the building of infrastructure. Whether it is roads, railways, bridges, ports, hospitals or schools, construction of infrastructure requires the supply of portable power from generator sets.

I am fairly optimistic that if we continue to be vigilant in our monitoring of the ever-evolving business environment, and we remain alert and nimble in our response to changes, we should be able to steer through the challenges ahead and enhance long term shareholder value.

ACKNOWLEDGEMENTS

FY2018 has been a challenging year but with our resilience we have managed to remain profitable. I deeply appreciate the unwavering support of our shareholders, business associates and partners. I would also like to thank the Management and staff for their dedication and hard work. Finally, I would also like to thank the Board for their guidance in steering the company through the challenging headwinds and crafting a strategy for the future.

BENEDICT CHEN ONN MENG
Chief Executive Officer

FINANCIAL AND OPERATIONS REVIEW

The Group faced a challenging business environment in FY2018 especially in its main market in Singapore. Intense competition for public sector construction and infrastructure projects resulted in the Group's customers securing fewer construction and infrastructure contracts. Consequently revenue growth of our customer power solutions division did not experience significant growth.

Despite the challenging environment, the Group was able to remain profitable. Profit before Tax increased by 62.9% from S\$469,000 to S\$764,000. This was achieved through the Group's continual focus on increasing operational efficiency and careful monitoring of marketing and administrative costs. Marketing and distribution costs declined by 19.9% from S\$292,000 to S\$234,000. Administrative expenses declined by 4.5% from S\$2,285,000 to S\$2,182,000. Gross profit margin declined from 25.0% in FY2017 to 21.7% in FY2018 mainly attributed to projects during FY2018 having lower margins in view of intense competition.

The Group also sharpened its capability to provide power solutions tailored to the specific needs of its clients. The optimal combination of engine, alternator and radiator as well as other ancillaries was tailored to the specific requirements of individual projects for our clients. The Group ensured that its sales and operations workforce were well-trained and had the expertise and experience to provide technical advice and support to give our customers a valuable advantage over their competitors. In this way, the Group has been able to add value, differentiate itself from its competitors, and maintain its margins.

Earnings per share based on net profit attributable to shareholders remained positive at 1.25 Singapore cents which was a decrease from earnings per share of 1.42 Singapore cents in FY2017.

The Group's financial position remained healthy with total assets as at 31 December 2018 of S\$34.1 million compared with S\$33.4 million as at 31 December 2017. Total liabilities as at 31 December 2018 was S\$15.5 million compared with S\$15.3 million as at 31 December 2017. Cash and cash equivalents stood at S\$1.6 million, an increase of S\$0.3 million over S\$1.3 million as at 31 December 2017. With a Current Ratio of 1.9 and a Borrowings to Equity Ratio of 0.9, the Group's short term as well as longer term liquidity remains resilient.

As at 31 December 2018, the Group's net asset value per share had increased to 47.04 Singapore cents from 45.73 Singapore cents per ordinary share as at 31 December 2017.

In FY2018, the revenue from the Shanxi power plant increased to S\$1,081,000 from S\$725,000 in FY2017. Although this was only 7.0% of Group revenue it marks a milestone for the Projects segment of the Group's business. The Group now has a Power Plant segment which will be a source of recurring income.

MARKET GEOGRAPHICAL SEGMENTS

The Group's markets are Singapore, Asia, and Rest of the World. The share of revenue contributed by the Singapore market declined from 83.6% in FY2017 to 75.6% in FY2018, while Asia's share of revenue has risen to 23.6% in FY2018 from 14.8% in FY2017. The contribution by the Rest of the World was below 1%. This is an indication of the Group's efforts to expand its footprint outside of Singapore to regional markets.

Singapore will remain the Group's dominant area of activity for the near future due to the large number of ongoing as well in-the-pipeline public sector construction and infrastructure projects that are a potential market for the Group's custom power solutions. The projects cover a wide range

public sector projects including transportation infrastructure such as road works and MRT stations, to social infrastructure such as schools and hospitals, to mega economic construction projects such as Changi Airport Terminal 5 and the Tuas mega port.

OPERATIONS UPDATE

Shanxi power plant is in the progress of increasing its capacity from 5 megawatts to 8 megawatts. We expect to progressively increase its output to the nameplate capacity of 20 megawatts. This will result in an increase of the plant's revenue contribution to the Group.

The Group's wholly-owned subsidiary secured the exclusive distribution rights for Lister Petter engines for the Asia-Pacific region which includes Indonesia, Malaysia and Myanmar. The range of Lister Petter engines will add to the Group's custom power solutions capability, especially Lister Petter's smaller-sized engines which could potentially have many applications in the region's agricultural and plantation crop sectors.

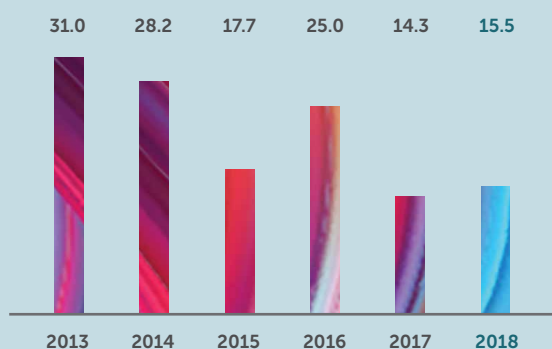
SGX WATCHLIST

The Company remains on the SGX Watchlist as it has not yet met the MTP (Minimum Trading Price) requirement as defined in Listing Rule 1314(2), and has 36 months from 5 June 2017 to take steps to meet the requirement and exit from the Watchlist; failing which the Exchange would delist the Company or suspend trading in the Company's shares with a view to delisting it. The Board has announced that it is studying all options that would enable the Company to meet the requirements for exit from the Watch-list, and will select the option that it views as being most beneficial to the company's shareholders. Shareholders will be updated on any developments with regard to this issue as and when appropriate.

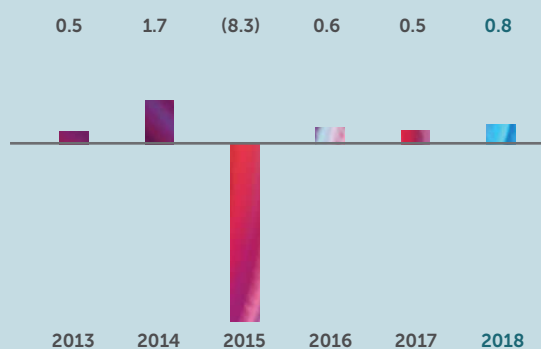
FINANCIAL HIGHLIGHTS (\$mil)

	2013	2014	2015	2016	2017	2018
Turnover	31.0	28.2	17.7	25.0	14.3	15.5
Profit/(Loss) before tax	0.5	1.7	(8.3)	0.6	0.5	0.8
Shareholders' Equity, Attributable to Equity Holders of the Company	21.1	23.0	15.4	16.4	16.4	16.9
Total Assets	43.5	40.7	35.7	34.2	33.4	34.1

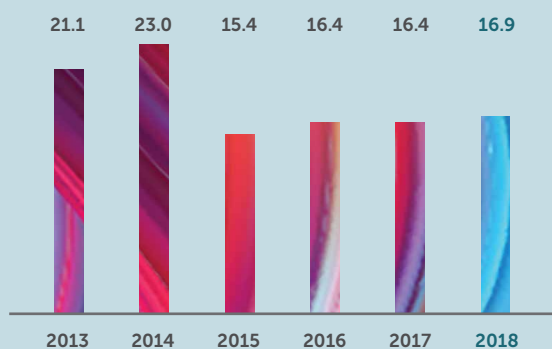
TURNOVER (\$mil)



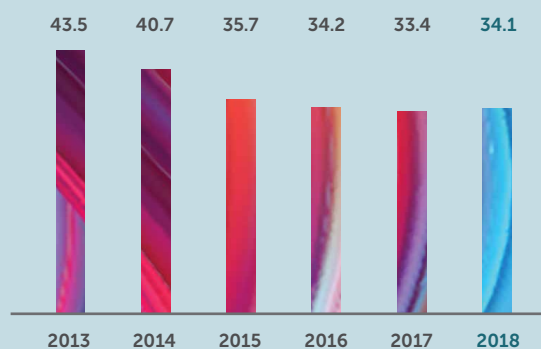
PROFIT/(LOSS) BEFORE TAX (\$MIL)



SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (\$mil)



TOTAL ASSETS (\$mil)



**BOARD OF
DIRECTORS**



**ERNEST YOGARAJAH S/O
BALASUBRAMANIAM**

BENEDICT CHEN ONN MENG

TOH SHIH HUA

BENEDICT CHEN ONN MENG
Chief Executive Officer

Mr Chen is one of the founders and has been with the Group since 1995. He is the Chief Executive Officer of the Group. He is jointly responsible for the overall direction of the Group. He is also a member of the Company's Remuneration Committee.

Mr Chen has a diploma in Mechanical Engineering from Singapore Polytechnic.

**ERNEST YOGARAJAH S/O
BALASUBRAMANIAM**
Independent and Non-Executive
Director

Mr Balasubramaniam was appointed as an Independent Director on 10 May 2007. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee.

Mr Balasubramaniam is a practising lawyer and Director of UniLegal LLC. He has a Bachelor of Laws degree and a Master of Laws degree from the National University of Singapore.

TOH SHIH HUA
Independent and Non-Executive
Director

Ms Toh was appointed as an Independent Director on 28 April 2015. She is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Ms Toh is the founder and director of Genesis Capital Pte Ltd, a corporate finance advisory firm since 2004. Ms Toh has a Bachelor of Accountancy degree from Nanyang Technological University and is a member of Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

BENEDICT CHEN ONN MENG
Chief Executive Officer
ERNEST YOGARAJAH S/O
BALASUBRAMANIAM
Independent and Non-executive Director
TOH SHIH HUA
Independent and Non-executive Director

AUDIT COMMITTEE

TOH SHIH HUA
Chairman
ERNEST YOGARAJAH S/O
BALASUBRAMANIAM
BENEDICT CHEN ONN MENG

NOMINATING COMMITTEE

TOH SHIH HUA
Chairman
ERNEST YOGARAJAH S/O
BALASUBRAMANIAM
BENEDICT CHEN ONN MENG

REMUNERATION COMMITTEE

ERNEST YOGARAJAH S/O
BALASUBRAMANIAM
Chairman
BENEDICT CHEN ONN MENG
TOH SHIH HUA

REGISTERED OFFICE AND BUSINESS ADDRESS

11 Tuas Avenue 16
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Tel : (65) 6268 2322
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Website: www.vibropower.com

COMPANY SECRETARY

SIA HUAI PENG

REGISTRAR AND SHARE TRANSFER OFFICE

BOARDROOM CORPORATE
& ADVISORY SERVICES PTE LTD
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

ERNST & YOUNG LLP
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
One Raffles Quay,
North Tower
Level 18
Singapore 048583

Partner in charge: Yee Woon Yim
(Since reporting year ended
31 December 2014)

CONTENTS

10

Corporate
Governance
Report

27

Directors'
Statement

31

Independent
Auditor's
Report

35

Consolidated
Statement of
Comprehensive
Income

36

Balance
Sheets

37

Statements
of Changes
in Equity

40

Consolidated
Cash Flow
Statement

41

Notes to the
Financial
Statements

CORPORATE GOVERNANCE REPORT

VibroPower Corporation Limited (the “Company”) is committed to maintaining good corporate governance within the Company and its subsidiaries (collectively, the “Group”). The Board recognises the importance of good corporate governance and is committed to making sure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long-term shareholder value.

This report describes the Company’s corporate governance practices for the financial year ended 31 December 2018 (“FY2018”), with specific references made to the principles and the provisions of the Code of Corporate Governance 2012 (the “Code”). The Board confirms that for FY2018, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has disclosed and explained any variations from the Code in this report.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the “2018 Code”) and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

A. BOARD MATTERS

The Board’s Conduct of its Affairs

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

The Board is entrusted with the responsibility of the overall management of the Company. Its primary function is to provide effective leadership and direction for the overall business and corporate affairs of the Group to enhance the long-term value for the Company’s shareholders and the Group’s stakeholders.

Besides carrying out its statutory responsibilities, the Board’s role is to:

- (a) Set strategic objectives and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) Establish a framework of effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
- (c) Review management performance, approve annual budgets, funding requirements, expansion programs, capital investment and major acquisitions and divestments proposals;
- (d) Identify the key stakeholder groups and recognise that their perceptions affect the company’s reputation;
- (e) Set the company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- (f) Supervising and monitoring of the Group’s management over various matters, including strategic and sustainability issues and business planning processes;
- (g) Assume responsibility for corporate governance; and
- (h) Approve the release of the financial results and annual report of the Group to shareholders.

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. All Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board has established board committees (the "Board Committees"), which operate under clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also reviewed by the Board. The three (3) Board Committees are:

- the Audit Committee (the "AC")
- the Nominating Committee (the "NC")
- the Remuneration Committee (the "RC")

The Board acknowledges that the Board Committees play an important role in ensuring good corporate governance of the Group and actively engages the Board Committees on matters pertaining to the Group. The Board also acknowledges that while these Board Committees have the authority to examine specific issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

The Board meets at least two (2) times a year to review and approve, *inter alia*, the half-year and full year results of the Group. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Additional meetings are convened as and when required. Apart from approvals obtained at Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing together with all relevant information pertaining to the matter. As provided in the Constitution of the Company, the Board may convene telephonic and videoconferencing meetings as necessary.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during FY2018 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	2	1	1
No. of meetings attended by the Directors				
Benedict Chen Onn Meng	2	2	1	1
Ernest Yogarajah s/o Balasubramaniam	2	2	1	1
Toh Shih Hua	2	2	1	1

The Board has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and funding proposals, diversification of business, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions with interested persons, and those relating to investment, funding, legal, compliance and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group.

Newly appointed Directors, if any, will be issued a letter of appointment setting out their duties and obligations when they are appointed. They will also undergo an orientation session, which include a briefing by Management on the Group's business operations and governance practices to ensure that new Directors have an insight into the workings of the Group. There was no new director appointed during the financial year.

The Company Secretary and the Company's auditors will advise the existing Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as update them on any changes in the Companies Act and the Listing Manual. Directors also have opportunities to visit the Group's operation facilities in order to have a better understanding of its business operations.

CORPORATE GOVERNANCE REPORT

From time to time, the Directors participate in seminars or discussions to keep themselves updated on the latest changes and developments concerning the Group and keep abreast of the latest regulatory changes.

The briefings and updates provided to Directors in FY2018 include:

- The Company Auditors briefed the AC members on changes or amendments to the accounting standards.
- The Chief Executive Officer updated the Board on the business and strategic developments of the Group.
- The Company Secretary updated the Board on the revised Code of Corporate Governance 2018.

BOARD COMPOSITION AND GUIDANCE

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

As at the date of this Annual Report, the Board comprises one (1) Executive Director and two (2) Independent and Non-Executive Directors. The membership of the Directors on the Board Committees are as follows:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Benedict Chen Onn Meng	Executive Chairman and Chief Executive Officer	Member	Member	Member
Ernest Yogarajah s/o Balasubramaniam	Lead Independent Director	Member	Member	Chairman
Toh Shih Hua	Independent and Non-Executive Director	Chairman	Chairman	Member

There is presently a strong and independent element on the Board as two out of three board members (more than 50%) are considered independent. Accordingly, the Company is in compliance with the requirement of the Code where independent directors should make up at least half of the Board, where the Chairman of the Board (the "Chairman") and the CEO is the same person.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition of an "independent" director and guidance on relationships, the existence of which would deem a director not to be independent. A director who has no 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 his independent judgment in the best interests of the Company, is considered to be independent.

In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including (i) the employment of a director by the Company or any of its related corporations; (ii) employment of an immediate family member by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; (iii) the acceptance by a director of any significant compensation from the Company or any of its related corporations, other than compensation for board service; (iv) a director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services; (v) a director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder of the Company; (vi) a director who is or has been associated with a 10% shareholder of the Company, for the current or any of the past three financial years.

CORPORATE GOVERNANCE REPORT

Each Independent and Non-Executive Director is required to complete a Director's Independence Form annually to confirm his independence. For FY2018, the NC carried out a review on the independence of each Independent and Non-Executive Director based on the foregoing considerations, the respective Director's Independence Form and their actual performance on the Board and Committees. Having carried out their review, the NC is satisfied that the two Directors, who are non-executive, are independent.

The Board recognises that the Independent and Non-Executive Directors may over time develop significant insights in the Group's businesses and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the Independent and Non-Executive Directors must be based on the substance of their professionalism, integrity, objectivity and not merely based on the number of years which they have served on the Board.

Currently, Mr Ernest Yogarajah s/o Balasubramaniam has served on the Board for more than nine years from the date of his first appointment. The NC has subjected his independence to a rigorous review, taking into consideration the absence of potential conflicts of interests which may arise through, *inter alia*, a shareholding interest in the Company and assessment of his independence in character, judgment through his contributions to the Board discussions and deliberations. The NC is of the view that Mr Ernest Yogarajah s/o Balasubramaniam has demonstrated strong independence of character and judgment over the years in discharging his duties and responsibilities as the Independent and Non-Executive Director of the Company with the utmost commitment in upholding the interest of the shareholders. He has expressed individual viewpoints, objectively scrutinised issues and sought clarification as he deemed necessary. The NC has also noted that there were no relationships or circumstances which were likely to affect, or could appear to affect his independent judgement. As such, the NC had recommended to the Board and the Board concurred that Mr Ernest Yogarajah s/o Balasubramaniam's independence of character and judgement was not in any way affected or impaired by his length of service.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has an appropriate balance of independent directors. The Board is of the view that the current board size and composition is appropriate for effective decision making, taking into account the scope and nature of the Group's operations.

In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability, qualifications and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors.

The Board comprises Directors who are qualified and experienced in various fields including accounting and finance, legal, business and management experience and the requisite industry knowledge.

Skills and Experience:

The Board comprises three Directors who are each experienced and qualified in their respective fields.

Gender:

The Board comprises two male members and a female member.

Knowledge of the Company:

The Executive Chairman and CEO, Mr Benedict Chen Onn Meng, has over 35 years' experience in the energy and power generation industry.

The Independent and Non-Executive Directors have been having regular meetings with the Group's management to keep abreast of its financial performance, position and prospects. Prior to their appointment, they had undergone an orientation of the Group's business, including onsite visits and meetings with management to familiarise themselves with the Group's business.

CORPORATE GOVERNANCE REPORT

Together, the Directors bring a wide and diverse range of business, finance, legal and management experience that will provide effective governance and stewardship for the Group. Please refer to the "Board of Directors" section of the Annual Report for the directors' profile.

Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. Independent and Non-Executive Directors, will then evaluate these proposals or reports and where appropriate, provide guidance to Management.

In addition, these directors will also review the performance of Management in meeting goals and objectives. Where required, Independent and Non-Executive Directors will meet without the presence of Management or Executive Director to review any matter that may be raised privately.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chief Executive Officer and the Chairman of the Board of Directors for the Company is Mr Benedict Chen Onn Meng. The Board, after careful consideration, is of the opinion that the need to separate the roles of the Chief Executive Officer and Chairman is not necessary for the time being. The presence of a strong independent element and the participation of the Independent and Non-Executive Directors ensure that Mr Benedict Chen Onn Meng does not have unfettered powers of decision. This has been reflected in Board and Committee meetings where the Independent and Non-Executive Directors have participated actively in the decision-making process.

The Board has not adopted the recommendation of the Code to have separate persons appointed as the Chairman and the Chief Executive Officer as the Board is of the view that there is a sufficiently strong independent element and safeguards in place to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the numbers of independent directors on the Board as well as the contributions made by each member at meetings which relate to the affairs and operations of the Group. Further, given the Group's current corporate structure, size, nature and scope of operations, the Board is satisfied that one person is able to effectively discharge the duties of both positions.

The Chief Executive Officer is responsible for the proper functioning of the Board and ensures that Board meetings are held as and when necessary. As the Chairman, he also assumes responsibility for the smooth functioning of the Board, ensures the timely flow of information between Management and the Board, sets the agenda for Board meetings, ensures sufficient allocation of time for thorough discussion of each agenda item, promotes a culture of openness and debate at the Board and cultivates high standards of corporate governance.

Mr Ernest Yogarajah s/o Balasubramaniam has been appointed as the Lead Independent Director of the Company. He is the principal liaison in the event that any issues arise between the Independent and Non-Executive Directors and the Executive Director. He is available to address the concerns of shareholders, employees or other persons in the event that interaction with the Executive Chairman and Chief Executive Officer has failed to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

The Independent and Non-Executive Directors meet on a need-to basis amongst themselves and with the Company's external auditors and internal auditors without the presence of Management to discuss matters such as the Group's financial performance, corporate governance and risk management initiatives, Board processes, any internal audit observations.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

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

The NC comprises the following three members, the majority of whom, including the NC Chairman, are independent:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the NC include:

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board, where appropriate;
- evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- developing processes for evaluating the performance of the Board, the Board Committees and Directors and implementing such processes for assessing the effectiveness of the Board as a whole and the contribution of each individual Director;
- nomination and re-nomination of Directors having regard to their contribution, performance and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside of the Group and the roles and scope of responsibilities of such commitments;
- determining the independence of the Directors, taking into consideration guidance from the Code and any other salient factors, at least on an annual basis;
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The role of NC also includes the recommendation of Directors for retirement by rotation pursuant to the Constitution of the Company. In reviewing the re-nomination of Directors, the NC will take into consideration the results of the assessment conducted on the Board as a whole, the Director's independence, contribution, performance (such as attendance and participation at Board meetings and other board appointments and principal commitments outside of the Group) and any other factors as may be deemed relevant by the NC. The Constitution of the Company currently requires one-third of the Board members (except the Chief Executive Officer) to retire from office by rotation and be subject to re-election by the shareholders at every Annual General Meeting ("AGM"). Notwithstanding the Constitution and pursuant to Rule 720(5) of the SGX Listing Rules, the Company shall require all directors (including the Chief Executive Officer) to submit themselves for re-nomination and re-election at least once every three years. In this aspect, the NC has recommended and the Board has agreed for Mr Benedict Chen Onn Meng to retire and seek re-election at the forthcoming AGM. The Board is of the view that as a founding director, Mr Benedict Chen Onn Meng has deep institutional knowledge and business experience with the Group. His leadership will continue to enhance board deliberations and set direction for growth.

Each Independent and Non-Executive Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2018. The NC has reviewed and is satisfied with the independence of the Independent and Non-Executive Directors.

As a director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is 5. The NC has reviewed each Director's outside directorships and all directors have complied with the maximum limit.

CORPORATE GOVERNANCE REPORT

The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless it is in exceptional cases.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of Directors. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability, qualifications and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors.

In identifying suitable candidates, the NC may:

- advertise or use the services of external advisors to facilitate a search; and
- consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group.

Key information of each member of the Board is set out below:

Name of Director	Date of first appointment	Date of last re-election	Present directorships and chairmanships in other listed companies	Directorships and chairmanships in other listed companies over the preceding three years
Benedict Chen Onn Meng	23 May 2000	Not Applicable	Nil	Nil
Ernest Yogarajah s/o Balasubramaniam	10 May 2007	30 April 2018	Independent Director of Patec Precision Industry Co. Ltd listed on the Taiwan Stock Exchange	Nil
Toh Shih Hua	28 April 2015	28 April 2017	Independent Director of Biolidics Limited listed on the Singapore Stock Exchange	Nil

BOARD PERFORMANCE

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

The NC has established a review process to assess the performance of the Board as a whole on an annual basis. The performance evaluation includes qualitative and quantitative factors including board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, transparency in terms of disclosures and communication with shareholders. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance against certain short and long-term financial and non-financial performance indicators and to identify areas for improvement and to implement appropriate action.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

CORPORATE GOVERNANCE REPORT

For FY2018, all Directors are requested to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board. The checklists are completed and submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board.

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and each Director has been adequately contributing to the overall effectiveness and objectives of the Board.

ACCESS TO INFORMATION

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

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, budgets, financial results announcements and reports from committees, internal and external auditors. Any additional material or information requested by the Directors is promptly furnished.

All Directors have unrestricted access to the Group's records and information and the Independent and Non-Executive Directors have access to all levels of key management personnel, including the Company Secretary, in the Group.

The Company Secretary attends the Board and committee meetings and is responsible for ensuring that Board procedures are followed and the minutes of all Board and committees meetings are recorded and circulated to the Board and the committees. The Company Secretary also assists the Board to ensure that applicable rules and regulations are complied with.

The appointment and removal of the Company Secretary are decisions taken by the Board as a whole.

The Company currently does not have a formal procedure for Directors to seek independent professional advice for the furtherance of their duties. However, directors may, on a case-to-case basis, propose to the Board for such independent professional advice, the cost of which may be borne by the Company.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises a majority of Independent and Non-Executive Directors as follows:

Mr Ernest Yogarajah s/o Balasubramaniam	(Chairman)
Ms Toh Shih Hua	(Member)
Mr Benedict Chen Onn Meng	(Member)

CORPORATE GOVERNANCE REPORT

The RC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the RC include:

- reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options, share-based incentives and awards and other benefits-in-kind with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;
- administering the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme; and
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the directors and key management personnel required to run the Group successfully.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees (where applicable), salaries, allowances, bonuses and benefits in kind and specific remuneration packages for each director and key management personnel.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company.

The RC will review the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

LEVEL AND MIX OF REMUNERATION

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

The RC has agreed on a performance-based compensation package for the Executive Director. The remuneration structure for the Executive Director is based on service contract. This include a profit sharing scheme that is performance related to align his interest with those of the shareholders.

As part of its review, the RC ensures that the Executive Director and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Director and key management personnel.

The Company currently does not have any long-term incentive scheme, apart from the employee share performance scheme known as the "VibroPower Share Performance Scheme".

The RC has adopted a framework to remunerate the Independent and Non-Executive Directors based on their appointments and roles in respective committees and contributions to the Board and Company. The remuneration packages of the Independent and Non-Executive Directors comprise a basic director retainer fee and additional fees for appointment to Board Committees. While the remuneration frameworks are not subject to shareholders' approval, the directors' fees for Independent and Non-Executive Directors will be subjected to the approval of shareholders at AGMs. None of the Director or key management personnel is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Director owes a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

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

The breakdown for the remuneration of the Directors for FY2018 is as follows :

Name	Salary	Performance Related Bonus	Fees	Allowance and other benefits	Total
\$250,000 to \$500,000					
Benedict Chen Onn Meng	79%	–	–	21%	100%
Below \$250,000					
Toh Shih Hua	–	–	100%	–	100%
Ernest Yogarajah s/o Balasubramaniam	–	–	100%	–	100%

There are no termination and retirement benefits that may be granted to the Directors.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors) for FY2018 is as follows:

Name	Salary	Performance Related Bonus	Fees	Allowance and other benefits	Total
Below \$250,000					
Sia Huai Peng	91%	–	–	9%	100%

There are no termination and retirement benefits that may be granted to the key management personnel. Save as disclosed above, there is no other key management personnel.

There is no employee who is an immediate family member of a Director or CEO and whose remuneration exceeds S\$50,000 for FY2018.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar. The remuneration of employees related to the Directors and Substantial Shareholders of the Company will also be reviewed annually by the RC.

In considering the disclosure of remuneration of the Directors and key management personnel, the Company has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Company believes that full detailed disclosure of the remuneration of each Director and the key management personnel as recommended by the Code would be prejudicial to the interests of the Group and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands.

CORPORATE GOVERNANCE REPORT

The Company has an employee share performance scheme known as the “VibroPower Share Performance Scheme” (“Share Scheme”) which serves to increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. Shareholders have approved the Share Scheme on 30 April 2010. Directors who are also controlling shareholders of the Company and their associates are eligible to participate in the Share Scheme. As at the date of this report, no awards have been granted under the Share Scheme.

C. ACCOUNTABILITY AND AUDIT

Accountability

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

One of the Board’s principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the interim and annual financial statements, results announcements as well as timely announcements and/or news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group’s financial performance, position and prospects.

In accordance with the Listing Manual of the SGX-ST, the Board will provide a negative assurance statement in respect of the interim financial results announcements, to confirm that to the best of its knowledge, nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company had, pursuant to the Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its Directors and Executive Officers that they each shall, in the exercise of their powers and duties as directors and officers, comply with the best of their abilities with the provisions of the SGX-ST’s listing rules, the Securities and Futures Act, the Code on Takeovers and Mergers, and the Companies Act and will also procure the Company to do so.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with, amongst others, the management accounts of the Group and the relevant accompanying explanatory information on a half yearly basis. Management also highlights key business indicators and major issues that are relevant to the Group’s performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group’s performance, financial performance, position and prospects as well as Management’s achievements of the goals and objectives determined.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for the governance of risks and the overall internal control framework. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Group’s assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Group’s strategic objectives.

Management is responsible to the Board for the design, implementation and monitoring of the Group’s risk management and internal control systems and to provide the Board with a basis to determine the Group’s level of risk exposure, risk tolerance and risk policies.

CORPORATE GOVERNANCE REPORT

The Board notes that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management systems. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' interests and the Group's assets. Currently, the Group does not have a risk management committee. The Board will look into the need for establishment of a separate Board risk committee at the relevant time.

Nexia TS Risk Advisory Pte Ltd ("Nexia TS") had previously assisted the Group to design and implement a framework which set out the Group's risk profile, the key risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board. The framework provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place, which will allow the Group to address the on-going changes and challenges in the business environment, reduce uncertainties and facilitate the shareholder value creation process.

With the framework in place, Management would review regularly the key risks identified, considered the relevance of these risks, identify new risks which may arise and assess the internal controls in place to mitigate such risks. Management also reviews all significant policies and procedures and highlights all significant matters to the AC. After the AC has discussed and reviewed these risk matters highlighted to them by Management, a report would be given to the Board for consideration. If there are any matters in which any Board member is of the view poses weakness or risk to the operation of the Group, he can request Management to engage a professional risk consultant to look into it further.

The AC will ensure that a review of the effectiveness of the Group's risk management policies and procedures and internal controls in addressing material risks, including financial, operational, compliance and IT risks are conducted annually. In this respect, the AC will review the audit plans and the findings of the external and internal auditors, and will ensure that Management follows up on the external and internal auditors' recommendations raised, if any, during the audit process.

Based on the internal control policies and procedures established and maintained by the Group, works performed by the external and internal auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the view that the internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management systems are adequate and effective as at the date of this Annual Report.

For FY2018, the Board and the AC have also obtained assurances from the Executive Chairman and CEO and the Acting Group Financial Controller that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

AUDIT COMMITTEE

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

The AC comprises three members. Two members are Independent and Non-Executive Directors with financial and legal background while the third member is an Executive Director. The AC comprises the following members:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

CORPORATE GOVERNANCE REPORT

The Board recognises that the composition of the AC is not in accordance with the Code's guidelines that the AC should be made up of entirely non-executive directors. However, the Board is of the view that independence is not compromise as majority of the members of the AC, including the Chairman, are Independent and Non-Executive Directors. Accordingly, no individual is able to dominate the AC's decision making process.

The AC meets at least twice a year to review the announcements of the half-year and full-year results before it is approved by the Board for release to the Singapore Exchange Securities Trading Limited ("SGX").

The Board considers Ms Toh Shih Hua, who has extensive accounting and financial management knowledge and experience, is well-qualified to chair the AC. The other members of the AC bring with them invaluable experience in legal and business management. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge the duties and responsibilities of the AC.

As a sub-committee of the Board of Directors, the AC assist the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in the Group. The AC also reviews and supervises the internal audit functions of the Group.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

The AC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the AC include:

- To review, the external and internal audit plans (if any), including the nature and scope of the audit before the audit commences, the internal auditors' evaluation of the Company's system of internal controls, the external and internal audit reports and management letters issued by the external auditors (if any) and management response to these letters;
- To review the announcements of the interim and annual results prior to their submissions to the Board for approval for release to SGX;
- To review interested person transactions in accordance with the requirements of the Listing Rules of SGX;
- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors;
- To review and recommend the re-appointment of the external auditors; and
- Any other functions that are requested by the Board, as may be required by statute or the Listing Manual.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or 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 Company's operating results and/or financial position.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC meets with the internal auditors and the external auditors, at least once a year, without the presence of Management in order to have free and unfettered access to unfiltered information and feedback.

CORPORATE GOVERNANCE REPORT

The aggregate amount of audit fees paid or payable to the external auditors for FY2018 was stated on page 64 of the Annual Report. No non-audit fees were paid to the external auditors in respect of FY2018. The AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.

For the financial year ended 31 December 2018, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to its auditors.

The Company has put in place a whistle-blowing policy and has implemented procedures and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the independent directors.

A dedicated email address has been given to all employees to allow whistle-blowers to contact the Independent and Non-Executive Directors directly. All complaints or concerns raised will be dealt with, including anonymous complaints. The policy ensures independent investigation of issues/concerns raised and appropriate and timely follow-up action, and provides assurance that whistle blowers will be protected from reprisal or victimization for whistle blowing in good faith and without malice, within the limits of the law. If necessary, the Independent and Non-Executive Directors will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policies and arrangements have been made available to all employees. During FY2018, there were no complaints, concerns or issues received.

In FY2018, the AC has reviewed with the Management and the external auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The AC also reviewed the Group's financial condition, internal and external audit reports.

The AC is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any.

None of the members of the AC is a former partner or director of the Company's external or internal auditors.

INTERNAL AUDIT

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

The Company outsources its internal audit function to a certified public accounting firm which is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The internal auditors report directly to the AC and the internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The AC approves the hiring, removal, evaluation and compensation of the certified public accounting firm to which the internal audit function is outsourced.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The internal auditors is guided by the Standards of Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The AC reviews annually and is satisfied that the internal audit function is independent, effective and adequately resourced. The AC is also satisfied that the internal auditors is staffed by qualified and experienced personnel.

CORPORATE GOVERNANCE REPORT

The internal auditors completed one review during the financial year ended 31 December 2018 in accordance with the internal audit plan approved by the AC. The findings and recommendations of the internal auditors, management's responses, and management's implementation of the recommendations have been reviewed and approved by the AC.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Company's corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

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

The Company is committed to provide timely disclosure of material information to shareholders and does so through the Annual Report, press releases, results announcements and other SGXNET announcements on developments within the Group or in relation to disclosures required by SGX. The Company does not practice selective disclosure as all materials and price-sensitive information are released through SGXNET in a timely manner.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages greater shareholder participation.

Shareholders are encouraged to attend and raise questions to the directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to express their views and raise issues either formally or informally. These meetings provide opportunities for the Board to engage with shareholders and solicit their feedback.

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. In view of the challenging environment, the Board had not recommended dividend for FY2018 as the Board considered it prudent to reserve funds for working capital purposes.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETINGS

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

All shareholders of the Company receive the annual report of the company and notice of AGM within the mandatory period. The notice is also published in the local newspaper and made available on the SGXNET.

Participation of shareholders is encouraged at the Company's general meetings. Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory note. This is to enable the shareholders to understand the nature and effect of the proposed resolution.

The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's AGM to address any questions that shareholders may have.

The Company will make available minutes of general meetings to shareholders upon their written request.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET.

If any Shareholder is unable to attend, he/she is allowed to appoint proxies to vote on his/her behalf at the general meetings through proxy forms sent to the Company within prescribed period. The Company has not amended its Constitution to provide for absentia voting method. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities are not compromised.

INTERNAL CODE ON DEALING IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy on share dealings by its Directors and key officers, setting out the implications of insider trading and providing guidance to employees on dealing in the Company's shares. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing two weeks before the announcement of the Company's half yearly financial results and one month before the announcement of the Company's full-year financial results.
- Directors and key officers should not deal in the Company's securities on short-term consideration.
- Directors and key officers of the Company are also required to adhere to the provisions of the Securities and Futures Act, Chapter 289, Companies Act, Chapter 50 and any other relevant laws, rules and regulations with regard to their securities transactions. To enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the Company's securities by the Directors and officers of the Group.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The AC reviewed the Group's IPTs for FY2018 to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. On a half-yearly basis, Management reports to the AC, the IPTs in accordance with the IPT Mandate. Management also informed the AC that the internal control procedures for determining the transaction prices of IPTs have not changed since the date of the last AGM, at which the IPT Mandate was last renewed. The AC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of IPTs are effective.

The aggregate value of transactions entered into by the Group with interested persons as defined in the SGX-ST Listing Manual for FY2018 are as follow:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Mason Industries Pte Ltd	491,000	1,394,000
Wizdenki Pte Ltd	–	–

Apart from the aforesaid transactions, there was no other material contract entered into by the Company and/or any of its subsidiaries involving the interests of any director, CEO or controlling shareholder during the year under review.

The Company is seeking a renewal of the Shareholders' Mandate for Interested Person Transactions at the forthcoming AGM.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of VibroPower Corporation 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 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Benedict Chen Onn Meng
Ernest Yogarajah s/o Balasubramaniam
Toh Shih Hua

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following director, 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 (other than wholly-owned subsidiaries) as stated below:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
	<i>Ordinary shares of the Company</i>		<i>Ordinary shares of the Company</i>	

Name of directors and Companies in which interests are held

VibroPower Corporation Limited

Benedict Chen Onn Meng	8,000,120	8,000,120	87,600	87,600
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The deemed interest of Benedict Chen Onn Meng arises from shares held through his Central Provident Fund ("CPF") investment account (UOB Kay Hian Pte Ltd) of 87,600 shares (2017: 87,600 shares).

The director's interests as at 21 January 2019 were the same as those at the end of the financial year.

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

5. OPTIONS

During the financial year, no option to take up unissued shares of the Company or related corporations was granted.

During the financial year, there were no shares of the Company or related corporations issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or related corporations under option.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors, as well as the external auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

DIRECTORS' STATEMENT

7. AUDITOR

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

On behalf of the board of directors:

Benedict Chen Onn Meng
Director

Toh Shih Hua
Director

Singapore
4 April 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Independent Auditor's Report to the Members of VibroPower Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of VibroPower Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, 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 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Recoverability of trade receivables

The Group's trade receivables and contract assets balances were significant as these represent 39% of the total assets in the consolidated balance sheet. Trade receivables and contract assets amounted to \$13,126,000 as at 31 December 2018, against which an allowance for expected credit losses ("ECL") of \$1,608,000 was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines impairment of trade receivables and contract assets by making debtor-specific assessment of ECL and uses a provision matrix for the remaining group of debtors that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables and contract assets impairment assessment requires significant management judgement. As such, we determined this is a key audit matter.

We assessed the Group's processes and key controls relating to the monitoring of trade receivables and contract assets and considered ageing to identify collection risks. We requested for confirmations and checked for evidence of receipts subsequent to the year end for selected trade debtors. We discussed with management about the status of long outstanding trade receivables balance and management's consideration of debtors' specific profiles and risks. We also evaluated management's assumptions and inputs used in the computation of historical loss rates and assessed the reasonableness of management's assumptions used in establishing the forward-looking adjustments. We assessed the adequacy of the Group's disclosures on the trade receivables and contract assets and the related risks such as credit risk and liquidity risk in Note 32 to the financial statements.

Allowance for slow-moving and obsolete inventories

The Group's inventories amounted to \$6,089,000 as at 31 December 2018. The Group's inventories balances were significant as these represent 18% of the total assets in the consolidated balance sheet. The determination of allowance for slow-moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of required allowance. As such, we determined this is a key audit matter.

We observed the year-end inventory count performed by management and reviewed management's assessment of the physical condition of the inventories at the balance sheet date. As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving items and assess adequacy of the allowance for slow-moving and obsolete inventories. We reviewed the reasonableness of the allowance for slow-moving and obsolete inventories by comparing the inventory turnover, gross profit margin and inventory ageing against prior years' results. We selected samples of inventories and tested whether they were stated at the lower of cost and net realisable value by comparing to sales price of the inventories subsequent year-end. We also assessed the adequacy of the disclosures related to inventories in Note 17 to the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
4 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 \$'000	Group 2017 \$'000 Restated
Revenue	4	15,480	14,286
Cost of sales		(12,116)	(10,720)
Gross profit		3,364	3,566
Other items of income			
Interest income	5	236	31
Other credits	6	415	101
Other items of expense			
Marketing and distribution costs		(234)	(292)
Administrative expenses		(2,182)	(2,285)
Finance costs	7	(549)	(454)
Impairment losses on financial assets	6	(153)	(15)
Other charges	6	(73)	(110)
Share of results of an associate		(60)	(73)
Profit before tax		764	469
Income tax (expense)/credit	10	(204)	35
Profit net of tax		560	504
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		22	(510)
Other comprehensive income for the year, net of tax		22	(510)
Total comprehensive income for the year		582	(6)
Profit attributable to:			
Owners of the Company		448	510
Non-controlling interests		112	(6)
		560	504
Total comprehensive income attributable to:			
Owners of the Company		471	(1)
Non-controlling interests		111	(5)
		582	(6)
Earnings per share		Cents	Cents
Currency unit			
Basic and diluted	11	1.25	1.42

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

**BALANCE
SHEETS**

As at 31 December 2018

	Note	Group			Company	
		2018	31 December	1 January	2018	2017
		\$'000	2017	2017	\$'000	\$'000
			\$'000	\$'000		
			Restated*	Restated*		
ASSETS						
Non-current assets						
Property, plant and equipment	12	6,144	9,318	7,061	–	–
Investment property	13	3,122	–	–	–	–
Investment in subsidiaries	14	–	–	–	14,770	14,618
Investment in an associate	15	454	510	583	–	–
Deferred tax assets	16	14	181	179	–	–
Other receivables	18	52	49	49	–	–
Total non-current assets		9,786	10,058	7,872	14,770	14,618
Current assets						
Inventories	17	6,089	7,762	7,410	–	–
Trade and other receivables	18	12,914	12,847	14,703	1,124	804
Contract assets	4	1,289	245	–	–	–
Other assets	19	2,399	1,151	497	2	3
Cash and cash equivalents	20	1,594	1,276	3,710	50	23
Tax recoverable		–	18	23	–	–
Total current assets		24,285	23,299	26,343	1,176	830
Total assets		34,071	33,357	34,215	15,946	15,448
EQUITY AND LIABILITIES						
Equity						
Share capital	21	15,322	15,322	15,322	15,322	15,322
Treasury shares	21	(388)	(388)	(388)	(388)	(388)
Retained earnings		2,465	2,017	1,507	(16)	126
Reserves	22	(488)	(511)	–	–	–
Equity attributable to equity holders of the Company		16,911	16,440	16,441	14,918	15,060
Non-controlling interests		1,693	1,582	–	–	–
Total equity		18,604	18,022	16,441	14,918	15,060
Non-current liabilities						
Finance leases	25	92	182	286	–	–
Loans and borrowings	24	2,302	2,511	2,846	–	–
Total non-current liabilities		2,394	2,693	3,132	–	–
Current liabilities						
Provisions	23	19	16	27	–	–
Income tax payable		52	–	–	–	–
Payables and accruals	26	6,772	6,238	8,434	1,028	388
Finance leases	25	85	100	128	–	–
Loans and borrowings	24	6,057	6,013	5,467	–	–
Other liabilities	27	88	275	586	–	–
Total current liabilities		13,073	12,642	14,642	1,028	388
Total liabilities		15,467	15,335	17,774	1,028	388
Total equity and liabilities		34,071	33,357	34,215	15,946	15,448

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 2018

	Attributable to owners of the Company					Non-controlling interests \$'000	Total equity \$'000
	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Reserves (Note 22) \$'000	Retained earnings \$'000	Total \$'000		
2018							
Group							
Opening balance at 1 January 2018, as previously reported	15,322	(388)	287	1,284	16,505	1,582	18,087
Adoption of SFRS(I) 1	–	–	(798)	798	–	–	–
Adoption of SFRS(I) 9	–	–	–	(65)	(65)	–	(65)
Opening balance at 1 January 2018, as restated	15,322	(388)	(511)	2,017	16,440	1,582	18,022
Profit for the year	–	–	–	448	448	112	560
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	23	–	23	(1)	22
Other comprehensive income for the year, net of tax	–	–	23	–	23	(1)	22
Total comprehensive income for the year	–	–	23	448	471	111	582
Closing balance at 31 December 2018	15,322	(388)	(488)	2,465	16,911	1,693	18,604

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 2018

	Attributable to owners of the Company					Non- controlling interests \$'000	Total equity \$'000
	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Reserves (Note 22) \$'000	Retained earnings \$'000	Total \$'000		
2017							
Group							
Opening balance at 1 January 2017, as previously reported	15,322	(388)	798	709	16,441	–	16,441
Adoption of SFRS(I) 1	–	–	(798)	798	–	–	–
Opening balance at 1 January 2017, as restated	15,322	(388)	–	1,507	16,441	–	16,441
Profit for the year as restated	–	–	–	510	510	(6)	504
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	(511)	–	(511)	1	(510)
Other comprehensive income for the year, net of tax	–	–	(511)	–	(511)	1	(510)
Total comprehensive income for the year as restated	–	–	(511)	510	(1)	(5)	(6)
<u>Changes in ownership interests in a subsidiary</u>							
Investment by non-controlling interests	–	–	–	–	–	1,587	1,587
Closing balance at 31 December 2017, as restated	15,322	(388)	(511)	2,017	16,440	1,582	18,022

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 2018

	Share capital (Note 20) \$'000	Treasury shares (Note 20) \$'000	Retained earnings \$'000	Total \$'000
2018				
Company				
Opening balance at 1 January 2018	15,322	(388)	126	15,060
Loss for the year	–	–	(142)	(142)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	(142)	(142)
Closing balance at 31 December 2018	15,322	(388)	(16)	14,918
2017				
Company				
Opening balance at 1 January 2017	15,322	(388)	262	15,196
Loss for the year	–	–	(136)	(136)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	(136)	(136)
Closing balance at 31 December 2017	15,322	(388)	126	15,060

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 2018

	Note	Group 2018 \$'000	2017 \$'000 Restated*
Cash flows from operating activities			
Profit before tax		764	469
<u>Adjustments for:</u>			
Interest income	5	(236)	(31)
Finance costs	7	549	454
Depreciation of property, plant and equipment	12	646	694
Property, plant and equipment written off	12	–	29
Deposit forfeited		(31)	(28)
Unrealised exchange loss		151	79
Provision for product warranty expense	23	66	1
(Reversal)/Allowance for slow moving inventories	6	(148)	75
Bad debts written off	6	–	12
Obsolete inventory written off		7	–
Provision for impairment on trade receivables	18	153	113
Reversal of impairment for other receivables	18	–	(110)
Share of results of an associate		60	73
		<u>1,981</u>	<u>1,830</u>
Operating cash flows before changes in working capital			
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		1,432	(1,020)
Decrease in trade and other receivables		94	1,280
Increase in contract assets		(1,025)	(245)
Increase in other assets		(1,285)	(645)
Increase/(decrease) in payables and accruals		185	(1,787)
Decrease in other liabilities		(154)	(280)
Decrease in provisions		(64)	(10)
		<u>1,164</u>	<u>(877)</u>
Cash flows from/(used in) operations			
Income taxes refund		31	31
Interest received		39	7
Interest paid		(389)	(454)
		<u>845</u>	<u>(1,293)</u>
Net cash flows from/(used in) operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(91)	(3,262)
Proceeds from disposal of property, plant and equipment	12	11	–
		<u>(80)</u>	<u>(3,262)</u>
Net cash flows used in investing activities			
Cash flows from financing activities			
Investment from an associate to a subsidiary		–	1,587
Proceeds from loans and borrowings		14,228	11,184
Repayment of loans and borrowings		(14,571)	(10,405)
Repayment of obligations under finance leases		(109)	(107)
		<u>(452)</u>	<u>2,259</u>
Net cash flows (used in)/from financing activity			
Net increase/(decrease) in cash and cash equivalents		313	(2,296)
Effects of exchange rate changes on cash and cash equivalents		5	(138)
Cash and cash equivalents at 1 January		1,276	3,710
		<u>1,594</u>	<u>1,276</u>
Cash and cash equivalents at 31 December	20		

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 2018

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 11 Tuas Avenue 16, Singapore 638929.

The principal activities of the Company are those of an investment holding company and the provision of management and administrative support to its subsidiaries.

The principal activities of the subsidiaries are described in Note 13 to the financial statements below.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 4 April 2019.

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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of \$798,000 was adjusted against the opening retained earnings as at 1 January 2017.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

There is no impact to the classification and measurement of the Group's financial instruments arising from the adoption of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of \$65,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of \$65,000 as at 1 January 2018.

The reconciliation for loss allowances for the Group is as follow:

	Group Trade receivables \$'000
Opening loss allowance as at 1 January 2018	1,387
Amount restated through opening retained earnings	<u>65</u>
Adjusted loss allowance	<u>1,452</u>

Tax adjustments and other adjustments

There is no tax impact to the Group arising from the adoption of SFRS(I) 9.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

SFRS(I) 15 has no significant impact to the Group.

The following is the illustration of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

	1 January 2017 (FRS) \$'000	Group SFRS(I) 1 adjustments \$'000	1 January 2017 (SFRS(I)) \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7,061	–	7,061
Investment in an associate	583	–	583
Deferred tax assets	179	–	179
Other receivables	49	–	49
Total non-current assets	7,872	–	7,872
Current assets			
Inventories	7,410	–	7,410
Trade and other receivables	14,703	–	14,703
Other assets	497	–	497
Cash and cash equivalents	3,710	–	3,710
Tax recoverable	23	–	23
Total current assets	26,343	–	26,343
Total assets	34,215	–	34,215
EQUITY AND LIABILITIES			
Equity			
Share capital	15,322	–	15,322
Treasury shares	(388)	–	(388)
Retained earnings	709	798	1,507
Reserves	798	(798)	–
Equity attributable to equity holders of the Company	16,441	–	16,441
Total equity	16,441	–	16,441
Non-current liabilities			
Finance leases	286	–	286
Loans and borrowings	2,846	–	2,846
Total non-current liabilities	3,132	–	3,132
Current liabilities			
Provisions	27	–	27
Payables and accruals	8,434	–	8,434
Finance leases	128	–	128
Loans and borrowings	5,467	–	5,467
Other liabilities	586	–	586
Total current liabilities	14,642	–	14,642
Total liabilities	17,774	–	17,774
Total equity and liabilities	34,215	–	34,215

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	31 December 2017 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	Group 31 December 2017 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1 January 2018 (SFRS(I)) \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	9,318	–	9,318	–	9,318
Investment in an associate	510	–	510	–	510
Deferred tax assets	181	–	181	–	181
Other receivables	49	–	49	–	49
Total non-current assets	10,058	–	10,058	–	10,058
Current assets					
Inventories	7,762	–	7,762	–	7,762
Trade and other receivables	12,912	–	12,912	(65)	12,847
Contract Assets	245	–	245	–	245
Other assets	1,151	–	1,151	–	1,151
Cash and cash equivalents	1,276	–	1,276	–	1,276
Tax recoverable	18	–	18	–	18
Total current assets	23,364	–	23,364	(65)	23,299
Total assets	33,422	–	33,422	(65)	33,357
EQUITY AND LIABILITIES					
Equity					
Share capital	15,322	–	15,322	–	15,322
Treasury shares	(388)	–	(388)	–	(388)
Retained earnings	1,284	798	2,082	(65)	2,017
Reserves	287	(798)	(511)	–	(511)
Equity attributable to equity holders of the Company	16,505	–	16,505	(65)	16,440
Non-controlling Interests	1,582	–	1,582	–	1,582
Total equity	18,087	–	18,087	(65)	18,022
Non-current liabilities					
Finance leases	182	–	182	–	182
Loans and borrowings	2,511	–	2,511	–	2,511
Total non-current liabilities	2,693	–	2,693	–	2,693
Current liabilities					
Provisions	16	–	16	–	16
Payables and accruals	6,238	–	6,238	–	6,238
Finance leases	100	–	100	–	100
Loans and borrowings	6,013	–	6,013	–	6,013
Other liabilities	275	–	275	–	275
Total current liabilities	12,642	–	12,642	–	12,642
Total liabilities	15,335	–	15,335	–	15,335
Total equity and liabilities	33,422	–	33,422	–	33,357

The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 January 2017 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.4 *Basis of consolidation and business combinations*

(a) **Basis of consolidation**

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

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

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

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

(b) **Transactions with non-controlling interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is the functional currency of the Company. 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. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are measured.

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

2.6 *Property, plant and equipment*

(a) **Measurement**

Items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss.

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.

(b) **Components of costs**

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.6 *Property, plant and equipment (cont'd)*

(c) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold property and improvements	–	Over the lease term to 2035
Plant and equipment	–	1 to 10 years

The residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end date. The effects of any revision are recognised in the profit or loss when the change arises. An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

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

(d) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit or loss when incurred

(e) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss within "Other charges" or "Other credits".

2.7 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease 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 and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

The Group adopts cost model which is to measure the investment property at cost less accumulated depreciation and accumulated impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.8 *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.

2.9 *Joint ventures and associates*

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

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 *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 profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.10 *Financial instruments*

(a) **Financial assets**

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset as its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 *Financial instruments (cont'd)*

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

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 profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

Available-for-sale financial assets include equity and debt 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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 assets 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 profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 *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 method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.12 *Cash and cash equivalents*

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

2.13 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

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

2.14 *Provisions*

General

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

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

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.15 *Financial guarantees*

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 profit or loss 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.16 *Borrowing costs*

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

2.17 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.18 *Leases*

(a) As lessee

The Group leases certain plant and equipment under finance leases and leasehold properties under operating leases from non-related parties.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods (power generators)

Revenue is recognised when control over the power generator has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For sale of power generators whereby the Group has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the costs incurred to date as a proportion of the estimated total costs to be incurred.

For sale of power generators whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified performance milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional.

(b) Sale of goods (electricity supply)

Revenue is recognised when the Group has transferred the electricity to its customer on the basis of the number of units of power supplied in accordance with joint meter readings and collectability of the related receivables is reasonably assured.

(c) Rendering of services

Revenue from rendering services is recognised based on the extent of the services rendered.

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.20 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.20 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

(c) Sales tax

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

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

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

2.21 Share capital and share issuance expenses

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

2.22 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.23 Contingencies

A contingent liability is:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.23 Contingencies (cont'd)

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

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

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2.25 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and/or
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

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

3.2 Key source of estimation uncertainty

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

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of the customer's actual default in the future. The information is about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 32(a).

The carrying amount of trade receivables and contract assets as at 31 December 2018 are \$10,229,000 and \$1,289,000 (31 December 2017: \$9,608,000 and \$245,000, 1 January 2017: \$11,465,000 and Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

3.2 Key source of estimation uncertainty (cont'd)

Net realisable value of inventories

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to 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 acceptable 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 include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the financial year was \$6,089,000 (31 December 2017: \$7,762,000, 1 January 2017: \$7,410,000).

4. REVENUE

(a) Disaggregation of revenue

	Projects		Power plant		Others		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Major product or service lines								
Sale of generators	13,870	12,847	-	-	-	-	13,870	12,847
Electricity supply	-	-	1,081	725	-	-	1,081	725
Rendering of services	295	714	-	-	-	-	295	714
Rental income	-	-	-	-	234	-	234	-
	14,165	13,561	1,081	725	234	-	15,480	14,286
Timing of transfer of goods or services								
At a point in time	2,186	714	1,081	725	234	-	3,501	1,439
Over time	11,979	12,847	-	-	-	-	11,979	12,847
	14,165	13,561	1,081	725	234	-	15,480	14,286

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE (CONT'D)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from sale of generators over time

For the sale of generators where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the power generators to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the power generators. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the power generators.

The estimated total costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates management takes into consideration the historical trends of the amounts incurred in its other similar development properties, analysed by different generator ratings and geographical areas for the past 3 to 5 years.

(c) Contract assets

	31 December 2018 \$'000	Group 31 December 2017 \$'000 Restated	1 January 2017 \$'000 Restated
Receivables from contracts with customers (Note 18)	10,229	9,608	11,465
Contract assets	1,289	245	–

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of power generators. Contract assets are transferred to receivables when rights become unconditional.

5. INTEREST INCOME

	Group 2018 \$'000	2017 \$'000
Interest income from: Loans and receivables	236	31

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2018	2017
	\$'000	\$'000
		Restated*
Impairment losses on financial assets:		
– Provision for impairment loss on trade receivables	(201)	(143)
– Reversal of impairment loss on trade receivables	48	30
– Provision for impairment loss on other receivables	–	(11)
– Reversal of impairment loss on other receivables	–	121
– Bad debts written off	–	(12)
Foreign exchange gain/(loss)	5	(34)
Provision for product warranty expense	(66)	(1)
Reversal/(allowance) for slow moving inventories	148	(75)
Deposits received forfeited	31	28
Obsolete inventory written off	(7)	–
Tax rebate	203	–
Others	28	73
	<hr/>	<hr/>
Presented in profit or loss as:		
Other credits	415	101
Impairment losses on financial assets	(153)	(15)
Other charges	(73)	(110)
	<hr/>	<hr/>
Net	189	(24)

7. FINANCE COSTS

	Group	
	2018	2017
	\$'000	\$'000
Interest expense on:		
– Bank loans	540	441
– Obligation under finance leases	9	13
	<hr/>	<hr/>
	549	454

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
Salaries and bonuses	1,966	2,183
Contributions to defined contribution plan	125	145
Other benefits	81	132
	<hr/>	<hr/>
Total employee benefits expense	2,172	2,460

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The following items have been included in arriving at profit before tax:

	Group	
	2018	2017
	\$'000	\$'000
Audit fees to independent auditor of the Company	116	115
Non-audit fees to independent auditors of the Company	–	–
Audit fees to affiliated auditors of the Company	13	11
Audit fees to other independent auditors	20	17
Employees benefits expense (Note 8)	2,172	2,460
Depreciation of property, plant and equipment (Note 12)	646	694
Rental expenses (Note 29)	146	208
Inventories recognised as an expense in cost of sales (Note 17)	9,889	8,368

10. INCOME TAX (EXPENSE)/CREDIT

Major components of income tax (expense)/credit

The major components of income tax (expense)/credit for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	\$'000	\$'000
<u>Current tax (expense)/credit:</u>		
Current year	4	–
(Under)/Over provision in respect of prior years	(41)	20
	(37)	20
<u>Deferred tax (expense)/credit:</u>		
Current year	(167)	15
Income tax (expense)/credit recognised in profit or loss	(204)	35

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. INCOME TAX EXPENSES (CONT'D)

Relationship between tax expense/(credit) and accounting profit

A reconciliation between tax expense/(credit) and accounting profit before tax multiplied by the applicable Singapore corporate tax rates for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017
	\$'000	\$'000
		Restated
Profit before tax	764	469
Income tax expense at a tax rate of 17% (2017:17%)	130	80
Effects of different tax rates in different countries	51	27
Income not subject to taxation	(65)	(84)
Non-deductible items	392	506
Effect of partial tax exemption and tax relief	(134)	(53)
Benefits from previously unrecognised tax losses	(243)	(483)
Under/(over) provision in respect of prior years	41	(20)
Others	32	(8)
Total income tax expense/(credit)	204	(35)

	Group	
	2018	2017
	\$'000	\$'000
<u>Deferred tax expense/(credit) recognised in profit or loss:</u>		
Excess of tax value of plant and equipment over net book value	11	(22)
Excess of net book value of plant and equipment over tax value	155	-
Provision for warranty and unutilised leave	-	2
Others	1	5
Total deferred tax expense/(credit) recognised in profit or loss	167	(15)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. EARNINGS PER SHARE

Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company (after adjusting for interest expense on convertible loan) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2018	2017
	\$'000	\$'000
		Restated
Profit, net of tax attributable to owners of the Company	448	510
		Number of shares
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	35,950,856	35,950,856
Basic and diluted earnings per share (cents)	1.25	1.42

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property and improvements \$'000	Plant and equipment \$'000	Freehold land \$'000	Total \$'000
Group				
Cost				
At 1 January 2017	3,131	8,442	–	11,573
Exchange differences	(242)	(359)	7	(594)
Additions	–	156	3,106	3,262
Reclassified to deposit	–	(37)	–	(37)
Written off	–	(191)	–	(191)
At 31 December 2017	2,889	8,011	3,113	14,013
Exchange differences	63	(94)	–	(31)
Additions	172	535	–	707
Disposals	–	(23)	–	(23)
Transfer to Investment Property	–	–	(3,113)	(3,113)
At 31 December 2018	3,124	8,429	–	11,553
Accumulated depreciation				
At 1 January 2017	2,034	2,478	–	4,512
Exchange differences	(156)	(193)	–	(349)
Depreciation for the year	68	626	–	694
Written off	–	(162)	–	(162)
At 31 December 2017	1,946	2,749	–	4,695
Exchange differences	43	37	–	80
Depreciation for the year	71	575	–	646
Disposals	–	(12)	–	(12)
At 31 December 2018	2,060	3,349	–	5,409
Net book value				
At 31 December 2017	943	5,262	3,113	9,318
At 31 December 2018	1,064	5,080	–	6,144

Assets held under finance leases

The carrying amount of plant and equipment held under finance leases at the end of the financial year were \$404,000 (2017: \$485,000).

Leased assets are pledged as security for the related finance lease liabilities.

Asset pledged as security

In addition to assets held under finance lease, the Group's leasehold property and improvements with a carrying amount of \$1,064,000 (2017: \$943,000) are mortgaged to secure the Group's other loan (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. INVESTMENT PROPERTY

	Freehold land ⁽¹⁾ \$'000
Group	
Cost	
1 January and 31 December 2017	–
Exchange differences	9
Transfer from Property, plant and equipment	3,113
At 31 December 2018	3,122
Net book value	
At 31 December 2017	–
At 31 December 2018	3,122

⁽¹⁾ Investment property pertains to a freehold land held by a subsidiary.

Transfer to investment property

During the year, the Group transferred the freehold land that was held as property, plant and equipment to an income producing asset. The Group commenced using the freehold land to generate rental income.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 \$'000	2017 \$'000
Unquoted equity shares	7,028	7,028
Amount due from	6,000	6,000
Deemed investment in a subsidiary (a)	2,770	2,618
	15,798	15,646
Impairment losses	(1,028)	(1,028)
Net carrying value at end of the year	14,770	14,618
<u>Movements in allowance for impairment:</u>		
Balance at beginning of year	1,028	1,028
Balance at end of the year	1,028	1,028

The impairment loss represents the write-down of the carrying value of a subsidiary in full.

(a) The deemed investment in a subsidiary, VibroPower Pte Ltd arose from financial guarantees provided by the Company for bank facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the Company and the Group is listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group	
	2018 %	2017 %
GMTM Holdings Pte. Ltd. Singapore Investment holding (Ernst & Young LLP, Singapore)	100	100
Shanghai VibroPower Generators Equipment Co. Ltd. ^(a) People's Republic of China Import and sale of engines and spare parts (Shanghai Mingyu Certified Public Accountants Co., Ltd)	100	100
VibroPower Pte. Ltd. Singapore Supply, design, manufacture, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100
Held through VibroPower Pte. Ltd.		
VibroPower (HK) Limited ^(a) Hong Kong Supply, installation, commissioning and servicing of generators (BDO Limited)	100	100
Indamex (UK) Limited ^(b) United Kingdom Trader in generator parts and accessories	100	100
VibroPower Generators Sdn. Bhd. Malaysia Trading, installation, commissioning and servicing of diesel generators (Ernst & Young LLP, Malaysia)	100	100
VibroPower Generators (India) Private Limited ^(a) India Trading, installation, commissioning and servicing of diesel generators (Suresh Surana & Associates LLP)	100	100
VibroPower Sales And Services (S) Pte. Ltd. Singapore Trading, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group	
	2018 %	2017 %
Held through GMTM Holdings Pte. Ltd.		
Indamex (F.E) Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower (UK) Limited ^(a) United Kingdom Import and export of engines and spare parts	100	100
Scott & English Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower Generators Middle East (FZE) ^(b) United Arab Emirates Manufacture and repair of electric generators	100	100
Held through VibroPower (HK) Limited		
Shanxi Weineng Coal Mine Gas Development Co., Ltd. ^(c) People's Republic of China Development, operation and management of power generations projects (Shanxi Huihua Certified Public Accountants Co., Ltd)	100	100
Agrimal Project Sdn. Bhd. ^(a) Malaysia Property developer (Lesmond & Associates, Malaysia)	68.2	68.2

^(a) Audited by firms of accountants other than member firms of Ernst & Young Global. Their names are indicated above.

^(b) Not audited as it is not required to be audited under the laws of the respective countries.

^(c) Audit by EY Global for consolidation purposes.

The Company holds 68.2% effective interest in Agrimal Project Sdn. Bhd., through its wholly owned subsidiary, VibroPower (HK) Limited and associated company VibroPower Green Energy Sdn. Bhd, which in turn hold 47% and 53% issued and paid up share capital of Agrimal Project Sdn. Bhd., respectively.

In accordance to the Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and the effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENT IN AN ASSOCIATE

	Group	
	2018	2017
	\$'000	\$'000
Shares, at cost	600	600
Share of post-acquisition reserve	(79)	(19)
Exchange differences	(67)	(71)
	454	510

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2018	2017
			%	%

Held through subsidiary

VibroPower Green Energy Sdn. Bhd. *	Malaysia	To build and operate a biomass power plant	40	40
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* Audited by Lesmond & Associates, Malaysia

The summarised financial information in respect of VibroPower Green Energy Sdn. Bhd, based on SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	VibroPower Green Energy Sdn. Bhd.	
	2018	2017
	\$'000	\$'000
Current assets	315	895
Non-current assets	1,940	1,587
Total assets	2,255	2,482
Current liabilities	1,120	1,207
Non-current liabilities	–	–
Total liabilities	1,120	1,207
Net assets	1,135	1,275
Group's share of net assets	454	510
Carrying amount of the investment	454	510

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENT IN AN ASSOCIATE (CONT'D)

Summarised statement of comprehensive income

	VibroPower Green Energy Sdn. Bhd.	
	2018	2017
	\$'000	\$'000
Revenue	–	–
Loss after tax	(151)	(182)
Other comprehensive income	–	–
Total comprehensive income	<u>(151)</u>	<u>(182)</u>

16. DEFERRED TAX ASSETS

Deferred tax balances in the balance sheet:

	Group	
	2018	2017
	\$'000	\$'000
Excess of tax value of plant and equipment over net book value	10	178
Provision	3	3
Others	1	–
Net balance	<u>14</u>	<u>181</u>

At the end of the reporting period, the Group has tax losses of approximately \$1,983,000 (2017: \$1,627,000) 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 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.

Unrecognised temporary differences relating to investments in subsidiaries

At end of the reporting period, the Group had potential dividend distribution tax liability amounting to \$288,000 (2017: \$239,000), associated with undistributed earnings of the Group's subsidiaries. No deferred tax liability (2017: Nil) has been recognised in respect of these differences because the Company is in a position to control the dividend policies of these subsidiaries and provision is made only when there is a plan for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. INVENTORIES

	31 December 2018	Group 31 December 2017 Restated	1 January 2017
	\$'000	\$'000	\$'000
Parts and components	5,553	6,408	6,379
Work-in-progress	536	1,354	1,031
	<u>6,089</u>	<u>7,762</u>	<u>7,410</u>

Inventories are stated after deducting allowance for slow moving inventories:

Analysis of allowance:

Balance at beginning of the year	371	320	1,030
(Reversed)/charged to profit or loss included in other credits and other charges	(148)	75	(611)
Written off of allowance made in previous years	–	–	(98)
Exchange differences	1	(24)	(1)
Balance at end of the year	<u>224</u>	<u>371</u>	<u>320</u>
Changes in inventories of work-in-progress	(818)	323	(671)
Inventories recognised as an expense in cost of sales	<u>9,889</u>	<u>8,368</u>	<u>18,602</u>

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2018.

Certain inventories were purchased under trust receipts (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES

	31 December 2018 \$'000	Group 31 December 2017 \$'000 Restated*	1 January 2017 \$'000	Company	
				2018 \$'000	2017 \$'000
Trade and other receivables (current):					
<u>Trade receivables:</u>					
Due from external parties	10,739	9,905	11,048	–	–
Less allowance for impairment	(1,608)	(1,452)	(1,348)	–	–
Due from subsidiaries	–	–	–	79	79
Less allowance for impairment	–	–	–	(79)	(79)
Retention monies	1,098	1,155	1,765	–	–
Subtotal	10,229	9,608	11,465	–	–
<u>Other receivables:</u>					
Due from subsidiaries	–	–	–	1,158	790
Less allowance for impairment	–	–	–	(34)	(34)
Due from an associate	77	340	99	–	–
Due from related parties	113	375	499	–	–
Advance for an investment project	1,407	1,407	1,422	–	–
Due from external parties	632	1,006	1,113	–	–
Others	456	111	105	–	48
Subtotal	2,685	3,239	3,238	1,124	804
Total trade and other receivables (current)	12,914	12,847	14,703	1,124	804
Other receivables (non-current):					
Other receivable (non-current)	52	49	49	–	–
Add: Cash at banks and on hand (Note 20)	1,594	1,276	3,710	50	23
Total loans and receivables	14,560	14,172	18,462	1,174	827

Trade receivables:

Trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables (Current):

Amounts due from subsidiaries, associate and related parties are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

Advance for an investment project is unsecured, non-interest bearing, non-trade related, and repayable on demand by cash. The interest has not been recognised.

Amounts due from external parties are unsecured, non-trade related, repayable on demand by cash, and of which S\$631,000 (2017: S\$821,000) is interest bearing at 12% per annum.

Others are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

	31 December 2018 \$'000	Group 31 December 2017 \$'000 Restated*	1 January 2017 \$'000	Company 2018 \$'000	2017 \$'000
Movements in above allowance:					
<u>Trade receivables:</u>					
Balance at beginning of the year	1,452	1,348	1,363	79	79
Charged/(reversed) to profit or loss	201	143	(17)	-	-
Written off during the year	(4)	(6)	-	-	-
Reversal of allowance made in prior years	(48)	(30)	-	-	-
Foreign exchange adjustments	7	(3)	2	-	-
	<u>1,608</u>	<u>1,452</u>	<u>1,348</u>	<u>79</u>	<u>79</u>
<u>Other receivables:</u>					
Balance at beginning and end of the year	425	539	528	34	34
Charged to profit or loss	-	11	14	-	-
Reversal of allowance made in prior years	-	(121)	-	-	-
Foreign exchange adjustments	1	(4)	(3)	-	-
	<u>426</u>	<u>425</u>	<u>539</u>	<u>34</u>	<u>34</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivable computed based on lifetime ECL are as follows:

	2018 \$'000	2017 \$'000 Restated
<u>Movements in allowance account:</u>		
At 1 January	65	–
Charged to profit or loss	10	65
Foreign exchange adjustments	2	–
	<u>77</u>	<u>65</u>
At 31 December	<u>77</u>	<u>65</u>

Trade and other receivables denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	<u>6,372</u>	<u>7,045</u>	–	–

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is about 30 - 60 days (2017: 30 - 60 days). But some customers take a longer period to settle the amounts.

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<u>Trade receivables:</u>				
Less than 30 days	1,166	1,131	–	–
31 to 60 days	329	442	–	–
61 to 90 days	937	22	–	–
Over 90 days	2,181	1,469	–	–
Total	<u>4,613</u>	<u>3,064</u>	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(ii) Ageing analysis as at the end of the financial year of trade receivable amounts that are impaired:

	Collectively impaired		Individually impaired	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
		Restated		
<u>Trade receivables:</u>				
Trade receivables – nominal amounts	10,739	9,905	1,712	1,409
Less: Allowance for impairment	(77)	(65)	(1,531)	(1,388)
Total	10,662	9,840	181	21

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. OTHER ASSETS

	31 December	Group		Company	
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000
Deposits to secure services	524	360	345	–	–
Prepayments	1,395	689	109	2	3
Others	480	102	43	–	–
	2,399	1,151	497	2	3

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash at banks and on hand	1,594	1,276	50	23

Cash at banks earns interest at floating rates based on daily bank deposits rates, and is not restricted in use.

Cash at banks and on hand denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	975	854	–	–
United States dollar	11	11	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares issued '000	\$'000	No. of shares issued '000	\$'000
Issued and fully paid ordinary shares:				
At 1 January	35,951	15,322	35,951	15,322
At 31 December	35,951	15,322	35,951	15,322

(b) Treasury shares

	Group and Company			
	2018		2017	
	No. of shares issued '000	\$'000	No. of shares issued '000	\$'000
At 1 January	(1,077)	(388)	(1,077)	(388)
At 31 December	(1,077)	(388)	(1,077)	(388)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

Capital management:

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the financial year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash at banks and on hand. Adjusted capital comprises all components of equity (i.e. share capital and retained earnings).

	Group	
	2018 \$'000	2017 \$'000 Restated
<u>Net debt:</u>		
All current and non-current borrowings including finance leases	8,536	8,806
Less cash at banks and on hand	(1,594)	(1,276)
	6,942	7,530
<u>Adjusted capital:</u>		
Total equity attributable to Equity Holders	16,911	16,440
Adjusted capital	16,911	16,440
Debt-to-adjusted capital ratio	41%	46%

22. RESERVES

	31 December 2018 \$'000	31 December 2017 \$'000 Restated	1 January 2017 \$'000 Restated
Foreign currency translation reserve	(488)	(511)	–

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the Group entities 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 2018

23. PROVISION

	Group	
	2018	2017
	\$'000	\$'000
<u>Provision for product warranty:</u>		
Balance at beginning of the year	16	27
Charged to profit or loss included in other charges	66	1
Used during the year	(63)	(10)
Exchange differences	–	(2)
	<u>19</u>	<u>16</u>
Balance at end of the year	19	16

Goods are sold with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first twelve months after installation. A warranty provision is made based on past experience and future expectations and an assessment of probability of an outflow for the warranty obligations as a whole. It is expected that most of these costs will be incurred within the next 12 months from the end of the financial year.

24. LOANS AND BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<u>Current:</u>				
Fixed rate bank loans (secured)	–	30	–	–
Fixed rate other loans (unsecured)	1,000	1,089	–	–
Floating rate bank loans (unsecured)	1,247	633	–	–
Floating rate other loans (secured)	196	218	–	–
Trust receipts for purchase of inventories and invoice financing (secured)	3,614	4,043	–	–
Subtotal	<u>6,057</u>	<u>6,013</u>	–	–
<u>Non-current:</u>				
Floating rate other loans (secured)	2,302	2,511	–	–
Subtotal	<u>2,302</u>	<u>2,511</u>	–	–
Total	<u>8,359</u>	<u>8,524</u>	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. LOANS AND BORROWINGS (CONT'D)

For the year ended 31 December 2018, the loans and borrowings arising from financing activities decreased to \$8,359,000 (2017: \$8,524,000) mainly due to decrease through financing cash flows of \$343,000 and a increase through effect of changes in foreign exchange rates amounting to \$178,000.

Loans and borrowings denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	6,271	6,305	–	–
Euro	524	438	–	–

The ranges of floating interest rates paid were as follows:

	2018 \$'000	2017 \$'000
Floating rate bank loans (unsecured)	5.05% to 5.60%	5.00% to 5.10%
Floating rate other loans (secured)	3.80% to 4.55%	2.40% to 3.70%
Trust receipts for purchase of inventories	4.45% to 6.75%	3.95% to 6.75%

(a) Fixed rate other loans (unsecured)

Other loans comprises of the following:

(i) Loan from a finance company

The loan amounted to \$300,000 (2017: \$89,000) was provided among other matters for the following:

1. Repayable in 12 months, which is due on 15 September 2019.
2. Interest rate at 11% per annum.
3. Personal guarantee from 1 director and 1 other key management personnel.

In 2017, the loan amounted to \$89,000 was provided among other matters for the following:

1. Repayable in 3 years, which is due on 29 May 2018.
2. Interest rate at 2.85% per annum.
3. Need to comply with certain financial covenants such as (a) one of the Group's subsidiary maintains minimum tangible networth of \$6 million equivalent and a working capital of not less than \$3.5 million during the loan tenor and (b) the same subsidiary must not incur any losses on a net profit after tax basis for two consecutive years.
4. Corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. LOANS AND BORROWINGS (CONT'D)

(a) Fixed rate other loans (unsecured) (cont'd)

(ii) Loan from a corporation

The loan amounted to \$700,000 was provided among other matters for the following:

1. Repayable in 12 months, which is due on 17 June 2019.
2. Interest rate at 1% per month.
3. Corporate guarantee from the Company
4. Personal guarantee from 1 director

(iii) Loan from a substantial shareholder and director

There is no outstanding loan in 2018. In 2017, the loan amounted to \$1,000,000 and was provided among other matters for the following:

1. Repayable in 30 days, which is due on 26 January 2018.
2. Interest rate at 1% per month.

(b) Floating rate bank loans (unsecured)

The bank loans comprises of the following:

Revolving Term Loan

The revolving term loan amounted to \$1,247,000 (2017: \$633,000) was provided among other matters for the following:

1. Repayable by 6 equal instalments, which is due on 20 June 2019.
2. One of the Group's subsidiary maintains minimum tangible networth of \$6 million equivalent.
3. Corporate guarantee from the Company.

(c) Floating rate other loans (secured)

The other loans comprises of the following:

Loan from a finance company

The other loan amounted to \$2,498,000 (2017: \$2,729,000) was provided among other matters for the following:

1. Repayable by monthly installment and due on 26 February 2028.
2. Corporate guarantee from the Company.
3. Secured by a first mortgage over Group's leasehold property and improvements (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. LOANS AND BORROWINGS (CONT'D)

(d) Trust receipt

The bank agreement for certain of credit facilities provide among other matters for the following:

1. Repayable within 150 days.
2. Corporate guarantee from the Company.
3. One of the Group's subsidiary maintains minimum tangible networth of \$6 million equivalent.

25. FINANCE LEASES

	Minimum payments \$'000	Finance Charges \$'000	Present value \$'000
Group			
2018			
Minimum lease payments payable:			
Due within one year	91	(6)	85
Due within 2 to 5 years	95	(3)	92
Total	186	(9)	177
Group			
2017			
Minimum lease payments payable:			
Due within one year	108	(8)	100
Due within 2 to 5 years	189	(7)	182
Total	297	(15)	282

The Group has finance leases for certain items of plant and equipment. The lease term is 3 to 5 years. The rate of interest for finance leases is about 1.8% to 1.9% (2017:1.8% to 1.9%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance leases denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	177	282	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. PAYABLES AND ACCRUALS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<u>Trade payables and accruals:</u>				
External parties	4,998	3,974	95	27
Accruals	1,382	1,342	51	64
Subtotal	6,380	5,316	146	91
<u>Other payables:</u>				
Due to an associate	344	831	–	–
Others	48	91	882	297
Subtotal	392	922	882	297
Total payables and accruals	6,772	6,238	1,028	388
<u>Add:</u>				
Loans and borrowings (Note 24)	8,359	8,524	–	–
Finance lease (Note 25)	177	282	–	–
Total financial liabilities carried at amortised cost	15,308	15,044	1,028	388

Trade payables and other payables:

These amounts are non-interest bearing and normally settled on 30-90 days' terms.

Amounts due to an associate:

Amounts due to an associate are unsecured, non-interest bearing and repayable on demand by cash.

Payables and accruals denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore Dollar	2,840	2,088	–	–
Euro	190	119	–	–
Chinese Renminbi	48	23	–	–

27. OTHER LIABILITIES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deposits received from customers	88	275	–	–

These amounts are trade related, non-interest bearing and based on contractual terms as established with external parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(a) Related parties

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and non-interest bearing unless stated otherwise.

Purchases were made at an arm's length basis in a manner similar to transactions with third parties.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	2018 \$'000	2017 \$'000
Loan from a substantial shareholder and director	–	1,000
Sales to a related party	491	575
Rental income from a related party	90	119
Rental income from associate	124	–
Purchases of goods and services from related parties	958	2,283
Subcontractor costs paid to a related party	450	495

The above related parties refer to companies in which the substantial shareholder is a close relative of a director of the Company.

(b) Key management compensation

	Group	
	2018 \$'000	2017 \$'000
Short-term employee benefits	726	760
Central Provident Fund contributions	22	39
	748	799

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

	Group	
	2018 \$'000	2017 \$'000
Remuneration of directors of the Company	506	460
Remuneration of other key management personnel	142	239
Fees to directors of the Company	100	100
	748	799

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Commitments to purchase additional plant and equipment	887	1,070

(b) Operating lease commitments- as lessee

Operating lease payments are rentals payable for land and certain of its factory properties. The land lease from the Jurong Town Corporation is for 22 years and 7 months from 1 March 2013. The lease rental terms are negotiated for an average term of one year and rentals are subject to an escalation clause.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$146,000 (2017: \$208,000).

At the end of the financial year, the total of future minimum lease payments under non-cancellable operating leases is as follows:

	2018	2017
	\$'000	\$'000
Not later than one year	55	55
Later than one year but not later than five years	220	220
Later than five years	647	702
	922	977

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. CONTINGENT LIABILITIES

	Group	
	2018	2017
	\$'000	\$'000
Corporate guarantee given for a subsidiary's credit facilities	8,059	7,524

The Company has undertaken to provide financial support to certain subsidiaries, which had net capital deficits as at 31 December 2018. It is impracticable to reliably estimate the exposure.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for asset or liability that are not based on observable market or observable market data (unobservable inputs)

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

Current trade and other receivables (Note 18), Current other assets (Note 19), Non-current other receivables (Note 18), Provisions (Note 23), Current and non-current loans and borrowings (Note 24), Finance leases (Note 25), Payables and accruals (Note 26) and Current other liabilities (Note 27).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. Management has certain practices for the management of financial risks. The guidelines set up the short and long-term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate may consider investing in shares or similar instruments.
6. When appropriate enter into derivatives or any other similar instruments solely for hedging purposes.

There has been no change to the exposures to risk; the objective, policies and processes for managing the risk and the methods used to measure the risk.

The financial controller monitors the procedures, and reports to the audit committee of the board.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(a) Credit risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; and the maximum amount the entity could have to pay if the guarantee is called on. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Concentration of trade receivables as at the end of the financial year:

	Group	
	2018	2017
	\$'000	\$'000
Top 1 customer	1,942	1,489
Top 2 customers	2,598	2,159
Top 3 customers	3,215	2,830

Available-for-sale investments: All of them represent equity shares and therefore there is no fixed maturity.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will improve over the next year, leading to a decreased number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(a) Credit risk (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:

Singapore:

31 December 2018	Contract assets	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	1,289	3,533	1,160	325	936	2,691	9,934
Loss allowance provision	-	-	-	-	-	(555)	(555)

Malaysia:

31 December 2018	Contract assets	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	-	230	-	-	-	1,047	1,277
Loss allowance provision	-	-	-	-	-	(924)	(924)

Other geographical areas:

31 December 2018	Contract assets	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	-	654	6	4	1	152	817
Loss allowance provision	-	-	-	-	-	(129)	(129)

Information regarding loss allowance movement of trade and contract assets are disclosed in Note 18 and Note 4 respectively.

As at 31 December 2018, the Group wrote off \$1,608,000 of trade receivables which are more than 90 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient level of cash at banks and on hand to meet its working capital requirements. The Group maintains a balance between continuity of funding and flexibility through the use of stand-by financial and credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and to mitigate the effects of fluctuations in cash flows.

Short-term funding may be obtained from short-term loans where necessary without incurring unacceptable losses or risking damage to the Group's reputation.

Analysis of financial instruments 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 end of the reporting period based on contractual undiscounted repayment obligations.

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Group			
2018			
Financial assets			
Trade and other receivables (Note 18)	12,914	52	12,966
Cash at banks and on hand (Note 20)	1,594	–	1,594
Total undiscounted financial assets	14,508	52	14,560
Financial liabilities			
Loans and borrowings (Note 24)	6,487	2,786	9,273
Finance leases (Note 25)	91	95	186
Payables and accruals (Note 26)	6,772	–	6,772
Total undiscounted financial liabilities	13,350	2,881	16,231
Total net undiscounted financial assets/ (financial liabilities)	1,158	(2,829)	(1,671)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(b) Liquidity risk (cont'd)

	Less than 1 year \$'000 (restated)	1 – 5 years \$'000	Total \$'000
Group			
2017			
Financial assets			
Trade and other receivables (Note 18)	12,847	49	12,896
Cash at banks and on hand (Note 20)	1,276	–	1,276
Total undiscounted financial assets	14,123	49	14,172
Financial liabilities			
Loans and borrowings (Note 24)	6,376	2,983	9,359
Finance leases (Note 25)	108	189	297
Payables and accruals (Note 26)	6,238	–	6,238
Total undiscounted financial liabilities	12,722	3,172	15,894
Total net undiscounted financial assets/ (financial liabilities)	1,401	(3,123)	(1,722)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(b) Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
2018			
Financial assets			
Trade and other receivables (Note 18)	1,124	–	1,124
Cash at banks and on hand (Note 20)	50	–	50
Total undiscounted financial assets	1,174	–	1,174
Financial liabilities			
Payables and accruals (Note 26)	1,028	–	1,028
Total undiscounted financial liabilities	1,028	–	1,028
Total net undiscounted financial assets	146	–	146
2017			
Financial assets			
Trade and other receivables (Note 18)	804	–	804
Cash at banks and on hand (Note 20)	23	–	23
Total undiscounted financial assets	827	–	827
Financial liabilities			
Payables and accruals (Note 26)	388	–	388
Total undiscounted financial liabilities	388	–	388
Total net undiscounted financial assets	439	–	439

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(b) Liquidity risk (cont'd)

Financial guarantee contracts – For financial guarantee contracts, the maximum earliest period in which the guarantee could be called is used. At the end of the financial year, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
2018			
Bank guarantee in favour of a subsidiary	5,757	2,302	8,059
2017			
Bank guarantee in favour of a subsidiary	5,013	2,511	7,524

(c) Interest rate risk

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

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the end of the reporting period, approximately 14% (2017: 16%) of the Group's borrowings are at fixed rates of interest.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<u>Loans and borrowings:</u>				
Fixed rates	1,000	1,119	–	–
Floating rates	7,359	7,405	–	–
<u>Finance leases:</u>				
Fixed rates	177	282	–	–
Total at end of the year	8,536	8,806	–	–

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2017: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$74,000 (2017: \$74,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. 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 the Group entities, primarily USD. The foreign currencies in which these transactions are denominated are mainly SGD. The Group's trade receivable and trade payable balances at the end of the financial year have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in SGD.

The Company itself does not have significant exposure to the foreign currency risk. The non-functional currencies balances as at end of the financial year are not significant.

The Group has certain practices for the management of financial risks. The following guidelines are followed:

- All financial risk management activities are carried out and monitored by senior management staff.
- All financial risk management activities are carried out following good market practices.

Sensitivity analysis of foreign currency risk

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

		Group Increase/(Decrease) Profit net of tax	
		2018	2017
		\$'000	\$'000
SGD/USD	– strengthened 2% (2017: 2%)	32	13
	– weakened 2% (2017: 2%)	(32)	(13)
		32	13
		(32)	(13)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL INFORMATION BY OPERATION SEGMENTS

(a) Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

The group mainly has two principal activities, one is supplying, designing, manufacturing, installing, commissioning and servicing of generators used mainly in commercial and industrial projects and housing projects, the other is supplying electricity to power grid.

Analysis by Business Segments

The group is organised into three business segments – Projects (supplying generators), Power plant (supplying electricity) and Others. With effect from FY2018, the group primarily presents segment information by business.

Analysis by Geographical Segments

The group is organised into three major geographical areas – Singapore, Asia (Brunei, Cambodia, Laos, Malaysia, Myanmar, Indonesia, Philippines, Thailand, Vietnam, People's Republic of China, Hong Kong, India and Australia) and Rest of the world.

In presenting information on the basis of geographical segments, segment is based on the geographical location of assets (same as the location of the customers).

Segment revenue, expenses, assets and liabilities comprise amounts that are either directly attributable to, or can be allocated on a reasonable basis to a segment. Addition of non-current assets is the total cost incurred during the year to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations

(i) Segment information by business described above is presented below:

	Projects		Power plant		Others		Adjustment and elimination		Notes		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External customers	14,165	13,561	1,081	725	234	-	-	-	-	-	15,480	14,286
Total revenue	14,165	13,561	1,081	725	234	-	-	-	-	-	15,480	14,286
Results:												
Interest income	389	176	-	-	-	-	(153)	(145)			236	31
Finance costs	(549)	(454)	-	-	-	-	-	-			(549)	(454)
Depreciation	(317)	(327)	(329)	(367)	-	-	-	-			(646)	(694)
Share of results of an associate	-	-	(60)	(73)	-	-	-	-			(60)	(73)
Segment profit/(loss)	868	1,114	139	(30)	(90)	(278)	(153)	(337)			764	469
Addition of non-current assets	705	63	2	83	-	293	-	2,823			707	3,262
Non-current assets	2,452	2,026	3,692	4,176	293	293	2,829	2,823	B		9,266	9,318
Segment assets	48,617	46,966	9,287	8,289	15,472	15,447	(39,305)	(37,345)	C		34,071	33,357
Segment liabilities	36,427	38,025	4,876	4,236	186	225	(26,022)	(27,151)	D		15,467	15,335

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations (cont'd)

(ii) Segment information of these geographical areas described above is presented below:

	Singapore		Asia (excluding Singapore)		Rest of the world		Adjustment and elimination		Notes		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External customers	11,705	11,941	3,647	2,121	128	224	-	-	-	-	15,480	14,286
Inter-segment	7,350	5,630	-	-	-	4	(7,350)	(5,634)	-	-	-	-
Total revenue	19,055	17,571	3,647	2,121	128	228	(7,350)	(5,634)	A	A	15,480	14,286
Results:												
Interest income	389	176	-	-	-	-	(153)	(145)			236	31
Finance costs	(549)	(454)	-	-	-	-	-	-			(549)	(454)
Depreciation	(317)	(327)	(329)	(367)	-	-	-	-			(646)	(694)
Share of results of an associate	-	-	(60)	(73)	-	-	-	-			(60)	(73)
Segment profit/(loss)	694	1,199	321	(211)	(98)	(182)	(153)	(337)			764	469
Addition of non-current assets	702	63	5	3,199	-	-	-	-			707	3,262
Non-current assets	2,443	2,022	6,823	7,296	-	-	-	-	B	B	9,266	9,318
Segment assets	53,947	51,839	19,237	18,663	192	200	(39,305)	(37,345)	C	C	34,071	33,357
Segment liabilities	25,842	24,681	15,642	17,800	5	5	(26,022)	(27,151)	D	D	15,467	15,335

Notes Nature of adjustment and eliminations to arrive at amounts reported in the consolidated financial statements

- A Inter-segment revenues are eliminated on consolidation.
- B Non-current assets only include property, plant and equipment and investment property.
- C Inter-segments assets are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet.
- D Inter-segments liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet.

(c) Information about a major customer

Revenue from one major customer amounted to \$1,941,861, arising from sales of generators in Singapore (2017: \$1,391,149 in Singapore).

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2019

Issued and fully paid-up capital	:	\$15,674,904.862
Number of issued shares	:	37,027,656
Number of issued shares (excluding treasury shares)	:	35,950,856
Number / Percentage of Treasury Shares	:	1,076,800 (3%)
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	93	7.31	1,691	0.01
100 – 1,000	527	41.43	212,534	0.59
1,001 – 10,000	388	30.51	1,824,715	5.08
10,001 – 1,000,000	258	20.28	17,049,437	47.42
1,000,001 AND ABOVE	6	0.47	16,862,479	46.90
TOTAL	1,272	100.00	35,950,856	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 14 March 2019, approximately 64.13% of the issued ordinary shares of the Company is held by the public, and therefore, the Company is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	BENEDICT CHEN ONN MENG	8,000,120	22.25
2	KANG BENG CHIANG	3,251,875	9.05
3	CHUA KENG WOON	1,666,667	4.64
4	CHEN SIEW MENG	1,554,200	4.32
5	OCBC SECURITIES PRIVATE LIMITED	1,360,917	3.79
6	LIM SIM BENG	1,028,700	2.86
7	FREDDIE FONG CHEE ENG	861,375	2.40
8	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	724,300	2.01
9	SOH CHOON LEONG	670,333	1.86
10	CITIBANK NOMINEES SINGAPORE PTE LTD	527,050	1.47
11	RAFFLES NOMINEES (PTE.) LIMITED	467,200	1.30
12	HONG LEONG FINANCE NOMINEES PTE LTD	451,800	1.26
13	TEO CHEE KIAN (ZHANG ZHI QIANG)	430,000	1.20
14	JENNY KANG	417,100	1.16
15	YAP SENG TECK	352,582	0.98
16	HOW YIM SOO	344,400	0.96
17	YAP HOCK BENG	321,900	0.90
18	SIA LING SING	302,800	0.84
19	LEONG CHEE KENG	292,300	0.81
20	UOB KAY HIAN PRIVATE LIMITED	286,000	0.80
TOTAL		23,311,619	64.86

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as 14 March 2019

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	% of shares	No. of shares	% of shares
Benedict Chen Onn Meng ⁽¹⁾	8,000,120	22.25	87,600	0.24
Kang Beng Chiang	3,510,075	9.76	–	–

⁽¹⁾ Benedict Chen Onn Meng's deemed interest arises from shares held through his CPF investment account, UOB Kay Hian Private Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of the Company will be held at 11 Tuas Avenue 16 Singapore 638929 on 29 April 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon. **Resolution 1**
2. To re-elect the following director retiring pursuant to the Company's Constitution and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"):

Mr Benedict Chen Onn Meng **Resolution 2**
3. To approve the Directors' fees of \$100,000 for the year ending 31 December 2019, payable half-yearly in arrears. **Resolution 3**
4. To re-appoint Ernst & Young LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

5. **Proposed share issue mandate** **Resolution 5**

"That pursuant to Section 161 of the Companies Act, Cap. 50. and the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier."

[See Explanatory Note (i)]

6. **Authority to grant awards and to allot and issue shares pursuant to the VibroPower Performance Share Scheme** **Resolution 6**

"That approval be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the VibroPower Performance Share Scheme ("the Scheme") and to deliver such number of fully paid-up Shares in the form of existing shares held as treasury shares and/or new Shares as may be required to be delivered pursuant to the vesting of awards under the Scheme provided that the aggregate number of shares to be issued and allotted pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time."

[See Explanatory Note (ii)]

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

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The proposed Resolution 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.
- (ii) The proposed Resolution 6, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the VibroPower Performance Share Scheme ("the Scheme"). The grant of awards under the Scheme will be made in accordance with the provisions of the Scheme provided that the aggregate number of shares to be issued and allotted shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 5.

BY ORDER OF THE BOARD

SIA HUAI PENG
Company Secretary
Singapore

Date : 12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- (a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.
- (b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
- (c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the meeting.
- (d) A proxy need not be a member of the Company.

PERSONAL DATA PRIVACY:

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

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VIBROPOWER CORPORATION LIMITED

Registration No. 200004436E

PROXY FORM**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We _____ NRIC/Passport No./Registration No. _____

of _____

being a member(s) of VibroPower Corporation Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2019 Annual General Meeting of the Company to be held at 11 Tuas Avenue 16 Singapore 638929 on 29 April 2019 at 9:30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Statement and Audited Accounts for the year ended 31 December 2018		
2	Re-election of Mr Benedict Chen Onn Meng as Director		
3	Approval of Directors' fees for the year ending 31 December 2019, payable half-yearly in arrears		
4	Re-appointment of Ernst & Young LLP as Auditors		
5	Proposed Share Issue Mandate		
6	Authority to grant awards and to allot and issue shares pursuant to the VibroPower Performance Share Scheme		

Signed this _____ day of _____ 2019

Total number of shares held

Signature or Common Seal of shareholder**IMPORTANT: PLEASE READ NOTES OVERLEAF**

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the time set for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.



VIBROPOWER CORPORATION LIMITED

11 Tuas Avenue 16

Singapore 638929

Company Registration No.: 200004436E

www.vibropower.com