INTRACO LIMITED

A NEW BALANCE

2017 ANNUAL REPORT

OUR VISION

To be an investment holding company with diversified leading businesses, creating value for our stakeholders in the communities across Asia

OUR MISSION

To grow our business with leadership positions in markets, industry and technology.

To achieve profitable and sustainable growth through value-add strategic and proactive management of our investments.

Cover Page: The five pebbles on the right connotes our 5 existing businesses and the pebble on the left reflects the importance of identifying new growth platforms

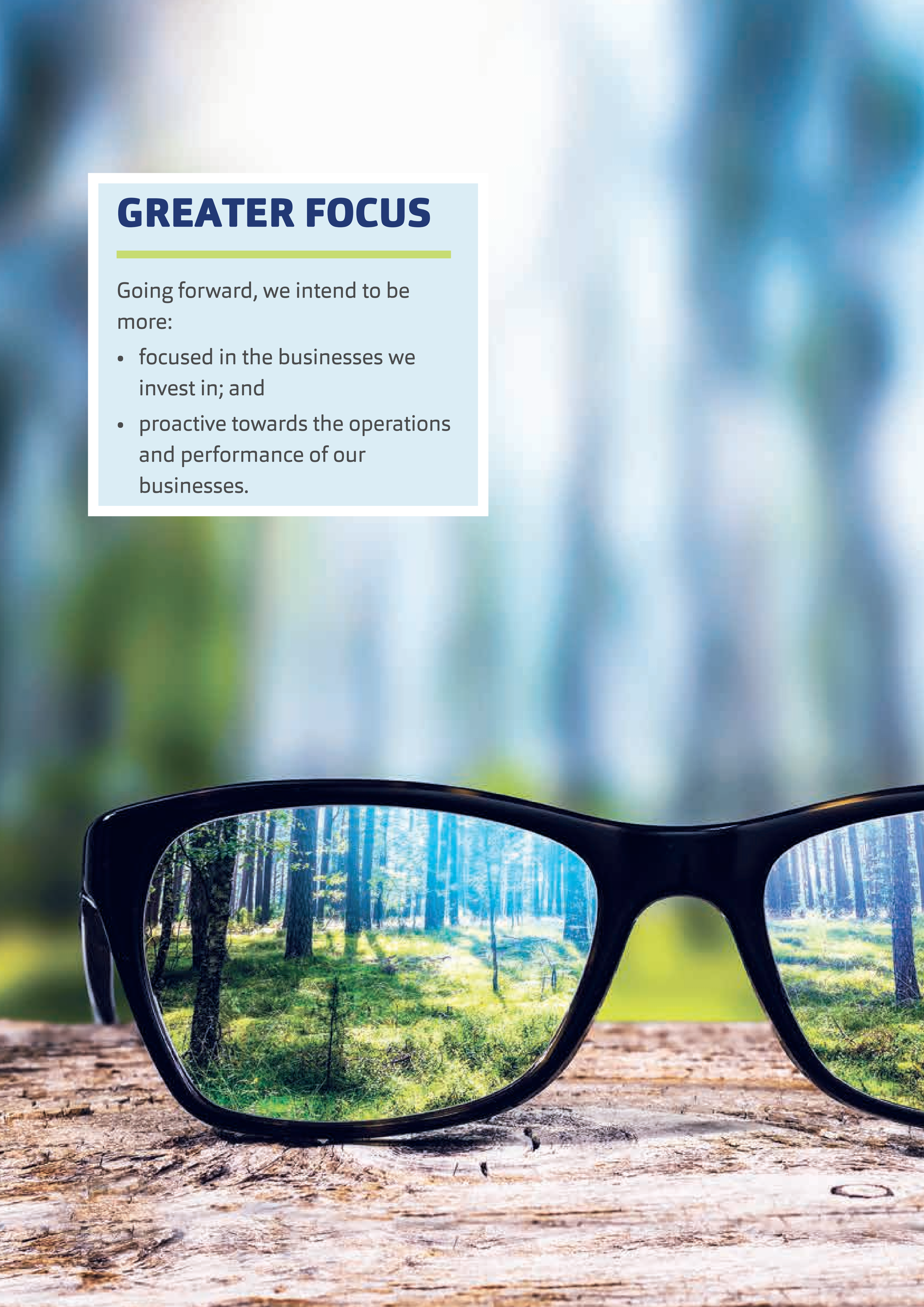
FOUNDATION FOR GROWTH

The key to delivering long term and sustainable growth is to invest in new talent, new products and new markets. We are continuously looking to do so.

GREATER FOCUS

Going forward, we intend to be more:

- focused in the businesses we invest in; and
- proactive towards the operations and performance of our businesses.



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PROXY FORM

INTRACO IN NUMBERS

121,327,000
REVENUES

66,719,000
NET ASSET VALUE

30,674,000
TOTAL CASH

26,968,000
MARKET CAPITALISATION

10,365,000
TOTAL DEBT

3,332
SHAREHOLDERS

126
EMPLOYEES

50
YEARS OF HISTORY

5
EXISTING BUSINESSES

2
PRONGED STRATEGY

1
VISION

ABOUT INTRACO

Intraco was founded in 1968 by the Singapore Government and was the country's trading arm to explore overseas markets and identify new sources of raw materials. It played a key role in the growth of Singapore as a young nation, which then had to rely on an export-oriented industrialisation strategy.

Intraco has been listed on the Singapore Exchange since 1972 and for three decades from 1974 to 2003, Intraco was incorporated as part of the investment portfolio of Temasek Holdings, the state investment arm. Today, Intraco has evolved into a reputable investment holding company, with an experienced board and substantial major shareholders.

The Company invests in five lines of businesses with presence in the key emerging markets of Asia: Vietnam, Malaysia, Myanmar and China, in addition to its home base in Singapore.

Intraco, through its subsidiaries, associate and joint venture, is mainly engaged in: the trading of plastic resins; provision of passive fire protection services; manufacturing of heavy-duty polyethylene packaging materials and colour & modified resins compounds; provision of mobile radio infrastructure management services; and the provision of crane rental services.

The Company actively partners its portfolio companies by providing both financial and operational expertise and helping these companies chart their strategic direction and growth initiatives.

Intraco's strong regional network and culture of integrity, professionalism and performance, have helped ensured an enduring brand reputation over the years.

With strengthening financials, improving liquidity and low gearing, the Company will strive to continually create shareholder value by growing the businesses in its portfolio and driving long-term growth and sustainability through new investments.

For more information, please visit www.intraco.com.sg.

MILESTONES

1968	Year of incorporation
1972	Listed on Singapore Exchange
1974	Incorporated into the portfolio of Temasek Holdings
1993	Reached all-time high market cap of S$278m
1994	Established Intraco Trading (Plastics Division)
1995	Recorded all-time high revenue of S$918m
1997	Established Intrawave
1999	Recorded all-time high PAT of S$19m
2003	Divested by Temasek Holdings
2009	Invested in Dynamic Colours
2013	Established Tat Hong Intraco JV in Myanmar
2014	Invested in K.A. Group
2017	Recorded 9-year high underlying PAT of S$2.7m

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are celebrating Intraco's Golden Jubilee this year.

Over the years, we have had to adapt and change our business strategy and plans, to ride the waves of changing economic and market forces.

What has not changed are the values that guide how we do business: ethics, trust, teamwork, performance, professionalism and passion.

In 2017, the Intraco Board and senior management team convened to reaffirm that in today's marketplace, adhering to our values is non-negotiable and will result in sustainable growth.

Accordingly, we only invest in leaders who are aligned with the Intraco values and can contribute to the Group in any key role they may be assigned to. This is critical for succession planning and to ensure the sustainability of the Group's performance.

I am happy to note that Intraco's 2017 performance validates our commitment to the values.

Last year, Intraco improved its profitability, with all its five businesses reporting positive underlying earnings, and achieved higher adjusted earnings of S$2.7m, the strongest in almost a decade.

We emphasised cost and financial discipline and drove business development efforts by emphasising efficiency and productivity; everyone was challenged to think out of the box.

Looking ahead, Intraco is committed to leveraging its management expertise and global network of partners to support our businesses in their push for growth in the region and globally.

We want to achieve a balance between nurturing our existing companies and acquiring profit-accretive businesses for incremental growth. We will be disciplined in our investing approach and in managing our portfolio, to ensure we return sustainable shareholder value.

Over the past year, Mr Nicholas Yoong joined us as Chief Executive Officer and Ms Thed Tian Jee as Group Financial Controller. This year we also welcomed Mr Edmond Lee as

Senior Vice President of Plastics Division for Intraco Trading Pte Ltd and Mr Daniel Lim as General Manager for K.A. Group who will bring extensive regional and senior level growth support to the CEO of K.A. Group. The four bring with them extensive experience and outstanding credentials to drive Intraco's growth. Talent will attract talents.

As the Intraco team strives for a better 2018 and beyond, we will work harder to earn the trust of our stakeholders and enhance the reputation that we have built over time.

The Board reiterates its commitment to adopt the best practices in Corporate Governance and Ethics and Compliance.

On behalf of the Board, I want to thank the management and staff of Intraco Group for their efforts and hard work over the past year; and our partners and shareholders for their continued support.

COLIN LOW
Chairman of the Board
Intraco Limited

CEO'S STATEMENT

Dear Shareholders,

I am honoured to be entrusted with the Chief Executive Officer's role for the Group from July 2017 and am pleased to make my inaugural update on the Group's progress for the past financial year ended 31 December 2017.

My primary focus since taking office has been to review each of our businesses, understand their competitive positions and, thereafter, develop a strategy for each of these businesses to help them stabilise and grow.

We also pursued a Group-wide initiative with the following objectives in mind:

1. Reinforce a culture of integrity, professionalism and performance
2. Ensure strong cost and financial controls
3. Identify new opportunities for growth, both organically and inorganically

IMPROVING PROFITABILITY IN FY2017

This initiative helped the Group achieve, in FY2017:

- Total Group underlying earnings of S$2.7m, the strongest in almost a decade;
- Positive underlying earnings for all five businesses, the first time in many years;
- An improved Group net cash position, from S$16m in FY2016 to S$20m in FY2017;
- A decline in the Group gearing ratio, from 42% in FY2016 to 16% in FY2017; and
- A stable net asset value of approximately S$67m.

The Group recorded its third consecutive year of growth in underlying earnings in FY2017 (see page 18), which reflects further progress.

We also continue to make improvements in many areas, including the launch of a new website, the implementation of ever-more robust business practices, systems and processes, and the development of new partnerships.

THE STRATEGY GOING FORWARD

Going forward, a key challenge for the Group is to strike the right balance between growing existing businesses and identifying new growth platforms. I believe that, to provide the Group with a platform for long term and sustainable growth, we need to invest in new businesses with strong growth potential. However, it is important that we do this in a measured manner, taking into account the associated risks, our internal strengths, resources and capabilities. Consequently, the core principles underlying our growth strategy are two-pronged:

1. To do *fewer things better*, by striving to be the best in class in each of the businesses we engage in; and
2. To work actively with our subsidiary and associate companies and be their valuable resource and partner.

In particular, we will focus on the following for 2018:

- Work on expanding our fire protection business regionally;
- Work on penetrating new markets for our plastics trading business; and
- Invest in new talent and leadership across the Group.

Intraco turns 50 in 2018, which speaks to its resilience. We are building the foundation for the next 50 years.

I would like to express my deepest gratitude to our Board, my colleagues and our business partners for their unwavering commitment and support.

Thank you.

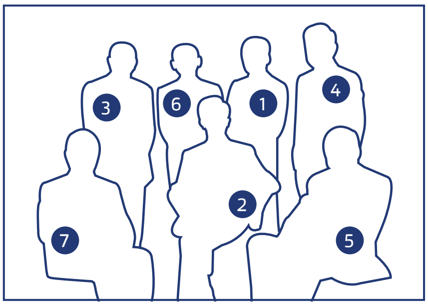
NICHOLAS YOONG SWIE LEONG
Chief Executive Officer
Intraco Limited

LOOKING AHEAD

We are embarking on a new journey and charting the course for the next 50 years. Our focus will be on the existing sectors we operate in and potentially new high-growth and non-capital-intensive sectors with a primary interest in Southeast Asia where we see opportunities for growth and value. This is determined by our resources, strengths and capabilities.

BOARD OF DIRECTORS

1. **MR COLIN LOW**
   Chairman and Independent Director
2. **DR TAN BOON WAN**
   Independent Director
3. **MR SHABBIR H HASSANBHAI**
   Independent Director
4. **MR CHARLIE NG HOW KIAT**
   Non-Executive Director
5. **MR TONY CHEW LEONG CHEE**
   (Alternate Director to Mr Charlie Ng How Kiat)
6. **DR STEVE LAI MUN FOOK**
   Non-Executive Director
7. **MR ROLAND NG SAN TIONG**
   (Alternate Director to Dr Steve Lai Mun Fook)



BOARD OF DIRECTORS

MR COLIN LOW
Chairman and Independent Director

Mr Low joined the Board of Intraco on 1 March 2014 as Vice-Chairman and Independent Director and was appointed as Chairman of the Board on 28 April 2015. He is also the Chairman of the Investment Committee and a member of the Audit and Remuneration Committees. Mr Low was last re-elected as a Director at the Annual General Meeting on 22 April 2016.

Mr Low is currently the Chairman of a boutique private equity and investment advisory firm, Singapore Investment Development Corporation (SIDC), investing in high growth companies involved in technology, intellectual property and industrial solutions across the Asia Pacific region.

Prior to SIDC, Mr Low held several key positions at General Electric ("GE"), where he served as President & Regional Executive of GE Group in South East Asia including GE Capital, GE Technology Infrastructure, GE Energy Infrastructure, GE Home Solutions and NBC Universal. He was also a Board Director of GE International financial and investment holding group for the Asia Pacific region, GE Pacific Pte Ltd, from 2005 to 2010. He was also board director for GE Capital – Real Estate in Asia, and CNBC in China. In his early career at GE, he was the Managing Director & General Manager of GE Aviation – Aircraft Engines.

Mr Low holds several key board positions including the US National Board Member of the Cancer Treatment Centers of America (CTCA), a rapidly growing network of regional hospitals (Atlanta, Chicago, Philadelphia, Phoenix, Tulsa) in the USA specialising in treating complex and advanced-stage cancer with an integrated and comprehensive "holistic person" approach to medical care.

Mr Low is also an ASEAN Council Member of INSEAD University, and has been conferred as a Certified International Board Director by INSEAD University since 2013. He is a Fellow of the Singapore Institute of Directors.

Mr Low holds a Bachelor of Science in Management (Honours), Bachelor of Science in Marketing (Honours) and a Masters in Business Administration from Southern Illinois University Carbondale, USA.

DR TAN BOON WAN
Independent Director

Dr Tan has been an Independent Director of the Board since 5 October 2004. He serves as the Chairman of Audit Committee and a member of Nominating Committee. Dr Tan was last re-elected as a Director at the Annual General Meeting on 20 April 2017.

Dr Tan was a Member of Parliament for the Ang Mo Kio GRC from 1997 to 2006, during which he served on the Government Parliamentary Committees for Education; Finance and Trade & Industry; and Information, Communication and the Arts. He was awarded the Public Service Medal (PBM) in 1993 for his contributions to the community.

He also sits on the boards of Hotung Investment Holdings Ltd, Provenance Capital Pte Ltd, Sebrina Holdings Pte Ltd and Concord Energy Pte Ltd.

Dr Tan holds a Doctorate in Mathematical Physics and Master's degree in Management from Imperial College at the University of London.

BOARD OF DIRECTORS

MR SHABBIR H HASSANBHAI
Independent Director

Mr Hassanbhai was appointed to the Board as an Independent Director on 16 August 2013. He is Chairman of both the Remuneration and Nominating Committees and a member of the Audit Committee. Mr Hassanbhai was last re-elected as a Director at the Annual General Meeting on 22 April 2016.

Mr Hassanbhai serves as a Non-Executive Director in Dynamic Colours Limited. He is also active in various business and social organisations in Singapore among which he is the Vice Chairman of the Singapore Business Federation; Trustee of the Singapore Indian Development Association (SINDA); Chairman of the Advisory Board of the NTU-SBF Centre for African Studies; Chairman of the School Advisory Committee of Chong Boon Secondary School; Finance Member Ang Mo Kio-Thye Hua Kwan Hospital. He also serves on the boards of his own companies in Singapore and the Middle East and as an Independent Director and Chairman of the Audit, Nomination and Remuneration Committees at listed India-based companies Gateway Distriparks Limited – a multi-modal container and rail company; and Snowman Logistics Limited – temperature controlled logistics services provider.

Mr Hassanbhai was conferred the Public Service Medal (PBM) in 2010 and awarded the distinguished Long Service Award by the Ministry of Community Development, Youth and Sports (MCYS) in 2011 for his invaluable volunteer service to the community and awarded a medal for service to education from the Ministry of Education in 2014. In 2017, he received the Business Recognition Award for business development in Africa, Middle East and mentoring family businesses from the Singapore Business Federation.

He was Singapore's Non-Resident High Commissioner to Federal Republic of Nigeria from 2008 to 2017.

Mr Hassanbhai is a Fellow of the Chartered Management Institute (CMI) and a Member of the Association of Chartered Certified Accountants (ACCA).

MR CHARLIE NG HOW KIAT
Non-Executive Director

Mr Ng was appointed to the Board as a Non-Executive Director on 22 November 2012. He is a member of the Remuneration, Nominating and Investment Committees. Mr Ng was last re-elected as a Director at the Annual General Meeting on 27 April 2015.

Mr Ng is the Managing Director of Asia Resource Corporation Pte Ltd and serves on the boards of several of its subsidiaries. He is also the President and Executive Director of Macondray Holdings Pte Ltd, a subsidiary of Asia Resource Corporation Pte Ltd, with investments in Indo-China and China.

Previously, Mr Ng held senior appointments in SGX-listed Boustead Singapore Ltd and Easycall International Ltd, where he was responsible for investment and corporate development functions.

Mr Ng graduated from National University of Singapore in 1994, with a Business Administration degree.

BOARD OF DIRECTORS

MR TONY CHEW LEONG CHEE

(Alternate Director to Mr Charlie Ng How Kiat)

Mr Chew was appointed to the Board as an Alternate Director to Mr Charlie Ng How Kiat on 7 December 2012.

Mr Chew is Executive Chairman of Asia Resource Corporation which has diversified business interests in the Asian Region. He is also Chairman of Macondray Holdings Pte Ltd, and board member of Heineken Myanmar Limited, Myanmar Distillery Co Ltd, Myanmar Supply Chain & Marketing Services Co Ltd, Cycle & Carriage Automobile Myanmar Co Ltd and KFC Vietnam Company.

Companies which he founded or led include Pepsi-Cola Vietnam, KFC Vietnam, JetStar Asia Ltd, Myanmar Airways International, Pepsi-Cola Philippines, Del Monte Pacific Ltd, RHB-Cathay Securities, Sterling Tobacco Corporation, Hua Feng Paper Mill, International Beverages Trading Company (Myanmar), Cycle & Carriage Automobile Myanmar Co Ltd, Heineken Myanmar, etc. He also served on boards of SGX companies including Keppel Corporation, Keppel Tat-Lee Bank, Keppel Bank, CapitaLand Commercial and Del Monte Pacific.

In Singapore, he plays an active role in promoting regional businesses, having served as Chairman of Singapore Business Federation, Network Indonesia, Vietnam Business Club; Board Member of Singapore Trade Development Board, Economic Review Sub-Committee on Entrepreneurship & Internationalisation, Regional Business Forum, and ASEAN Business Advisory Council. He was also Member of the Economic Strategies Committee, National Productivity and Continuing Education Council, and founding Chairman of Duke-NUS Graduate Medical School Singapore.

He is currently Co-Chairman of ACCORD Employers & Business Council, Board Member of Singapore Health Services, Member of Chinese Development Assistance Council Board of Trustees, and Advisor to Singapore Institute of International Affairs. He was conferred the Singapore National Day Meritorious Service Medal (2013), Public Service Star (2008) and Public Service Medal (2001), as well as NUS Outstanding Service Award 2011, SG50 Outstanding Chinese Business Pioneers Award (2015) and SBF Appreciation Award 2017.

DR STEVE LAI MUN FOOK

Non-Executive Director

Dr Lai was appointed to the Board as a Non-Executive Director on 28 April 2015. He is a member of the Investment Committee and was last re-elected as a Director at the Annual General Meeting on 20 April 2017.

Dr Lai currently sits on the Board of Yongmao Holdings Limited, 3dsense Media School Pte Ltd, Singapore Institute of Power & Gas Pte Ltd and Singapore Test Services Pte Ltd.

Dr Lai was the Chief Executive Officer of PSB Academy Pte Ltd from November 2007 to August 2012, and was previously the Deputy Chief Executive Officer of TUV SUD PSB Corporation and PSB Corporation Pte Ltd from April 2006 to March 2007 and from April 2001 to March 2006, respectively. He was also the General Manager (Standards & Technology) of Singapore Productivity & Standards Board from April 1996 to March 1998.

For his contributions to eco-labelling and the environmental movement, Dr Lai was given the Singapore Ministry of the Environment's Green Lead Award (Individual), and he also received the Silver Public Service Award in 1997.

Dr Lai holds a Bachelor of Science (Honours) in Industrial Chemistry and a PhD from the Loughborough University, United Kingdom.

MR ROLAND NG SAN TIONG

(Alternate Director to Dr Steve Lai Mun Fook)

Mr Ng was appointed to the Board as an Alternate Director to Dr Steve Lai Mun Fook on 28 April 2015.

Mr Ng is the Managing Director of one of the world's largest crawler crane rental company, Tat Hong Holdings Ltd, and he is vastly experienced in the areas of corporate management, business development and business management.

He sits on the board of Tat Hong Holdings Ltd as well as its regional subsidiaries and associates across Malaysia, Indonesia, Australia and China.

He is also a director of Yongmao Holdings Limited, a tower crane manufacturer.

KEY MANAGEMENT

MR NICHOLAS YOONG SWIE LEONG

Chief Executive Officer
(Appointed on 1 July 2017)

Nicholas Yoong is CEO of SGX Mainboard-listed, Intraco Limited. He started his career with Arthur Andersen in Kuala Lumpur before spending almost a decade at the London offices of two major international accounting firms, working on transaction advisory assignments across Europe, specialising in turnaround and restructuring.

He returned to Singapore in 2010 as Executive Director with Ernst & Young before joining boutique restructuring firm, Borrelli Walsh as Director. In 2013, he moved into corporate as Chief Operating Officer at Taylor's Education Pte Ltd (Singapore), one of the largest private education companies in Southeast Asia, where he was responsible for overseeing the Group's overseas investments, international expansion and corporate finance.

Nicholas graduated from University of Cambridge where he was offered a Sime Darby scholarship. He was also a British Chevening scholar at the University of Warwick and a Malaysian Institute of Certified Public Accountants (MICPA) scholar at the University of Malaya.

MS THED TIAN JEE

Group Financial Controller
(Appointed on 6 March 2017)

Tian Jee joined Intraco Limited as Group Financial Controller in March 2017. She spent seven years in audit and assurance with two international accountancy firms serving clients mainly in the manufacturing, trading, construction, agriculture, retail and distribution sectors. After public practice, she switched to the corporate world starting as Finance Manager at Fischer Tech Ltd, a Singapore-based manufacturing company specialising in high volume precision engineering plastic components and thereafter as Group Finance Controller at VibroPower Corporation Limited, a power generator company which provides support to infrastructure projects in Singapore. Both companies are listed on the SGX Mainboard where she was responsible for overseeing the primary aspects of accounting, internal controls, compliance, financial planning and reporting requirements.

Tian Jee graduated from Sheffield Hallam University with a bachelor's degree in Accounting and Finance. She is a member of the Association of Chartered Certified Accountants (ACCA) and Institute of Singapore Chartered Accountants (ISCA).

MR EDMOND LEE

Senior Vice President
Intraco Trading Pte Ltd.
(Appointed on 1 February 2018)

Edmond Lee is Senior Vice President, Plastics Division for Intraco Trading Pte Ltd.

He has approximately three decades of sourcing and procurement experience in the petrochemicals and packaging sectors. He spent approximately 3 years with Chevron-Phillips prior to joining General Electric Co. (Plastics) ("GE") where he spent 14 years rising up to Sourcing Director for Southeast Asia and Australia. Throughout his stint with GE, he established the procurement function, developed production-sales-inventory optimisation models (to maximise margins) and delivered substantial cost savings from integrating new business acquisitions. As Pacific Sourcing Quality Leader in GE, he implemented procurement software solutions as well as automated the new global raw material introduction process.

At his most recent role as Director of Asia Peak Pte Ltd, the Asia Pacific sourcing and procurement arm of Pact Group (the largest manufacturer of rigid plastic packaging products in Australia & New Zealand), Edmond was responsible for leading the growth strategy for Pact Group in Asia.

Edmond graduated with a bachelor's degree (Honours) in Economics and Law from the University of London.

KEY MANAGEMENT

MR SOH YONG POON

Chief Executive Officer, K.A. Group,
a subsidiary of Intraco Limited

Mr Soh is the founder of K.A. Group, a business he started in 1987 after identifying the huge potential for specialised fire proofing products and solutions in Singapore's burgeoning construction industry in the 1980s.

Under his stewardship, K.A. Group is today one of the market leaders in niche building materials in Singapore.

In September 2014, K.A. Group became a subsidiary of Intraco when the latter took a majority stake in the company.

Mr Soh is responsible for recommending its strategic direction as well as steering K.A. Group towards achieving its corporate objectives and goals. He continues to be responsible for product development.

MS CAREN SOH YING SIN

Chief Operating Officer, K.A. Group,
a subsidiary of Intraco Limited

Ms Soh has been with K.A. Group since 2008.

She looks after business development, including strategies to increase sales of the company's proprietary and agency fire-proofing products and solutions.

She is also responsible for establishing a strong customer base and maintaining the company's market share in Singapore.

In addition, Ms Soh oversees the day-to-day operations of the company and works closely with various regulatory agencies as well as suppliers.

Ms Soh majored in management at the University of London, where she graduated with a Bachelor of Science Management in 2010.

MR DANIEL LIM KUAN JIOU

General Manager, K.A. Group,
a subsidiary of Intraco Limited
(Appointed on 19 March 2018)

Daniel Lim was appointed as General Manager of K.A. Group in March 2018. His role will be to support the growth in revenues within and outside Singapore.

Daniel started his career with Honeywell's regional office in Singapore. He spent more than a decade with building solutions and fire & security where he was instrumental in their geographical expansions and acquisitions in Southeast Asia. In 2007, he was nominated for Honeywell's President Star Award.

He spent the next decade of his career with Robert Bosch and United Technologies Fire & Security (formally known as General Electric ("GE") Security). In 2014, he received two President's Star Awards for Outstanding Growth Initiatives from United Technologies. In recent years, he has ventured into Myanmar and completed significant projects with GE, New Yangon International and Domestic Airports, Shwe Taung and with various hotels such as the Shangri-La, Hilton, Sedona, Pan Pacific, Novotel and Park Royal.

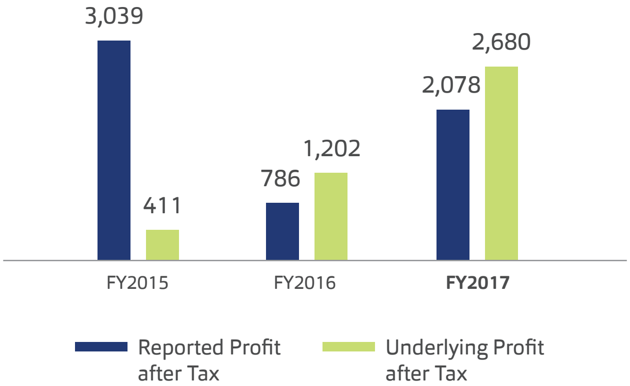
Daniel graduated from Nanyang Technological University where he was conferred an Honour's Degree in Electrical Engineering. He also holds a MBA from Edith Cowen University, an ACE Associate from United Technologies and a Six Sigma Green Belt from Honeywell.

STRENGTHENING FINANCIALS

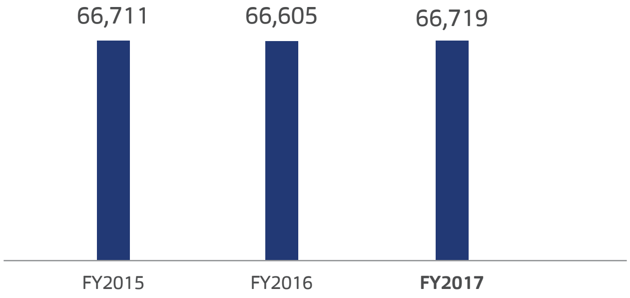
The Group has recorded its third consecutive year of growth in underlying earnings. The immediate priority will be to drive further improvements in profitability and ensure long term growth and sustainability.

FINANCIAL HIGHLIGHTS

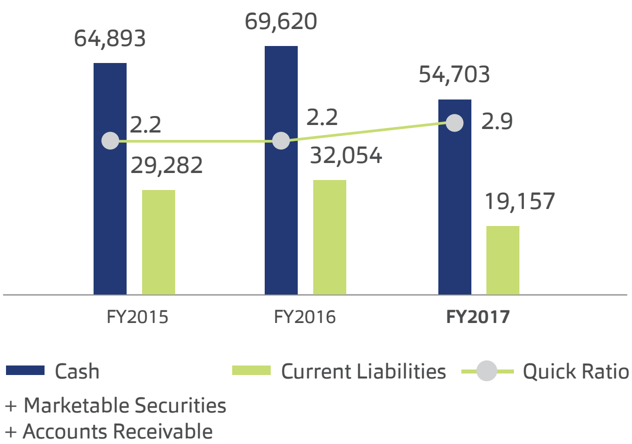
PROFIT AFTER TAX *(S$'000)*



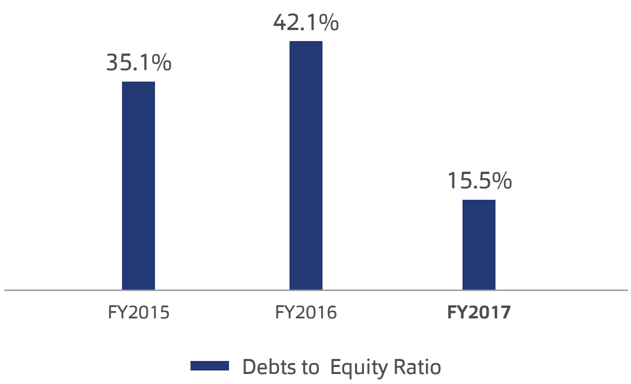
NET ASSET VALUE *(S$'000)*



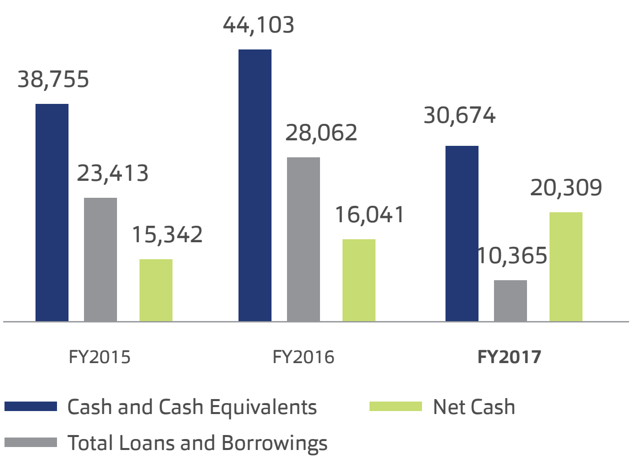
LIQUIDITY *(S$'000)*



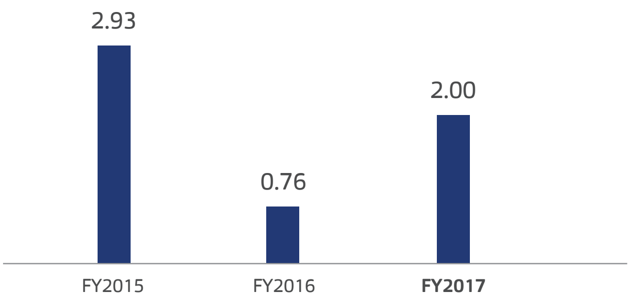
GEARING *(S$'000)*



NET CASH *(S$'000)*



EARNINGS PER SHARE *(S$ cents)*



OPERATING AND FINANCIAL REVIEW

OPERATIONS REVIEW

For the year ended 31 December 2017 ("FY2017"), the Group focused on driving the performance and profitability of its five businesses whilst continuing to keep a lookout for new growth opportunities. At the same time, a number of new initiatives were introduced to grow our top-line and instil financial and cost discipline. These efforts have paid off as each of the five businesses has reported positive underlying earnings.

The highlights of each business unit are set out as follows:

K.A. Group

Despite a tough operating environment, K.A. Group delivered its strongest performance in the past three years in FY2017. Revenue growth of 3.3% was driven by strong demand for fire protection solutions in spite of the slowdown in the construction industry. In particular, a number of significant contracts were secured and substantially completed such as the Jewel at Changi and Sengkang Hospital projects. Whilst there are some signs of recovery in 2018, the outlook remains challenging as the commercial and industrial sectors, within which K.A. Group primary operates, represent a relatively small segment compared to infrastructure-civil engineering and residential spaces, where a more substantial recovery is expected. In 2018, K.A. Group will intensify efforts to grow regionally.

Intraco Trading

Intraco Trading's revenue increased in FY2017 on higher allocation of plastic resin mainly from Saudi Aramco and TPC during the year. Demand-supply was uneven throughout the year partly due to disruptions caused by Hurricane Harvey, which offset additional supply from Middle East coming into Asia. Supply will likely increase in 2018 with the completion of new production lines by Petro Rabigh II (a JV in Saudi Arabia between Saudi Aramco, Rabigh & Sumitomo Chemical), S-Oil (a JV in South Korea between Aramco and Ssangyong Group) and the Refinery and Petrochemical Integrated Development (RAPID) project – a JV in Malaysia between Saudi Aramco and Petronas. Intraco Trading will also seek to expand its product line supply and penetrate new markets in FY2018.

Intrawave

Intrawave's net profit improved in FY2017 largely due to the upgrade of the North East MRT Line from 3G to 4G system, which commenced in January 2017. This project will continue to contribute to the Group in FY2018. Further, in November 2017, Intrawave secured a new project in relation to the extension of the North East Line, which is expected to contribute some revenue from Q3 FY2018.

Tat Hong Intraco

Tat Hong Intraco (THI) delivered underlying profits (excluding impairment costs in relation to the tower cranes) for the first time in FY2017 since its inception in 2014. The improvement was primarily driven by lowering of rental rates by approximately 25% for the crawler cranes, which improved average utilisation from 41% in FY2016 to 77% in FY2017. The tower cranes, which are highly specialised, saw weak demand leading to management booking a share of impairment of approximately S$0.2 million in FY2017. Generally, the construction industry in Myanmar remains sluggish but THI is well placed to capitalise on any market recovery.

Dynamic Colours

Dynamic Colours' (DCL) FY2017 contribution to Intraco's share of profit was marginally ahead of FY2016's by S$0.2 million, driven primarily by an increase in the average selling price of the resin compounding segment but offset by a decrease in production tonnage of 6.7%. The improved profitability was also attributable in part to an 11.2% decline in office administrative expenses. DCL's operations and performance are likely to remain steady in 2018.

Going Forward

The operating environment of the Group remains challenging. Despite the challenges, Management will adopt a disciplined approach to expand the Group's fire protection business regionally and penetrate new markets for the Group's plastics trading business.

OPERATING AND FINANCIAL REVIEW

REVENUE
S$121.3 MILLION

GROSS PROFIT
S$11.1 MILLION

PROFIT BEFORE TAX
S$2.4 MILLION

FINANCIAL REVIEW

Income Statement Review

Group revenue grew 13.0% to S$121.3 million in FY2017 due to improved contribution from all its business units.

In FY2017, Trading and Other Segment revenue rose 14.2% to S$108.7 million mainly driven by the plastic trading business, which benefitted from higher allocation of plastic resin. The Trading and Other Segment comprises revenue from Intraco Trading and Intrawave.

The Fire Protection Segment, which comprises revenue from K.A. Group, saw revenue increasing by 3.3% to S$12.6 million due to a higher number of contracts secured during the year in spite of slower pace of activities in the construction sector.

Gross profit increased by 11.8% to S$11.1 million in line with higher revenue.

Higher revenue coupled with a 6.4% decrease in administrative expenses to S$10.4 million and other cost management initiatives augmented the Group's Operating Profit Before Interest and Tax to S$282,000 in FY2017 from a loss of S$950,000 in FY2016.

The Group's share of results from associate and joint venture increased by 15.7% to S$1.7 million on higher contribution from its associate, Dynamic Colours and joint venture, Tat Hong Intraco.

As such, the Group's net profit rose 164.4% to S$2.1 million in FY2017.

Balance Sheet Review

The Group's financial position remained healthy and steady, with a net asset value of 64.3 cents per share as at 31 December 2017, compared to 64.2 cents per share in the previous year.

Cash Flow Review

The Group has a stable net cash position of S$20.3 million in FY2017.

The Group's net cash position (after deducting debt) improved from S$16.0 million in FY2016 to S$20.3 million in FY2017 whilst gearing ratio declined from 42.1% in FY2016 to 15.5% in FY2017, reflecting financial prudence.

TOP OF THE AGENDA

Sustainability. We will strive to ensure the long term viability of our businesses by prioritising economic growth whilst promoting environmental and social best practices.

SUSTAINABILITY REPORT

BOARD STATEMENT

We are pleased to present our first Sustainability Report this year. This report serves to outline how our sustainability efforts are in line with our growth strategy and mission.

We believe that establishing good corporate governance and a risk management process that includes the assessment of environmental, social and governance (ESG) issues are essential for the Group. This approach not only helps to identify areas for further improvement and mitigate risks, but also identify opportunities for sustainable growth in relation to our growth strategy.

The Board is in charge of incorporating sustainability issues as part of the Group's strategic formulation and to approve, manage and monitor ESG factors material to the business. Assisting with the Board's responsibilities is the senior management team across the different entities, who are in charge of developing sustainability objectives and strategy, managing and monitoring overall sustainability performance and reporting to the Board. All significant decisions associated with ESG matters are deliberated by the Board and the senior management. Responsibilities are clearly delegated to drive the Group's strategy for sustainability. This leadership drives the task force across entities to implement our sustainability strategy and initiatives and allows for sustainability to be integrated into our daily business operations.

A materiality assessment workshop was conducted to identify material ESG factors for the Group through management discussion on views of stakeholders, the Group's overall business risks, relevant sustainability trends and industry best practices. Prioritised factors presented to us for validation and approval have been included in this year's report.

SUSTAINABILITY REPORT OVERVIEW

About this Report

This is our first Sustainability Report setting out our commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group during the financial year ended 31 December 2017. It has been prepared in compliance with the requirements of SGX-ST Listing Rules 711A and 711B and refers to the Global Reporting Initiative (GRI) Standards 2016 for performance disclosures[1]. This report will be published on an annual basis hereafter.

In determining the scope of this Report, we considered the level of business activities and specific sustainability concerns for the entities under Intraco Limited. The entities covered in this report are:

- K.A. Group Holdings Pte Ltd and its subsidiaries (K.A. Group)
- Intraco Trading Pte Ltd (Intraco Trading)
- Intrawave Pte Ltd (Intrawave)

MATERIALITY ASSESSMENT

Material ESG factors for the Group were identified through management discussions in a materiality assessment workshop. The workshop involved a systematic three-step process to identify, prioritise and validate the ESG factors that balance our business perspectives with that of our stakeholders. By considering the views of the stakeholders, the Group's overall business risks, relevant sustainability trends together with industry best practices, we identified the material factors that are of most concern to our business and stakeholders. Seven sustainability factors were deemed to be material to Intraco that were further validated by the Board of Directors as well.

1 GRI Standard 2016 referred: GRI 101 Section 1 Reporting Principles, GRI 103 for Management Approach, GRI 201, 302, 403, 414, 416 for topic-specific disclosures

SUSTAINABILITY REPORT

Intraco's Material ESG factors for FY2017:

CATEGORY	SUB-CATEGORY	MATERIAL FACTORS	ENTITIES
1. Economic	N/A	Economic Performance[2]	• K.A. Group • Intraco Trading • Intrawave
2. Environment	N/A	Energy	• K.A. Group • Intraco Trading • Intrawave
3. Social	(a) Product Responsibility	(i) Customer Health & Safety	• K.A. Group • Intraco Trading
		(ii) Supplier Social Assessment	• K.A. Group • Intraco Trading
	(b) Employees	(i) Occupational Safety	• K.A. Group • Intrawave
		(ii) Employee's Well-being	• K.A. Group • Intraco Trading • Intrawave
		(iii) Compliance	• K.A. Group • Intraco Trading • Intrawave

MATERIAL FACTORS

1. Economic

Economic Performance

Intraco actively seeks out opportunities to expand its portfolio through strategic investments in profitable, high growth business and create value for all its shareholders and generate recurring net income. The Group is committed to use its resources to help its businesses develop their business strategies and achieve sustainable growth.

Please refer to the financial statements on pages 73 to 148 for more details.

2. Environment

We are strongly committed to the environment. To stay green, we implement and encourage energy-saving measures in the workplace.

Energy

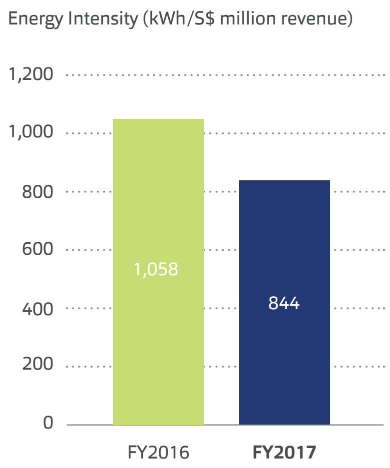
The Group's business operations consume energy, mainly in the form of electricity drawn from the grid. Electricity is essential for business continuity as it is used for the operation of equipment, air-conditioning and lighting. It also has an impact on cost such as utility bills.

By driving down energy and resource use, we reduce our carbon footprint to play our part in contributing towards a greener and more eco-friendly world. The OG Albert Complex that houses our office has BCA Green Mark Gold certification and has been identified among the top 10 most energy-efficient commercial mixed developments in the last two editions of BCA Building Energy Benchmarking Report. We have also incorporated energy saving practices into the Human Resources Policies and Procedures to remind employees on the importance of this practice. Through our committed efforts, our energy intensity has reduced by 20 per cent from 2016 to 2017. Over the next year, we will target to identify initiatives to reduce our electricity consumption across our operations.

2 Refer to the Financial Statements published

SUSTAINABILITY REPORT

Performance Statistics for energy intensity[3]



[3] Energy intensity is calculated by the total energy consumption divided by revenue in million Singapore dollars. The total energy consumption includes electricity consumption from K.A. Group, Intraco Trading and Intrawave. The electricity consumption for Intrawave excludes electricity consumption at the North East MRT line Telecom Equipment Room as it is under the control of the mobile operators.

3. Social

(a) Product Responsibilities

(i) Customer Health & Safety

Customers' Health and Safety is of utmost importance to us, hence we ensure that all our products and services are safe and meet the required quality standards. Also, the industries that we operate in, especially the fire protection industry, is heavily regulated, making it imperative for us to meet the required standards and regulations. Occurrence of any health and safety incidents may lead to potential lawsuits, incompliance and reputational damage.

K.A. Group

K.A. Group is a one-stop provider of fire protection products and prioritises Customers' Health and Safety since our prestige comes from the consistent provision of quality solutions. The fire performance of our products are in compliance with the local building regulations. For example, our insulated fire rated fabric shutters/fire curtain are tested to be compliant with SS 489:2001 required under the local building regulation. We have also obtained the ISO 14001:2004 certification from Certification International Singapore (CIS) for our environment management system for the supply and installation of fire proofing systems in building and construction. Having such certifications shows our commitment to uphold quality and recognition of our products.

Intraco Trading

Intraco Trading regards Customers' Health and Safety as one of the most important aspects of enterprise risk management. In order to create a strong brand name, we have multiple policies in place such as the Product and Service quality control to ensure that the quality of products and services sold to the customers are consistently maintained and up to satisfaction. As Intraco is a trader and distributor, our quality checks begin from our stringent procurement practice of ensuring our procured items are all certified with the required documents before accepting and selling to our customers.

We also have an incident reporting system in place for customers to give feedback regarding any health and safety issues. This enables us to investigate identified issues and improve upon them.

During this reporting period, there have been no incidents of non-compliance concerning the health and safety of products and services. Going forward also, we aim to have no significant incidents of non-compliance that result in regulatory breaches. We will also educate our customers on the proper use of our products as well as precautions to be taken while handling so as to prevent any accidents.

(ii) Supplier Social Assessment

We understand that the quality and safety of our products are crucial for our businesses. Therefore, our procurement processes ensure we select competent suppliers who are able to maintain quality and comply with regulatory requirements.

K.A. Group

K.A. Group maintains a master list of suppliers. In case of a new addition to the list, a detailed background check is conducted and presented to the management for approval before any dealings are initiated. This practice ensures that suppliers who are keen to work with us are committed to adhere to our standards. Any direct materials received are also checked for valid certification before acceptance as part of the monitoring process. We are actively exploring ways to reduce the usage of toxic and harmful materials and increase use of renewable and recyclable materials where possible by participating in external events related to sustainable products and practices.

SUSTAINABILITY REPORT

Intraco Trading
Being a trading company and distributor of plastic resin products, quality is a top factor as we aim to deliver what we promise to our clients. Hence it is pertinent that a Certificate of Analysis (COA) is obtained by our supplier for every trade to ensure the quality of the prime item is what was agreed and we can confidently deliver it to our customers.

Going forward, we aim to continue the practice of purchasing only certified materials from our major suppliers.

(b) Employees

(i) Occupational Safety

We prioritise occupational safety as we believe that creating a safe and conducive working environment is essential for our employees. We recognise that our employees are our most important assets and they are vital to our businesses function. Due to the nature of our businesses they are exposed to safety risks, thus as a responsible employer we work together to ensure that these risks are addressed and mitigated to the extent possible.

All businesses are guided by the HR Policies and Procedures Handbook that is updated and revised based on any changes to Ministry of Manpower regulations, such as the Workplace Safety and Health Act and associated regulations, and feedback received from employees.

Contingency Plans and Emergency Manuals have been put in place to ensure operations can be resumed with minimal downtime in the event of any adverse events. First aid boxes are also available in the office for emergency uses. There are annual reviews of the operations risk by the different operations' departments to update and amend the safety policies.

K.A. Group
Safety is one of our core values and we are committed towards providing a safe, healthy and conducive work environment as well as appropriate safety trainings to our employees. Our Quality, Occupational Health & Safety and Environmental (QOHSE) policy was developed in 2014 and has been communicated to all individuals working under our control. The policy aims to continually improve the professionalism of every employee by training and preventing injury or ill health. Supervisors are responsible for ensuring all safety equipment are in place for employees on-site. Safety inspections are also done to confirm equipment are in working condition.

We continue to be certified for our quality, health and safety management systems as detailed below:

- Quality Management System Standards ISO 9001:2008 for the scope of provision of passive fire protection application services for building and steel structures
- Singapore Standard on Occupational Safety and Health Management SS 506 Part 1:2009 and Occupational Health and Safety Management BS OHSAS 18001:2007 for the scope of supply and installation of fireproofing system to building and construction sector and production and storage of fireproofing materials
- bizSAFE Level Star by the Workplace Safety and Health Council

During this reporting period, there were two minor incidents that were immediately attended to. All affected staff resumed normal work after medical leave.

Performance Statistics

NUMBER OF INJURIES

4 FY2016 **2** FY2017

Nil

WORKPLACE PERMANENT DISABILITIES OR FATALITIES

SUSTAINABILITY REPORT

Intrawave

Intrawave is currently engaged in the design and building of radio coverage infrastructure for Singapore's North East MRT line. Therefore, our staff working on the MRT premises ensure they comply with SBS Transit's (SBST) safety requirements and regulations. Any work being conducted in the MRT premises is first approved by SBST for identification, assessment and control of any health and safety risks before commencement. Staff working on the MRT premises are also required to pass the health & safety training course conducted by SBST before starting on-site work. Refresher courses are conducted once every three years for such staff. Safety equipment for staff is also provided for and maintained by SBST.

All these efforts are made alongside education of employees on the potential health risks and safety hazards in the work environment and the proper precautions to be undertaken. Work environment conditions and work practices are regularly reviewed to identify any new safety hazards or health risks and an open channel of communication is maintained across all levels.

There was no workplace related fatalities or permanent disabilities during this reporting period.

Going forward, we aim to maintain this record and ensure there are no significant incidents of non-compliance resulting in regulatory breaches under the Workplace Safety and Health Act.

(ii) Employees' Well-being

We take care of our employees through comprehensive welfare and benefits. The Group actively develops various initiatives to improve our employees' well-being and keep them engaged and motivated.

Employees' Benefits and Welfare

We provides medical benefits, work injury compensation and insurance such as personal accident insurance and group term life insurance to all employees. All insurance policies for employees are renewed by the Human Resource department on a yearly basis ensuring adequate coverage is available to employees. Insurance policies for the directors are consulted with the managers in charge for a review.

To encourage our employees to adopt an active and healthy lifestyle, we hold inspirational seminars by external vendors on topics such as health, wellness, and positive thinking, as well as out-of-hours social activities for a healthy work-life balance.

Training & Education

We provide employees with equal opportunities for training and development based on their strengths and needs, to help them achieve their career goals and full potential. We do this by providing relevant trainings to our employees to continuously develop their knowledge and skills and allow them to remain relevant to support the changing needs of the business. We have a training and development policy in place that set out details and procedures on employees' performance appraisal and support for employees' learning needs.

The internal and external trainings that our employees attended in 2017 include:

- Technical skills trainings such as finance and audit, tax, contracts, ethics and legal, ethics and risk management, investor and media relations;
- Soft skills trainings such as confidence building and critical thinking; and
- External seminars such as Goods and Services Tax (GST) Seminar 2017 and SID Directors' Conference 2017

In the coming year, we aim to continue providing all our employees with equal opportunity and access to relevant trainings through considering their learning needs and career goals.

Positive Workplace Environment

We employ workers from different races and nationalities and work towards providing them a positive workplace environment. For K.A. Group, foreign workers who have been working with us for more than 2 years are entitled to claim airfare when they travel back to their respective countries. Special occasions and festivals such as Chinese New Year, Hari Raya and Deepavali are celebrated regularly with buffet lunch being provided to all staff. We also organise and support events such as monthly birthday celebration luncheon for office staff, company's annual Dinner & Dance, overseas trips/outings.

SUSTAINABILITY REPORT

(iii) Compliance

We fully comply with the following legislations on the welfare and rights of our employees.

Employment Act

The Group abide by the Employment Act which outlines the statutory requirements of hiring employees in Singapore. These requirements include working hours, on-time payment of salaries, overtime payment, payment of CPF contributions, provision of paid annual and sick leave. At Intraco, we believe in contributing towards Singapore's national security. National Service (NS) is a vital component of national defence, and we support our employees' NS commitments through providing flexibility on their leave arrangement.

Anti-Child & Anti-Forced Labour

We have put in place measures to ensure that our operations are not involved in unethical labour practices such as child or forced labour. The Group complies with Singapore legislations such as the Employment Act, Retirement Act, Workplace Safety and Health Act, and Factories Act which mitigate risks and incidents of child and forced labour.

In addition to complying with the existing legislations, we ensures that all employees are issued employment contracts specifying clear employment terms and conditions. In 2017, there were zero incidents and grievances of child and forced labour being reported and we will continue to maintain such status going forward.

Diversity & Inclusion

Our hiring policies ensure equal employment opportunities for all regardless of their ethnicity, religion, gender, marital status or age. We recruit and select employees on the basis of merits, such as skills, experience, ability, as well as organisational and job fit.

Our employment statistics, reviewed regularly, illustrate the diversity of our workforce. As at 31 December 2017, 22% of our employees are female, compared to 21% in 2016. We recognise that there are certain sectors in our businesses, such as fire protection solutions businesses, which tend to attract larger proportions of male employees, due to the nature of the jobs. Nevertheless, we value diversity and inclusion, and are committed to the principle of equal employment opportunity. Going forward, we will continue to adopt such principle.

4. Commitment to Sustainability

As the Group continues to expand and grow, we will continue to collaborate with our stakeholders, focusing on activities where we can have the greatest impact. We will continue our efforts to maintain high standards of health and safety and build sustainability awareness across our supply chain and monitor our performance closely with the targets that we have set for ourselves.

5. Contact for Feedback

For any queries or questions regarding this report and its content, kindly email at www.intraco.com.sg.

A STRATEGY FOR THE LONG RUN

At Intraco, we invest for the long term, and usually as the major shareholder. This gives us control to provide our businesses the capital and expertise they need to outperform and raise their business to the next level.

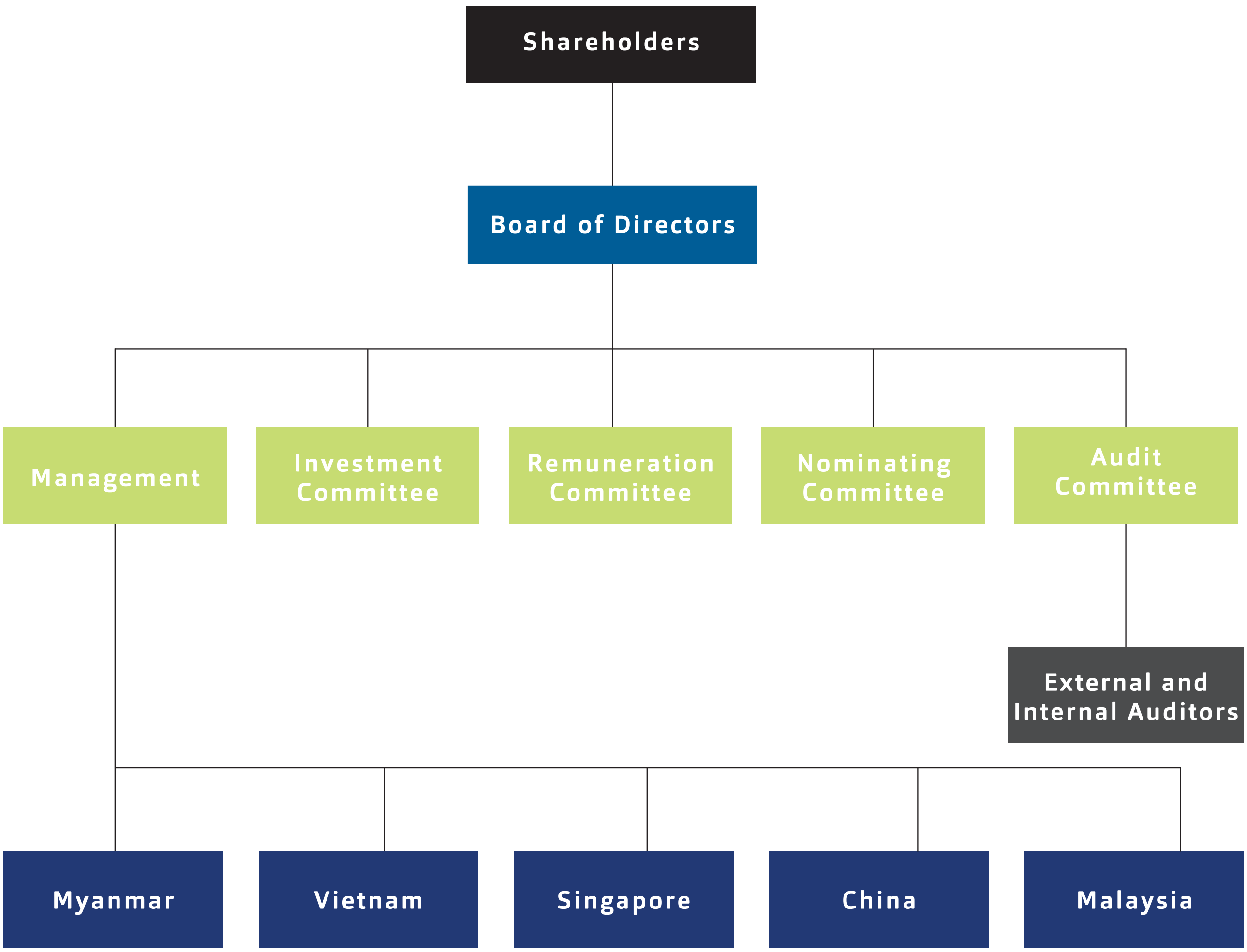

FOCUSED ON
DELIVERING
SHAREHOLDER
RETURNS

COMPLIANCE, TRANSPARENCY AND ACCOUNTABILITY

Corporate Governance.
Management and the Board places critical importance on all aspects of Corporate Governance and will continuously promote greater transparency, objectivity and fairness.

CORPORATE GOVERNANCE REPORT

CORPORATE REPORTING STRUCTURE



CORPORATE GOVERNANCE REPORT

INTRODUCTION

Intraco Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to ensuring and maintaining a high standard of corporate governance. It understands that it not only has to be legally compliant and socially responsible but also to deliver performance and manage shareholders' and other stakeholder's expectations.

Since the appointment of Mr Colin Low as Chairman of the Board in April 2015, the focus has been on improving internal board communications and processes along with the strong support of the respective Chairs of Committees led by Dr Tan Boon Wan (Audit Committee Chairman) and Mr Shabbir H Hassanbhai (Chairman of both Nominating and Remuneration Committees). The Board is committed to adopting the best practices in ensuring the spirit of Corporate Governance while carrying out their duties and responsibilities under the framework and rules of Board's operating processes and guidelines.

In keeping with its commitment to a high standard of corporate governance, the Board of Directors of the Company (the "**Board**") and Management endeavour to align the Company's governance framework with the recommendations of the Code of Corporate Governance 2012 (the "**Code**").

This report describes the corporate governance framework and practices of the Company with specific reference made to each principle as set out in the Code. For the financial year ended 31 December 2017 ("**FY2017**"), the Company has complied in all material aspects with the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this report. In areas where the Group has not complied with the Code, the Group will continue to assess its need and implement appropriate measures accordingly.

THE BOARD'S CONDUCT OF 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 Management remains accountable to the Board.*

Guideline 1.1 – Role of the Board

The Board assumes responsibility for stewardship of the Company and the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It has oversight responsibility over the management of the business and affairs of the Group. The Board also sets the tone for the Group where ethics and values are concerned.

Apart from its statutory responsibilities, the Board also:

1. provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial, human and operational resources are in place for the Group to meet its objectives;

2. sets objective performance criteria to evaluate the Board and Board Committees' performance and succession planning process;

CORPORATE GOVERNANCE REPORT

3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Group's assets;

4. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;

5. approves all Board appointments/re-appointments and appointment of Chief Executive Officer ("**CEO**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**Key Management Personnel**" or "**KMP**"), evaluates their performance and reviewing their remuneration packages;

6. establishes goals and priority for Management and reviews Management's performance by monitoring the achievement of these goals;

7. approves the nominations for the Board by the Nominating Committee and endorsing the appointments of the KMP;

8. reviews recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors;

9. reviews recommendations made by the Remuneration Committee and approving the remuneration packages for the Board and KMP;

10. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;

11. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and

12. considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Guideline 1.2 – Disclosure on Directors discharge of duties and responsibilities

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

CORPORATE GOVERNANCE REPORT

Guideline 1.3 – Delegation of authority by the Board to Board Committees

To assist in the execution of its responsibilities, the Board had established 4 Board Committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Investment Committee ("**IC**"), and delegate specific areas of responsibilities to these Committees. Each of these Board Committees functions within clearly written terms of reference, which have been approved by the Board.

The composition of the Board Committees for FY2017 is tabulated below:

Directors	AC	NC	RC	IC
Mr Colin Low	Member	–	Member	Chairman
Dr Tan Boon Wan	Chairman	Member	–	–
Mr Shabbir H Hassanbhai	Member	Chairman	Chairman	–
Mr Charlie Ng How Kiat	–	Member	Member	Member
Dr Steve Lai Mun Fook	–	–	–	Member

The Board Committees have the delegated power to deliberate any issue that arises in their specific areas of responsibilities within their respective terms of reference and report to the Board with their decisions and/or recommendations. The ultimate responsibility and authority for the decisions and actions on all matters rests with the Board.

Guideline 1.4 – Meetings of Board and Board Committees

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. When required, the Board also sets aside time at the scheduled meetings to meet without the presence of Management. An annual schedule of Board and Board Committee meeting dates is set by the Directors in advance.

Ad-hoc meetings are convened when required to address any significant issues that may arise in-between scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees are achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Constitution ("**Constitution**") provides that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

All draft agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting with ample time for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required.

CORPORATE GOVERNANCE REPORT

Presentations are also made by senior executives on performance of the Group's various businesses and business strategies at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in robust discussions with the Group's senior executives.

Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings.

The number of meetings held by the Board and Board Committees and attendance records taken during FY2017 are as follows:

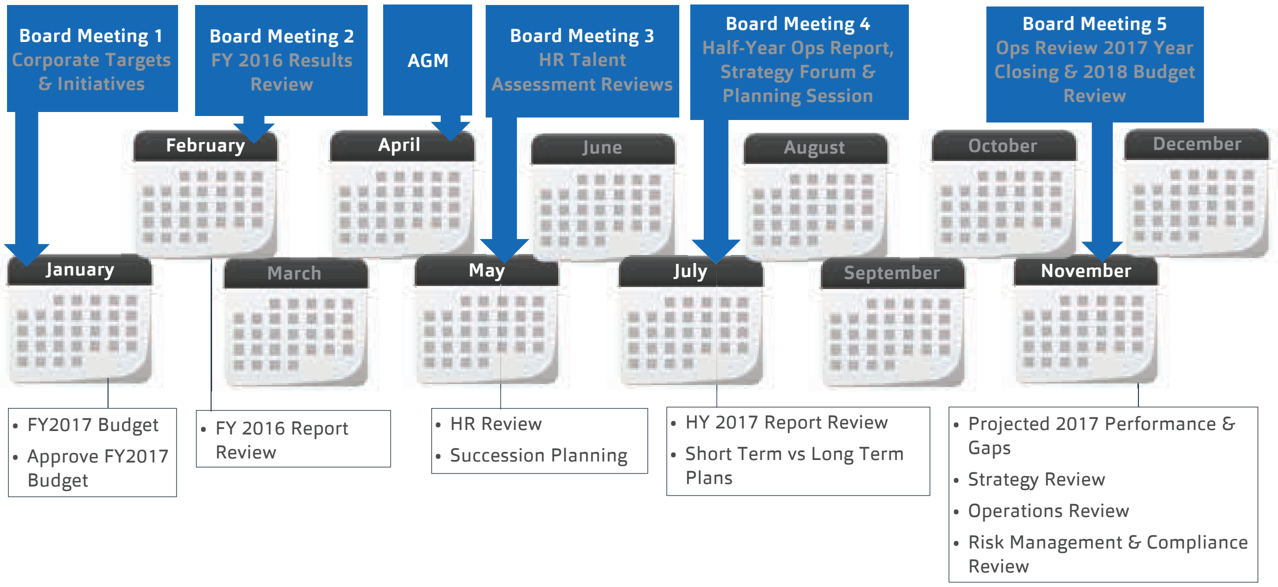
	Board		AC		NC		RC		IC
	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled
No. of Meetings Held in FY2017	5	3	5	1	1	3	1	2	5
Name of Directors	**No. of Meetings attended in FY2017**								
Mr Colin Low	5	3	5	1	1*	3*	1	2	5
Dr Tan Boon Wan	5	3	5	1	1	3	N.A.	N.A.	N.A.
Mr Shabbir H Hassanbhai	5	3	5	1	1	3	1	2	N.A.
Mr Charlie Ng How Kiat	5	3	N.A.	N.A.	1	3	1	2	5
Dr Steve Lai Mun Fook	5	3	N.A.	N.A.	N.A.	2*	N.A.	N.A.	5
Mr Tony Chew Leong Chee (Alternate Director to Mr Charlie Ng How Kiat)	5	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook	2	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* By Invitation

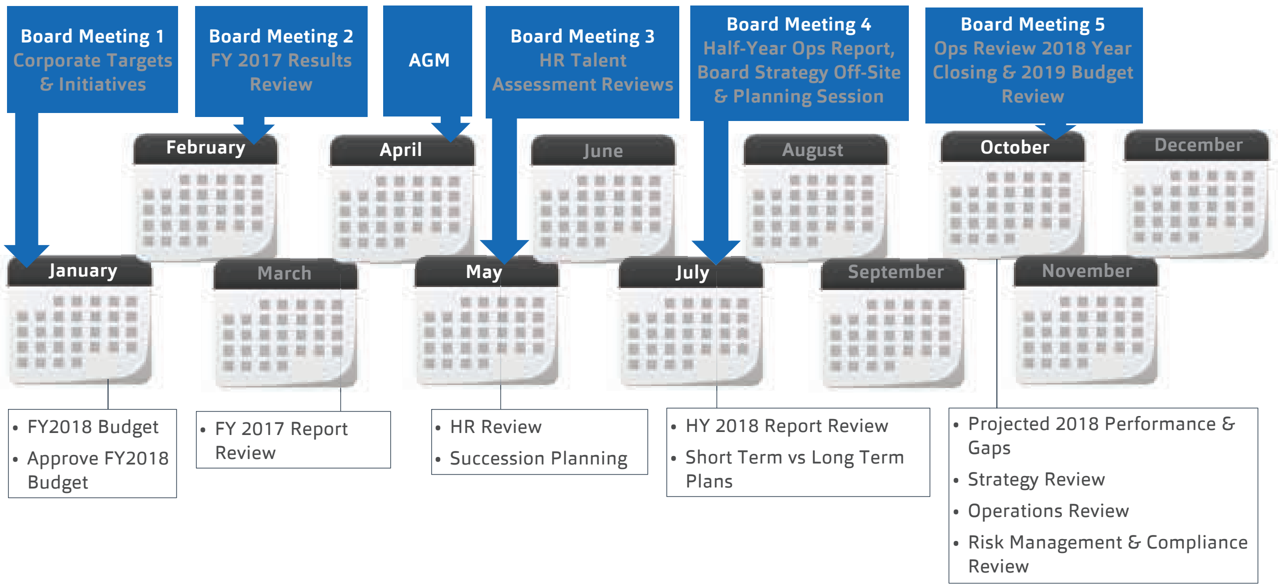
CORPORATE GOVERNANCE REPORT

BUSINESS PROCESSES UNDERTAKEN BY THE BOARD

Management Operating System – 2017 Business Process & Operating Mechanisms



Management Operating System – 2018 Business Process & Operating Mechanisms



The above sets out the timeline of Board processes during a calendar year. In order to show the complete cycle for FY2017 Report Review, the processes for the new calendar year, 2018 are shown.

CORPORATE GOVERNANCE REPORT

The Board will meet in January of each year to review budget and set financial targets for the new financial year. Key performance indicators for KMP including the CEO are also deliberated and agreed at the beginning of the year.

In February, the Board will review the Group's full year performance and Annual Report matters including the Company's Corporate Governance Report. The adequacy and effectiveness of internal controls in the Group will be ascertained simultaneously when reviewing risks under "Risk Management and Internal Controls" under the corporate governance report below.

After the Company's Annual General Meeting ("**AGM**") in April, the Board will undertake a human resource review where discussion of KMP's succession planning will take place. This will allow the Nominating Committee to set its priorities and look into the gaps concerning leadership within the Group, if any, both at KMP and Board levels.

In July, apart from the review of the Group's half year performance, a forum of up to a maximum of 2 days will be organised for the Board to review its strategic planning, covering both short and long term plans. It is also an opportune time to review the progress made by the Group in comparison with its budget decided at the beginning of the year. The Board together with Management will discuss the mitigation or action plans in order to achieve the agreed targets.

In November, another performance gap review will be carried out where the Board and Management will fine tune the Group's strategy going forward, if need be.

During FY2017, a separate session led by the Board Chairman was organised for the senior management of the Group where the Company's ethics and values were reinforced.

Guideline 1.5 – Material transactions that require Board approval

The Company has established internal policies and procedures on the types of transactions/activities and financial authorisation limits that require Board approval. These include approval of annual budgets, financial statements, business strategies, and material transactions, such as acquisitions, divestments, funding and investment proposals, all commitments to term loans and lines of credit from banks and financial institutions. Below the Board level, there is appropriate delegation of authority and approval sub-limits at management level, to facilitate operational efficiency.

Guideline 1.6 – Directors to receive appropriate and relevant training

All newly-appointed Directors attend an orientation programme to familiarise themselves with the Group's business, operations and governance practices and they are also given materials containing such information. The Group's policies and procedures are also extended to the Directors to enable them to gain a clear understanding on the levels of authority in relation to transactions. In addition, Directors are provided with the contact numbers and email addresses of key executives, the Company Secretary, Auditors and Investor Relations to facilitate efficient and direct access.

To keep pace with a fast-changing regulatory environment, the Board is kept informed of any relevant changes to legislation and regulatory requirements. Directors and Management also attend courses to keep abreast of changes in the law and governance matters that may affect the Group.

The Board values ongoing professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on, and contribute to the Board. The Company has a budget for Directors to receive further relevant training of their choice in connection with their duties as Directors.

CORPORATE GOVERNANCE REPORT

As part of the Board continuing professional development, the Directors had received more than 100 training hours in aggregate through attending various training seminars, courses, conferences and workshops during the year. The Company is a corporate member of the Singapore Institute of Directors ("**SID**"). The Directors had attended professional development programme organised by SID with collaboration with ACRA and SGX on Rising Above Complexities; by SID such as, Preparing the Board for the Runaway Economy and an Uncertain 2017, CG Guides for Boards and Board Committees, Executive and Directors' Remuneration; and by other institution such as Get Ahead of the Digital Age Seminar by Singapore Productivity Centre and Singapore Retailers Association.

In addition, articles, press releases, reports issued by SGX and ACRA which are relevant to the Group's business and compliance obligation are circulated to the Board. The external auditors, KPMG LLP, routinely update the AC on new and revised financial reporting standards applicable to the Company.

The Directors are engaging and committed to their roles. During the year, they made direct visits to the Group's operations in Vietnam while a separate team of Board members attended the industrial conference in China to better understand the Group's operations in these locations.

Directors may request for further explanations, briefings and formal discussions on any aspects of the Group's operations or business and any other issues.

Guideline 1.7 – Formal letters to be given to directors, setting out duties and obligations

A formal letter of appointment is provided to any newly appointed Director, setting out his duties and responsibilities as a member of the Board. No new Director was appointed during the year under review.

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.*

Guidelines 2.1, 2.2 and 2.3 – Board Composition and Independence of Directors

The Board comprises five (5) Non-Executive Directors, three (3) of whom (including the Chairman) are independent and two (2) Alternate Directors. More than half of the Board is made up of Independent Directors which is in compliance with the Code. The composition of the Board is as follows:

Mr Colin Low	(Chairman and Independent Director)
Dr Tan Boon Wan	(Independent Director)
Mr Shabbir H Hassanbhai	(Independent Director)
Mr Charlie Ng How Kiat	(Non-Executive Director)
Dr Steve Lai Mun Fook	(Non-Executive Director)
Mr Tony Chew Leong Chee	(Alternate Director to Mr Charlie Ng How Kiat)
Mr Roland Ng San Tiong	(Alternate Director to Dr Steve Lai Mun Fook)

The NC reviews annually the independence of each Director taking into account the existence of relationships or circumstances, including those provided in the Code. Each Non-Executive Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

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Taking into consideration the foregoing, the NC has determined Mr Colin Low, Dr Tan Boon Wan and Mr Shabbir H Hassanbhai, (who are the majority of the Board) to be independent. Each of these Directors has also confirmed their independence. Dr Steve Lai Mun Fook and Mr Charlie Ng How Kiat are not independent by virtue of them representing the interests of their 10% shareholders (as defined under the Code) of the Company.

The Board concurred with the views of the NC. Each of the Directors abstained from the deliberation of his own independence.

Guideline 2.4 – Review of independence of Directors who have served the Board beyond nine years

The Code stipulates that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. The NC noted that none of the Independent Directors, save for, Dr Tan, has served on the Board beyond nine years from the date of his first appointment.

The dates of initial appointment and last re-election of each Director are set out below:

Name of Director	Position	Date of Initial Appointment	Date of last re-appointment/re-election
Mr Colin Low	(Chairman and Independent Director)	1 March 2014	22 April 2016
Dr Tan Boon Wan	(Independent Director)	5 October 2004	20 April 2017
Mr Shabbir H Hassanbhai	(Independent Director)	16 August 2013	22 April 2016
Mr Charlie Ng How Kiat	(Non-Executive Director)	22 November 2012	27 April 2015
Dr Steve Lai Mun Fook	(Non-Executive Director)	28 April 2015	20 April 2017

The NC is of the view that in assessing the independence of any Independent Director, one should consider the substance of their professionalism, integrity and objectivity and not merely based on the number of years which they have served on the Board. The rationale for the continuation to serve as an Independent Director is that he/she over time has developed significant insights of the Group's business and operations and can significantly continue to provide noteworthy and valuable contributions to the Board.

The NC noted that Dr Tan's long and commendable role on the Board as an Independent Director and as Chairman of the AC and Member of the NC in discharging his duties professionally, ethically and with integrity.

The NC also established that Dr Tan is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the following factors were evaluated for this purpose:–

a. he is not an executive director of the Company or any related corporation of the Company;
b. he is not a 10% shareholder of the Company;
c. he is not a family member of any executive director, officer or 10% shareholder of the Company;
d. he is not acting as a nominee or representative of any executive director or 10% shareholder of the Company;
e. he provides and enhances the necessary independence and objectivity of the Board;

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f. he helps to ensure effective checks and balances on the Board;
g. he helps to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
h. he constructively challenges and contributes to the development of business strategy of the Company; and
i. he helps to ensure that adequate systems and controls are in place to safeguard the interests of the Company.

Having considered the above, the NC had determined that Dr Tan has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. His continued presence as an Independent Board member will ensure best practices to be followed and provide effective oversight and compliance to good corporate governance.

Accordingly, the NC had recommended to the Board that he continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. Dr Tan, being a NC member, abstained from any discussion and voting on the matter. The Board had concurred with the NC's assessment.

Guideline 2.5 – Board to determine its appropriate size

The NC reviews the size and composition of the Board to ensure that the size of the Board is conducive for effective discussions and decision-making and that the Board has the appropriate mix of expertise and experience as well as an appropriate balance of Independent Directors. The NC, with the concurrence of the Board, considers its current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

Guideline 2.6 – Board Diversity

The Board has through the recommendation of the NC, approved the adoption of a Board Diversity Policy during FY2017. The Board Diversity Policy sets out the framework for promoting diversity on the Board of the Company.

The Board believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals from all backgrounds, skill-sets, life experiences, abilities and beliefs for a better Board performance.

The Board is made up of a team of high calibre leaders whose diverse expertise and experience in accounting & finance, strategic planning, human resource management, business and management, legal and regulatory, industry knowledge combined provides core competencies necessary to lead and govern the Group effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views.

Guidelines 2.7 and 2.8 – Role of Non-Executive Directors

The Non-Executive Directors exercise objective judgment on the Group's affairs independently from Management. The Non-Executive Directors also contribute to the Board process by (monitoring and) reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also meet regularly without presence of Management to facilitate more open discussions.

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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.*

Guideline 3.1 – Chairman and Chief Executive Officer ("CEO") should be separate persons

The positions of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Colin Low, an Independent Director, was appointed as the Chairman of the Board on 28 April 2015. During the year, the Company engaged a professional search firm to assist the NC on the CEO candidates. The new CEO, Mr Nicholas Yoong, was recommended by the NC to the Board who approved his appointment effective on 1 July 2017. The Chairman and the CEO are not related.

Guideline 3.2 – Role of Chairman

The Chairman presides over the business of the Board and monitors the translation of the Board's decisions and directions into executive action. In addition, the Chairman provides close oversight, guidance, advice and leadership to the CEO and senior management.

The Chairman, leads the Board and ensures the effectiveness on all aspects of its role. His responsibilities include, *inter alia*:

1. constructively determining and approving, with the full Board, the Company's strategy;

2. ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;

3. setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;

4. ensuring that Directors receive complete, adequate and timely information;

5. fostering effective communication and constructive relations amongst the Directors, within Board Committees, between shareholders, between the Directors and Management;

6. encouraging the constructive exchange of views within the Board and between Board members and Management;

7. facilitating the effective contribution of Non-Executive Directors and Independent Directors;

8. promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and

9. establishing a relationship of trust with the CEO.

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Guidelines 3.3 and 3.4 – Lead Independent Director

Given that the independence of the Chairman and the strong independence element on the Board to enable the exercise of independent and objective judgment on the corporate affairs of the Group, the Board is of the view that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decision of the Directors, without any concentration of power or influence residing in any individual. In view thereof, there is no need for the Company to have a lead independent director.

BOARD MEMBERSHIP

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

Guideline 4.1 – Composition of Nominating Committee ("NC")

The NC comprises the following members, two of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai (Chairman)
Dr Tan Boon Wan
Mr Charlie Ng How Kiat

For the year under review, the NC held four meetings and the NC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Guideline 4.2 – Roles of NC

The NC performs the following functions as provided in its terms of reference:

1. identifying candidates and reviewing all nominations for the appointment or re-appointment of Directors (including Alternate Directors), the CEO of the Group, and determining the selection criteria;

2. reviewing the independence of each Independent Director annually;

3. deciding whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations; and

4. reviewing the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

5. reviewing Board succession plans for Directors, in particular, the Chairman and Chief Executive Officer and KMP;

6. how the Board and Board Committees' performance may be evaluated and propose objective performance criteria for the Board's approval;

7. reviewing the training and professional development programmes for the Board;

8. reviewing the Board structure, size and composition and balance and make recommendations to the Board; and

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9. the re-election of Director(s) by shareholders under the "retirement by rotation" provisions in the Company's Constitution having due regards to the composition and progressive renewal of the Board, and the competency, performance and contribution of the Director including his attendance, preparedness and participation at Board and its Board Committees meetings. A Director's time and effort accorded to the Company's business and affairs will also be considered. Where appropriate, the NC will also consider the Director's independence.

The Company's Constitution require all Directors to submit themselves for re-nomination and re-election at least once every 3 years; and at least one-third of the Directors for the time being to retire from office by rotation. New Directors appointed during the year are subject to retirement and re-election at the following AGM of the Company.

Mr Hassanbhai and Mr Charlie Ng are subject to retiring pursuant to Article 115 of the Company's Constitution at the forthcoming AGM of the Company. The retiring Directors, being eligible, had consented to continue in office and would seek re-election at the forthcoming AGM.

Each of these Directors, being interested in the matter, had abstained from all discussions and recommendations in respect of their own re-election. Mr Hassanbhai is considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Having regard to the above and taking into consideration the retiring Directors' attendance, participation and contribution to the business and operations of the Company as well as Board processes, the NC had recommended their nominations for re-election at the forthcoming AGM of the Company. The Board concurred with the NC's recommendation.

Guideline 4.3 – NC's Determination of Independent Director's Independence
The NC is charged with determining the independence of the directors as set out under Guidelines 2.3 and 2.4 above as well as the relationships or circumstances which would deem a director not to be independent.

Guideline 4.4 – Board representations
Where a Director has multiple Board representations, the NC will determine if the Director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a Director. The recommendation of the NC for the nomination of a Director for re-election is then made to the Board. The Board will review this recommendation.

The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board affirms and supports this view.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not impinged on their abilities to discharge their duties. The Board concurred with the NC.

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The table below shows the disclosure of directorships and chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director (including the Alternate Directors):

Name of Director	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Colin Low	OSIM International Ltd (de-listed from SGX-ST's main board on 29 August 2016)	Principal – Singapore Investment Development Corporation Pte. Ltd. and Cancer Treatment Centers of America (USA)
Dr Tan Boon Wan	–	Listed – Hotung Investment Holdings Ltd.
Mr Shabbir H Hassanbhai	–	Principal – Indo Straits Trading Co Pte Ltd, Hassanbhai Realty Pte Ltd, Zee Chin & CO Pte Ltd and Hakimuddin & Sons Pte Ltd Listed – Gateway Distriparks Limited, India Snowman Logistics Limited, India and Dynamic Colours Limited, Singapore
Mr Charlie Ng How Kiat	–	Principal – Macondray Holdings Pte Ltd
Dr Steve Lai Mun Fook	–	Listed – Yongmao Holdings Limited
Mr Tony Chew Leong Chee	Listed – Keppel Corporation Limited (retired on 1 May 2015)	Principal – Asia Resource Corporation Pte. Ltd.
Mr Roland Ng San Tiong	Listed – CSC Holdings Ltd (resigned on 4 March 2016)	Listed – Yongmao Holdings Limited Listed & Principal – Tat Hong Holdings Ltd Principal – Chwee Cheng & Sons Pte Ltd, Tat Hong Investments Pte Ltd, Tat Hong Equipment (China) Pte. Ltd., TH Investments Pte Ltd and TH60 Investments Pte Ltd

Guideline 4.5 – Alternate Directors

The Companies Act defines a "director" to include alternate director and an alternate director is therefore a full director under the law. An alternate director owes the same fiduciary duties as a full director and is subject to the same liabilities to the Company. The Company's Constitution provides for the terms of appointment of alternate directors.

There are currently two alternate directors appointed to the Board namely Mr Tony Chew (alternate to Mr Charlie Ng) and Mr Roland Ng (alternate to Dr Steve Lai). Both the alternate directors are accomplished entrepreneurs and they play an active role in providing valuable guidance to the Board in the Board meetings. The alternate directors attend most of the Board meetings, notwithstanding the attendance or presence of their respective principal director.

Guideline 4.6 – Procedure for Selection and Appointment of New Directors

The NC recognises succession planning as an important part of the governance process and reviews succession plans annually to ensure that Board membership is refreshed progressively and in an orderly manner. The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new Directors. For FY2017, there was no appointment of new Director.

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The NC, in consultation with Management and the Board, determines the qualifications and expertise required or expected of a new Board member taking into account the current Board size, structure, composition, diversity of skill competencies and gender, and progressive renewal of the Board. Prospective candidates are sourced through recommendations from Board members, business associates, advisors, professional bodies and other industry players. These candidates are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches will also be made. Recommendations of the NC are then put to the Board for consideration. Any appointment to Board Committees is reviewed and approved at the same time.

The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialisation.

Guideline 4.7 – Key Information on Directors
The profiles of the directors are set out on pages 10 to 13 of this Annual Report.

Please refer to Guideline 4.4 on page 43 for the information on the directorships or chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director.

BOARD PERFORMANCE

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

Guidelines 5.1 to 5.3 – Assessing the effectiveness of the Board, Board Committees, Individual Director
The Board has established a set of criteria for evaluating the effectiveness of the Board and Board Committees, as well as each individual Director.

The NC has in place an annual Board Performance Evaluation exercise, which is used to evaluate the effectiveness of the Board and facilitate discussion to enable Directors to discharge their duties more effectively. The evaluations are carried out by means of a questionnaire being completed by each Director. The results of the completed questionnaires are collated and the findings are analysed and discussed by the NC, with comparatives from the previous year's results and reported to the Board.

The Board performance evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively. Directors are encouraged to propose changes to enhance effectiveness as a whole.

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The Board evaluation questionnaire takes into consideration qualitative factors such as Board composition, information flow to the Board, Board process, Board accountability, matters concerning CEO and top management and standards of conduct of Board members. The NC would review the need to set quantitative targets as performance criteria in future when appropriate.

The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed and the onus should be on the Board to justify the decision.

The NC also has an annual performance evaluation exercise for each of the Board Committees. The performance evaluations of the AC, NC, RC and IC are similarly carried out with questionnaires. The results are collated and the findings are analysed and discussed by the NC, with comparatives from the previous year's results, and reported to the Board.

Individual Director assessment is also conducted whereby each Director is evaluated on his contributions to the proper guidance, diligent oversight and able leadership, and the support that he lends to Management in steering the Group. The individual Director assessment also extends to the Alternate Directors.

In discussing the results of the performance evaluations for FY2017, the Board and Board Committee members were able to identify areas for improving their effectiveness.

The NC was generally satisfied with the FY2017 Board and Board Committees' performance evaluation results. No significant problems were identified. Board members had been engaged in more discussions and the NC together with the Board Chairman concurred that the Board had made good progress during the year. The NC had recommended that the respective Board Committee work with Management on the findings where they relate to their areas of responsibility. The NC will continue to review the evaluation process from time to time. The Board concurred with the NC's recommendation.

The assessment of CEO's performance is undertaken by the NC and the results are reviewed by the Board. Feedback is also provided to the CEO by the NC Chairman and the full Board.

ACCESS TO INFORMATION

PRINCIPLE 6: *In order to fulfil 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.*

Guidelines 6.1 and 6.2 – Access to Information

To assist the Board in fulfilling its responsibilities, Management provides the Board with reports containing complete, adequate and timely information prior to Board meetings, and on an on-going basis. However, sensitive matters may be tabled or discussed at Board meetings without any board papers distributed. The Board has separate and independent access to Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making.

Information provided includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

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Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

Guidelines 6.3 and 6.4 – Role of the Company Secretary

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Company.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Guideline 6.5 – Access to independent professional advice at the Company's expense

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice at the Company's expense as and when necessary in furtherance of their duties. Independent advisors include legal, financial, tax, board compensation and M&A functions. The appointment of such professional advisor is subject to approval by the Board.

REMUNERATION MATTERS

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.*

Guideline 7.1 – Composition of Remuneration Committee ("RC")

The RC comprises the following members, two of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai (Chairman)
Mr Colin Low
Mr Charlie Ng How Kiat

For the year under review, the RC held three meetings and the RC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Where required, the RC also sets aside time to meet without the presence of management at RC meeting to discuss matters such as the remuneration of KMP.

The RC also reviews annual increments, variable bonus, long-term incentive plans and other incentive awards against the achievements of key performance indicators for the CEO and KMP.

The written key terms of reference of the RC include:

1. recommending Non-Executive Directors' fees and Executive Directors' remuneration to the Board in accordance with the approved remuneration policies and processes of the Company;

2. reviewing service contracts for the Executive Directors, CEO and KMP to keep in line with the guidelines on contractual provisions set out in the Code;

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3. looking into service contract provisions that allow the Group to reclaim incentive components of remuneration from the CEO, Executive Directors and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group;

4. reviewing and approving the remuneration of the CEO and the top 5 KMP (who are not Directors) in accordance with the approved remuneration policies and processes of the Company;

5. reviewing the eligibility of the CEO, Executive Directors and KMP for benefits under any long-term incentive schemes;

6. administering the Intraco Employee Share Option Scheme (the "**2013 Scheme**") and any other share option scheme or share plan established from time to time for the Directors and KMP. More information on the 2013 Scheme is set out in the Directors' Statement on pages 63 to 66;

7. reviewing the remuneration packages of employees who are related to any Director, substantial shareholder or the CEO (or executive of equivalent rank); and

8. ensuring that an appropriate proportion of the remuneration of Executive Directors and KMP are structured so as to link rewards to corporate and individual performance.

Guideline 7.2 – Remuneration Framework

There is a formal and transparent process for developing executive remuneration and for determining the remuneration packages of individual Directors. No Director is involved in determining his own remuneration.

The RC also reviews all matters concerning the remuneration of the Non-Executive Directors to ensure that remuneration commensurate with their contribution and responsibilities.

Each year, the RC approves the pool for salary increment and total incentives for distribution to staff of all grades. The RC has access to the head of Human Resource who also attends the RC meeting.

None of the Non-Executive Directors has service contracts or consultancy arrangements with the Company. They are paid Directors' fees based on a structured fee framework reflecting the responsibilities and time commitment of each Director. The fee framework comprises a base fee, attendance fees, and additional fees for holding appointment as Chairman of the Board or Chairman/member of Board Committees. When required, Directors travel to assist Management by visiting target companies to better understand their operations. This would enable the Board to make a well-informed decision in evaluating the targets. A budget of S$40,000 as travel allowance has been recommended by the RC and it will form part of the Directors' fees to be approved by the shareholders at the Company's AGM. The annual quantum of Directors' fees to be paid is also reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

The appointment of Dr Steve Lai as Special Adviser to the K.A. Group of Companies had ceased in FY2017 as the intellectual property strategy has been completed.

Guideline 7.3 – RC access to expert professional advice

The RC has access to expert professional advice on remuneration matters as and when it deems necessary in framing the remuneration of Directors. The expenses incurred from such advice shall be borne by the Company.

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For the year under review, the Company had engaged a remuneration consultant, Willis Towers Watson, to review the Director's Fees Framework. The remuneration consultant has no relationships with the Company. The specific recommendation by Willis Towers Watson will be reviewed by the RC in 2018.

Guideline 7.4 – Fair and Reasonable Termination Clauses

The RC has in consultation with the Company's external lawyers reviewed the Company's obligations arising in the event of termination of the KMP's contracts of service and is satisfied that the termination clauses are fair and reasonable and not overly generous.

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.*

Guideline 8.1 – Remuneration of Executive Directors and KMP

In setting remuneration packages, the RC takes into consideration the prevailing market conditions, the pay and employment conditions within the industry and in comparable companies.

As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the KMP and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance.

The CEO, Mr Nicholas Yoong is remunerated as part of Management. He is under a service contract, which is for a fixed term of 3 years commencing 1 July 2017. The renewal of his service contract is subject to the approval of the Board with the prior review and endorsement by the RC.

Guideline 8.2 – Long-term Incentive Scheme

The employees of the Group, including Non-Executive Directors, are eligible to participate in the 2013 Scheme. The 2013 Scheme serves as a long-term incentive scheme to better align the interest of KMP with the Company's shareholders. No options were granted under the 2013 Scheme in FY2017.

The RC will look into implementing appropriate long-term incentive plan for KMP of the Group to encourage alignment of KMP's interests with that of shareholders.

Guideline 8.3 – Remuneration of Non-Executive Directors

The RC has recommended to the Board a total amount up to S$440,000 (including the $40,000 travel allowance) as Directors' fees for the financial year ending 2018 ("**FY2018**"), to be paid quarterly in arrears. This would be tabled at the forthcoming AGM for shareholders' approval. The Directors' fees for FY2018 remain the same as FY2017.

The Board concurred with the RC that the proposed Directors' fees for FY2018 is appropriate and not excessive, taking into consideration the level of contributions by the Directors, their responsibilities and obligations and factors such as effort and time spent for serving on the Board and Board Committees.

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Guideline 8.4 – Reclaim incentive components

There are no contractual provisions which allow the Company to reclaim incentive components of remuneration from the KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the KMP in the event of such incidents.

DISCLOSURE ON REMUNERATION

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

Guidelines 9.1, 9.2 and 9.3 – Remuneration of Directors, CEO and Top Five KMP

A summary compensation table of the Directors receiving remuneration from the Company for FY2017 is appended below:

Name of Directors	Directors' Fees	Travel Allowance	Other Benefits	Total (S$)
Mr Colin Low	95%	5%	–	120,875
Mr Shabbir H Hassanbhai	100%	–	–	89,500
Dr Tan Boon Wan	100%	–	–	74,625
Mr Charlie Ng How Kiat	100%	–	–	72,375
Dr Steve Lai Mun Fook	95%	–	5%	56,750

A summary compensation table of the CEO and KMP receiving remuneration from the Company for FY2017 is appended below:

Remuneration Band & Name of CEO and KMP	Salary	Bonus	Other Benefits(1)	Total (S$)
S$500,000 to S$749,999				
Mr Will Hoon(2)	34.1%	3.1%	62.8%	100.0%
S$250,000 to S$499,999				
Mr Nicholas Yoong Swie Leong(3)	58.8%	27.9%	13.3%	100.0%
Mr Soh Yong Poon	62.1%	25.9%	12.0%	100.0%
Ms Caren Soh Ying Sin	60.2%	25.0%	14.8%	100.0%
Below S$250,000				
Mr Chua Wui Lik(4)	94.0%	0.0%	6.0%	100.0%
Ms Thed Tian Jee(5)	64.4%	18.4%	17.2%	100.0%

Notes:

(1) Other benefits refer to employer's CPF and other allowances

(2) Mr Will Hoon resigned as CEO of the Company on 26 May 2017

(3) Mr Nicholas Yoong was appointed as CEO of the Company on 1 July 2017 and his remuneration was pro-rated in the above table

(4) Mr Chua Wui Lik resigned as GFC of the Company on 15 March 2017

(5) Ms Thed Tian Jee was appointed as GFC of the Company on 6 March 2017 and her remuneration was pro-rated in the above table

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The disclosure of the KMP's remuneration in bands of S$250,000 (based on gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is as set out in the above table. Other than the CEO, the Company has only three KMP in view of their assigned duties and roles. The aggregate remuneration paid to the said KMP (who are not Directors or CEO of the Company) in FY2017 amounted to S$1,040,547.

Apart from the above, no termination, retirement and post-employment benefits were granted to the Directors, CEO and top three KMP for FY2017.

Guideline 9.4 – Employees who are Immediate Family Members of a Director or the CEO
No employee of the Group was an immediate family member of a Director or the CEO in FY2017.

Guideline 9.5 – Employee Share Scheme
The Company has a share option scheme known as "Intraco Employee Share Option Scheme (the "**2013 Scheme**") which was approved and adopted by shareholders of the Company on 29 April 2013. The 2013 Scheme gives the Group added flexibility in structuring more competitive remuneration packages to award and retain those executive personnel and Non-Executive Directors whose services are vital to the well-being, growth and success of the Group. The 2013 Scheme is administered by the RC. There were no options granted since the commencement of the 2013 Scheme.

Guideline 9.6 – Remuneration and Performance
The Company is of the view that the current disclosure provides sufficient overview of the remuneration of the Group while maintaining confidentiality of staff remuneration matters. Annual variable bonuses would be linked to achievement of financial and non-financial key performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management). Long-term incentive plans are conditional upon pre-determined performance targets being met and the long-term incentive plans serve to motivate and reward employees and align their interests to maximise long term shareholders' value.

The RC ensures that there is a strong correlation between bonuses payable, and the achievement and performance of the Group and individual staff. The RC also ensures that there is a good balance of short-term and long-term incentive schemes to motivate continuous and sustainable performance.

ACCOUNTABILITY AND AUDIT

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

Guideline 10.1 – Accountability for accurate information
The Board endeavours to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through timely announcements via SGXNET.

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Guideline 10.2 – Compliance with legislative and regulatory requirements
In line with the requirements of the SGX-ST, negative assurance confirmation statements were issued by the Board to accompany the Group's interim financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Group's results announcements to be false or misleading in any material aspect. This is in turn supported by a written confirmation from the CEO and GFC (see explanation under Guideline 11.3 below). The Group is not required to issue negative assurance confirmation statements for its full year results announcements.

The Company also completes and submits the compliance checklists to SGX-ST (if applicable) to ensure that all financial results announcements, circulars and letters to shareholders should comply with the minimum requirements set out in the listing manual of the SGX-ST.

Guideline 10.3 – Management Accounts
Management provides the Board with a continual flow of relevant information on the Group's operational, financial and compliance matters on a timely basis, including monthly management accounts in order that the Board may effectively discharge its duties.

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.*

Guideline 11.1 – Design, implementation and monitoring of risk management and internal control systems
The Board has overall responsibilities for the governance of risk and exercises oversight of the material risks in the Group's business. The Board ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets and in this regard, is assisted by the AC which conducts the reviews of the adequacy and effectiveness of the Group's internal controls and risk management systems.

Management reports to the AC on the Group's risks profile on a quarterly basis, evaluates results and counter measures to mitigate identified potential risks.

Guideline 11.2 – Adequacy and effectiveness of risk management and internal control systems
The Board has adopted an enterprise risk management framework. This risk framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks.

The Group's risk management framework is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

The risk framework is reviewed regularly taking into account changes in the Group's business and operating environment as well as evolving corporate governance requirements.

The identification and management of risks are delegated to Management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established

CORPORATE GOVERNANCE REPORT

by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Identified risks that affect the achievement of the Group's business objectives are compiled in the Group Risks Register and are being ranked according to the likelihood and consequential impact to the Group as a whole.

Risk Management Policies and Processes
The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk, equity price risk and interest rate risk. Details on the foregoing are more particularly set out in the Notes to the Financial Statements. These risks are monitored by AC and the Board on a quarterly basis.

The Company's Internal Auditor ("**IA**") reviews material internal controls as part of the internal audit plan to provide independent assurance to the AC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

The IA presents her findings to the AC on a quarterly basis. If any non-compliance or internal control weaknesses are noted during the audit, the corresponding recommendations and Management's responses are reported to the AC.

The external auditors report any significant deficiencies of such internal controls to the AC. The AC and the Board review the adequacy and effectiveness of the risk management and internal controls system at least annually.

Guideline 11.3 – Adequacy and effectiveness of internal controls
On half-yearly and annual basis, the CEO and GFC will provide a written confirmation ("**Management Assurance Letter**") to the Board confirming that:

1. the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

2. nothing had come to Management's attention which might render the financial results of the Group as at the end of the financial year to be false or misleading in any material aspect;

3. Management was aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company; and

4. there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Company's financial, operational, compliance and information technology controls which could adversely affect the Company's ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

The Board, with the concurrence of the AC, has confirmed that it has received the Management Assurance Letter duly signed by the CEO and GFC.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, reviews performed by Management and the various Board Committees and the Management Assurance Letter signed by the CEO and the GFC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2017 to address financial, operational and compliance risks, including information technology risks, which the Company considers relevant and material to its operations.

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While the Board acknowledges that the system of internal controls and risk management established by Management provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it endeavours to achieve its business objectives, it is also mindful that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

Accordingly, the Company has complied with Listing Rule 1207(10).

Guideline 11.4 – Separate Risk Committee

The Company does not have a Risk Committee. However, Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The AC is responsible for determining the Group's levels of risk tolerance and risk policies and oversees Management's implementation and monitoring of risk management and internal control systems.

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.*

Guideline 12.1 – Composition of AC

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. The AC comprises the following members, all of whom are Independent Directors:

Dr Tan Boon Wan (Chairman)
Mr Colin Low
Mr Shabbir H Hassanbhai

For the year under review, the AC held six meetings and the AC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Guideline 12.2 – Expertise of AC members

The Board is of the view that the AC members, having accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors.

Guideline 12.3 – Authority of the AC

The AC has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources, and personnel to enable it to discharge its functions properly; and has full access to and cooperation of Management and the discretion to invite any Director or officer to attend its meetings.

CORPORATE GOVERNANCE REPORT

Guidelines 12.4 & 12.8 – Duties of AC and Activities of AC

The written key terms of reference of the AC include:–

1. reviewing the audit plans of the internal and external auditors of the Company, and their reports arising from their audits including Management's response to their letter to Management;

2. reviewing the financial statements of the Company and the consolidated financial statements of the Group;

3. reviewing the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account to ensure the integrity of the financial statements and any formal announcements relating to the financial performance of the Company and of the Group; reviewing the half-year and full year results announcements of the Group before submission to the Board for approval;

4. reviewing and reporting the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls and risk management systems;

5. the cost-effectiveness, independence and objectivity of the external auditors, nature and extent of non-audit services provided and approval of audit and non-audit fees payable to the external auditors. Audit and non-audit fees which comprised corporate tax compliance services paid to the external auditors, KPMG LLP, amounted to S$264,550 and S$54,500 respectively.

   The AC undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have confirmed their independence in this respect;

6. making recommendations to the Board for the appointment or re-appointment of the external auditors of the Company. The AC, with the concurrence of the Board, recommended the re-appointment of KPMG LLP, Public Accountants and Chartered Accountants, as the Company's Auditors for the ensuing year based on their performance and quality of their audit; and

7. reviewing interested person transactions ("IPTs") to ensure that the current procedures for monitoring of IPTs have been complied with and that the IPTs are on normal commercial terms and not prejudicial to the interests of the Company's minority shareholders.

8. reviewing the scope and results of the internal audit procedures, and the adequacy and effectiveness of the Company's internal audit function;

9. approving the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced; and

10. directing the Management to report regularly to AC on the Company's risk profile and the status of risk mitigation action plans.

During FY2017, the AC has carried out the above duties as provided in their terms of reference. In addition, the AC has assisted the Board to review the implementation of the Company's first sustainability report.

CORPORATE GOVERNANCE REPORT

The external auditors provide regular updates and periodic briefings to the AC on changes or amendments to accounting standards from time to time to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. The AC is entitled to seek clarification from Management, the external auditors, independent professional advisors and to attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

In performing its functions, the AC also:

1. confirms that the Company has complied with Listing Rule 715 in relation to the appointment of the same auditing firm based in Singapore to audit the financial statements of the Company, all of its Singapore-incorporated subsidiaries and joint venture; and

2. confirms that the Company has complied with Listing Rule 716 in relation to the appointment of the different auditing firm based in Singapore to audit the financial statements of its associate, Dynamic Colours Limited. The AC, with the concurrence of the Board, is satisfied that such an appointment would not compromise the standard and effectiveness of the audit of the Company. The Group's subsidiaries, associate and joint venture are disclosed under Note 7 and 26 of the Notes to the Financial Statements on pages 112 to 114 and 147 to 148 of the Annual Report.

Guideline 12.5 – Meeting with external auditors and internal auditors

The AC meets with the external and internal auditors without the presence of Management, at least annually to discuss any issues they may have (including suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company and Group's operating results or financial position), and Management's response thereof. Both set of auditors had confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audit.

Guideline 12.6 – Review the independence of external auditors

The AC confirms that the Company has complied with Listing Rule 712 in that KPMG LLP is registered with the Accounting and Corporate Regulatory Authority (ACRA). The AC is satisfied that the resources and experience of KPMG LLP, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The AC also undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have confirmed their independence in this respect.

Guideline 12.7 – Whistle-blowing policy

The AC also reviews arrangements by which staff of the Company and external parties may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place a whistle-blowing policy to ensure independent investigations of such matters and for appropriate follow up action.

The policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Company and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. There was no whistle blowing report received for FY2017.

To bring awareness of the policy, the policy was also covered during the separate session led by the Board Chairman during the year.

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Guideline 12.9 – Former partner or Director of the Company's existing auditing firm

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

KEY AUDIT MATTERS

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following key audit matters as reported by external auditors for FY2017.

Key Audit Matters	How these issues were addressed by AC
Measurement of revenue and profit in the projects business	Management briefed the AC on the Group's processes for determining the percentage of completion and forecast profit margin for each project, including deriving the total budgeted project costs and budgeted costs incurred to-date. The AC considered the findings of the external auditors that there were no identified deviations in operating effectiveness of controls applied by the Group. The estimates and assumptions applied for recognition of revenue and profit were found to be balance and there were no errors identified in relation to calculation of estimated revenue and profit for significant projects. The AC was satisfied with the accounting of the Group's revenue and profit recognition for the project business.
Recoverability of goodwill	The AC considered the approach and methodology applied in determining the recoverable amount of K.A. Group, being the cash generating unit which goodwill was allocated. The AC received reporting from the external auditors that the assumptions and resulting estimates on the recoverable amount of K.A. Group (derived using the value in use method) were within a reasonable range of outcomes and there were no errors identified in the calculations. The AC was satisfied with the valuation approach, estimation of recoverable amount of the K.A. Group and adequacy of related disclosures in the financial statements.
Valuation of contingent consideration and financial derivatives	Management presented the valuation outcomes by the independent external valuer to the AC. The AC took into consideration the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied by the independent external valuer to derive the valuation of contingent consideration and financial derivatives. The AC was satisfied with the valuation process, the methodologies used and the valuation for contingent consideration and financial derivatives as adopted and disclosed in the financial statements.

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Key Audit Matters	How these issues were addressed by AC
Valuation of interest in joint venture	The AC considered the methodology applied in determining the recoverable amount of the joint venture. The AC received reporting from the external auditors that the assumptions and resulting estimates on the recoverable amount of the joint venture (derived using the value-in-use method) were within a reasonable range of outcomes, and there were no errors identified in the calculations. The AC was satisfied with the methodology, assumptions and key estimates applied to estimate the recoverable amount of the joint venture and adequacy of related disclosures in the financial statements.

INTERNAL AUDIT ("IA")

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

Guideline 13.1 – Role of IA

The IA of the Company reports functionally to the AC Chairman and administratively to the CEO. The AC is responsible for the appointment, termination and remuneration of the IA.

Guideline 13.2 – Adequacy of resources

The AC also ensures that the IA function is adequately resourced and has appropriate standing within the Group. The IA has unfettered access to all the Group's documents, records, properties and personnel and direct access to the AC.

The role of the IA is to support the AC in ensuring that the Group maintains a sound system of internal controls by highlighting any weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures, and to identify areas for improvement where controls can be strengthened.

Guidelines 13.3 and 13.4 – IA function

The IA has the relevant qualifications and experience to discharge her duties effectively. The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the IIA Standards) laid down in the International Professional Practices Framework are used as a reference and guide by the Company's IA. The Company's IA has confirmed to the AC that she is in compliance with the IIA Standards.

Guideline 13.5 – Adequacy and effectiveness of IA function

The IA adopts a risk-based approach in formulating the annual plan. The AC approves the IA Plan annually and reviews the adequacy and effectiveness of the internal audit function. Reports prepared by the IA are reviewed by the AC on a quarterly basis. The AC assesses the adequacy and effectiveness of the IA function and ensures that the IA has direct and unrestricted access to the AC Chairman.

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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.*

Guideline 14.1 – Communication with shareholders
The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, financial results and other material information on the Company are published through SGXNET and the corporate website of the Company in a timely manner. The Company's website has recently been revamped adopting a more user-friendly interface and features.

The Company does not practise selective disclosure. Price-sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of AGM as well as any circular and notice of Extraordinary General Meeting. These notices are advertised in the newspaper and made available on the Group's website.

Guideline 14.2 – Participation of shareholders at general meetings
The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at shareholders' meetings. All shareholders are entitled to attend the general meetings and are given ample opportunity and time to participate effectively and vote at the meetings. Shareholders are welcomed to communicate their views on matters relating to the Group with the Board and the Chairmen of the Board Committees and the external auditors of the Company in attendance. Shareholders are informed of the rules, including voting procedures that govern the general meetings. The Company's Constitution allows a shareholder to appoint up to two (2) proxies to attend and vote on behalf of the shareholders.

Guideline 14.3 – Appointment of Proxies
Relevant intermediaries as defined in Section 181 of the Act may appoint more than two proxies to attend, speak and vote at general meetings.

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*

Guideline 15.1 – Information to shareholders
The Board recognises the importance of engaging with shareholders, investors and analysts to obtain and understand their concerns and feedback. As a demonstration of the Company's commitment to transparency and fair disclosure, the Company had adopted an Investor Relations Policy to promote regular and effective communication with shareholders.

Guideline 15.2 – Company to disclose information on a timely basis
The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholder, the information in a timely and fair manner via SGXNet, its corporate website at www.intraco.com.sg and the media. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as possible.

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Guidelines 15.3 and 15.4 – Dialogue with shareholders

The Group's Investor Relations ("IR") Team is led by the Board Chairman, and actively supported by the CEO as well as an external Investor Relations agency, Waterbrooks Consultants Pte Ltd. The Chairman and CEO are empowered to act as spokespersons towards security holders and securities markets professionals. Enquiries are to be directed to the Group's external IR agency, Waterbrooks at (65) 6100 2228 or email angeline@waterbrooks.com.sg. To-date, given the nature of the Company's business which has not materially changed, the Company has not solicited the views of shareholders other than those expressed by them during its general meetings. Further during the year, the Company did not receive calls or emails requesting information from shareholders. The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when necessary.

Guideline 15.5 – Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of any proposed dividends will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

The Company did not declare any dividends for FY2017. The Company is preserving its cash reserves to pursue strategic business opportunities.

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.*

Guideline 16.1 – Absentia voting

If any shareholder is unable to attend a shareholders' meeting, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars (as the case may be).

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

Guideline 16.2 – Separate resolutions at general meetings on each substantially separate issue

The Company does not practise bundling of resolutions at general meetings. Each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the meetings.

Guideline 16.3 – Attendees at general meetings

All Directors, including the Chairman of the Board and the respective Chairman of the AC, NC and RC, as well as external auditors are present at general meetings to address shareholders' queries.

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Guideline 16.4 – Minutes of general meetings
All minutes of general meetings are available to shareholders upon request.

Guideline 16.5 – Voting by Poll
In support of greater transparency of the voting process, poll voting will be conducted at meetings for all resolutions proposed at the general meeting. A scrutineer is appointed to count and validate the votes cast at the meeting. The total number of votes cast for or against is also announced at the general meetings. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. The detailed voting results will also be announced to SGX-ST via SGXNet on the same day after the conclusion of the meetings.

INVESTMENT COMMITTEE ("IC")

With the important priorities placed by the Board on inorganic growth and enhanced financial investment returns, an Investment Committee was set up and given the mandate to conduct due assessments of all merger and acquisition opportunities as well as investment activities of the Group.

The IC comprises the following members, of whom one, the Chairman, is an Independent Director and the other two are Non-Executive Directors:

Mr Colin Low (Chairman)
Mr Charlie Ng How Kiat
Dr Steve Lai Mun Fook

For the year under review, the IC held five meetings and the IC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The members of the IC have broad business experience, financial and investment knowledge.

The IC's primary role, which is outlined in its written terms of reference, is to provide advisory support to Management/ the Company on the following:

1. investment, merger, acquisition and disposal transactions;

2. participation in joint venture or partnership (or such similar arrangement);

3. other capital investments and financial commitments (including treasury management); and

4. Group's investment and treasury management policy guidelines and related procedures/processes.

CONDUCT AND ETHICS POLICY

All employees are required to observe and maintain high standards of integrity, as well as comply with laws, regulations and Company's policies. The Company sets standards of ethical conduct for employees, which covers all aspects of the business operation of the Group such as work ethics, personal conflicts of interest, confidentiality of information, related party transactions, gifts and dealing in the Company's securities.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES (LISTING RULE 1207(19))

The Group has in place internal guidelines in relation to dealing in the Company's securities. The Directors and all employees of the Group are prohibited from trading in the Company's securities during the relevant blackout period of one (1) month prior to the release of the Group's half-year and full year results. They are also required at all times to observe the insider trading rules stipulated in the Securities and Futures Act, Cap. 289 and are discouraged against dealing in the Company's securities on short-term considerations. Directors and the CEO are also required to notify their dealings in the Company's securities within 2 business days.

INTERESTED PERSON TRANSACTIONS ("IPT") (LISTING RULE 907)

The Company has in place internal procedures to ensure that all transactions with interested persons are reported to AC in a timely manner, and an IPT register is maintained by the Company's IA. The Company currently does not have an IPT mandate in place. For FY2017, the AC had reviewed the IPTs and none exceeds S$100,000. No announcement or shareholders' approval pursuant to Chapter 9 of the Listing Manual of SGX-ST was therefore required. The transactions were conducted on an arm's length basis.

MATERIAL CONTRACTS (LISTING RULE 1207(8))

Except as disclosed in Note 25 to the Financial Statements and the Supplementary Information, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, each Director or controlling shareholders in FY2017.

DIRECTORS' STATEMENT

We are pleased to submit this directors' statement to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 73 to 148 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Mr Colin Low	
Dr Tan Boon Wan	
Mr Shabbir H Hassanbhai	
Mr Charlie Ng How Kiat	
Dr Steve Lai Mun Fook	
Mr Tony Chew Leong Chee	(Alternate Director to Mr Charlie Ng How Kiat)
Mr Roland Ng San Tiong	(Alternate Director to Dr Steve Lai Mun Fook)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Mr Tony Chew Leong Chee		
(Alternate Director to Mr Charlie Ng How Kiat)		
Intraco Limited		
– ordinary shares		
– deemed interests	28,998,400*	28,998,400
Mr Roland Ng San Tiong		
(Alternate Director to Dr Steve Lai Mun Fook)		
Intraco Limited		
– ordinary shares		
– deemed interests	29,486,148*	29,486,148

* Held by other persons or bodies corporate in which the director has interest by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

DIRECTORS' STATEMENT

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

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 in or debentures of the Company or any other body corporate.

SHARE OPTIONS

The Intraco Employee Share Option Scheme (the "2013 Scheme") of the Company was approved and adopted by its shareholders at an Extraordinary General Meeting held on 29 April 2013.

Information regarding the 2013 Scheme is set out below:

- Under the rules of the 2013 Scheme, Executive Directors, Non-Executive Directors and employees of the Company, its subsidiaries and its associated companies over which the Company has control ("Associated Companies"), who are not controlling shareholders or their associates, are eligible to participate in the 2013 Scheme.

- The 2013 Scheme is administered by the Company's Remuneration Committee (the "Committee"), comprising three directors, Mr Shabbir H Hassanbhai (Chairman), Mr Colin Low and Mr Charlie Ng How Kiat, with powers to determine, inter alia, the following:

  (i) persons to be granted options;
  (ii) number of options to be offered; and
  (iii) recommendations for modification to the 2013 Scheme.

  A member of the Committee who is also a participant of the 2013 Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

- The aggregate number of shares over which the Committee may grant options on any date, when added to the number of shares issued or issuable and/or transferred or transferable in respect of all options granted under the 2013 Scheme and any other share schemes of the Company for the time being in force, shall not exceed 15% of the issued shares (excluding treasury shares) of the Company on the date immediately preceding the grant of an option.

- The options that are granted under the 2013 Scheme may have exercise prices that are, at the Committee's discretion, set at a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three (3) consecutive trading days immediately preceding the date of grant of that option (Market Price) or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the Options.

DIRECTORS' STATEMENT

- Options granted to non-executive directors of the Group, and employees and directors of Associated Companies will have a life span of 5 years or such earlier date as may be determined by the Committee. Options granted to employees and executive directors of the Group will have a life span of 10 years or such earlier date as may be determined by the Committee.

- The 2013 Scheme shall continue in operation for a maximum duration of ten (10) years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

There were no options granted since commencement of the 2013 Scheme till the end of the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

- Dr Tan Boon Wan (Chairman), Independent Director

- Mr Colin Low, Independent Director

- Mr Shabbir H Hassanbhai, Independent Director

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual of the SGX-ST and the Code of Corporate Governance.

The Audit Committee has held six meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

DIRECTORS' STATEMENT

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mr Colin Low
Chairman

Dr Tan Boon Wan
Director

Singapore
14 March 2018

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Intraco Limited and its subsidiaries (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 73 to 148.

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

The measurement of revenue and profit in the projects business

(Refer to Note 17 – Revenue)

Risk

The amount of revenue and profit recognised on the projects business is dependent on the assessment of the total budgeted project costs and budgeted costs incurred to-date to derive the percentage of completion and the forecast profit margin for each project. As significant judgement and uncertainty is involved in estimating the total budgeted project cost and budgeted costs incurred to-date of each project, the Group might inappropriately account for revenue and profit recognition.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

Our response

We tested the controls designed and applied by the Group in assessing total budgeted project costs and budgeted costs incurred to-date, and that the resulting estimated revenue and profit on such projects are accurately reflected in the financial statements; these controls operated over both the inputs and outputs of the calculations. We evaluated the reasonableness of the total budgeted project costs to complete by comparing total budgeted project costs and budgeted costs incurred to-date against project progress. We assessed the reasonableness of the assumptions applied to estimate the budgeted cost incurred to-date, and corroborated the key assumptions to supporting evidence such as quantity surveyors' reports.

We also checked the mathematical accuracy of the revenue and profit for each significant project and considered the implications of identified errors and changes in estimates.

Our findings

Our testing did not identify any deviation in the operation of controls. Based on our procedures, we found the estimates and assumptions applied for recognition of revenue and profit to be balanced. We did not identify any mathematical errors in respect of revenue and profit calculation for significant projects.

Recoverability of goodwill
(Refer to Note 5 – Intangible assets)

Risk

The Group has significant goodwill on the statement of financial position in connection with the acquisition of K.A. Group in 2014. Goodwill is stated at cost less accumulated impairment losses. The determination of the estimated recoverable amount of K.A. Group cash generating unit (CGU), involves significant judgement in estimating the underlying assumptions to be applied. This CGU is largely independent of the cash flows generated by other assets of the Group. The estimation of recoverable amount using value in use of K.A. Group CGU is sensitive to key assumptions applied in deriving the future cash flow forecasts, growth rate and discount rate.

Our response

We evaluated the Group's future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets of the K.A. Group. We assessed the appropriateness of the key assumptions used including revenue, growth rates, operating costs and discount rates in estimating the value in use of the CGU. Our assessment was mainly based on our understanding of the Group's commercial prospects, comparison of assumptions with publicly available data and the historical accuracy of the Group's estimates in previous periods.

We tested the mathematical accuracy of the value in use calculations. We considered the adequacy of disclosures in the notes to financial statements in describing the inherent degree of subjectivity and key assumptions in the estimates.

Our findings

We found that the assumptions and resulting estimates on the recoverable amount of K.A. Group to be balanced, within a reasonable range of outcomes and there were no errors identified in the value in use calculations. We also found the related disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITORS' REPORT

Valuation of contingent consideration and financial derivatives
(Refer to Note 15 – Contingent consideration of the Group and Note 8 – Financial derivatives of the Company)

Risk

The contingent consideration payable by the Group and financial derivatives of the Company in connection with acquiring the remaining 30% equity interest of K.A. Group are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied, particularly the revalued net tangible asset ("RNTA") value of the K.A. Group at each exercise date falling on 4 September 2018, 2019 and 2020.

Our response

We assessed the appropriateness of the valuation methodologies used by the independent external valuer against those applied by other valuers, and reasonableness of key inputs and assumptions used in determining the fair values of the contingent consideration and financial derivatives. We compared the observable inputs used against independent sources and available market data. We also tested the mathematic accuracy of the calculations.

We considered the adequacy of the disclosures in the notes to financial statements in describing the inherent degree of subjectivity and key assumptions in the estimates.

Our findings

We found the valuation methodologies used to be in tandem with generally accepted market practices. The projected RNTA value of the K.A. Group is supported by historical profit trends and latest Board approved budgets. Other key inputs and assumptions applied and resulting estimates on the fair values of contingent consideration and financial derivatives are within a reasonable range of outcomes and mathematically accurate. We also found the related disclosures in the financial statements to be appropriate.

Valuation of joint venture
(Refer to Note 7 – Joint venture of the Company)

Risk

The Group has interest in a joint venture which is principally engaged in the leasing and sales of cranes and other heavy equipment in Myanmar. The joint venture continued to incur operating losses and the construction sector in Myanmar is in the initial growth phase. Significant judgement is involved in estimating the recoverable amount using value in use, which is sensitive to key assumptions applied in deriving future cash flow forecasts, growth rate and discount rate.

Our response

We evaluated management's future cash flow forecasts, including testing the underlying calculations. We challenged the appropriateness of key assumptions applied (including the cash flow forecasts, growth rate and discount rate in estimating the recoverable amount using value in use). We also identified and analysed changes in assumptions from prior periods and compared the assumptions to publicly available data, where these are available. We performed sensitivity analysis on the key assumptions in deriving the recoverable amount of interest in joint venture and considered the appropriateness of the related disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

Our findings

We found the future cash flow forecasts to be supported by historical profit trends and latest Board approved budgets. Other key assumptions applied in the impairment test are within a reasonable range of outcomes and mathematically accurate. We also found the related disclosures in the financial statements to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 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 auditors' report unless the law or regulations preclude 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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

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 auditors' report is Tan Kar Yee, Linda.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
14 March 2018

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Assets					
Non-current assets					
Property, plant and equipment	4	11,364	7,402	476	326
Intangible assets	5	6,926	7,130	–	–
Subsidiaries	6	–	–	18,836	16,920
Associate and joint venture	7	20,820	21,867	16,504	16,827
Other investments, including derivatives	8	9,639	9,744	9,639	9,744
		48,749	46,143	45,455	43,817
Current assets					
Other investments, including derivatives	8	–	–	5,504	1,480
Inventories	9	1,427	1,532	–	–
Trade and other receivables	10	14,390	15,773	15,185	21,283
Cash and cash equivalents	11	30,674	44,103	9,116	8,006
		46,491	61,408	29,805	30,769
Total assets		95,240	107,551	75,260	74,586
Equity					
Share capital	12	84,069	84,069	84,069	84,069
Reserves	12	(854)	349	5,203	2,937
Accumulated losses		(16,496)	(17,813)	(21,403)	(24,853)
Equity attributable to owners of the Company		66,719	66,605	67,869	62,153
Liabilities					
Non-current liabilities					
Loans and borrowings	14	1,742	1,935	–	–
Trade and other payables	15	4,594	6,340	–	–
Deferred tax liabilities	16	570	617	–	–
		6,906	8,892	–	–
Current liabilities					
Loans and borrowings	14	8,623	26,127	–	–
Trade and other payables	15	12,453	5,483	7,391	12,433
Current tax liabilities		539	444	–	–
		21,615	32,054	7,391	12,433
Total liabilities		28,521	40,946	7,391	12,433
Total equity and liabilities		95,240	107,551	75,260	74,586

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 S$'000	2016 S$'000
Revenue	17	121,327	107,409
Cost of sales		(110,237)	(97,491)
Gross profit		11,090	9,918
Other income	19	369	290
Distribution expenses		(71)	(77)
Administrative expenses		(10,369)	(11,080)
Other expenses	19	(737)	(1)
Results from operating activities		282	(950)
Finance income		704	645
Finance costs		(347)	(284)
Net finance income	18	357	361
Share of profit of equity-accounted investees (net of tax)		1,735	1,499
Profit before tax	19	2,374	910
Tax expense	20	(296)	(124)
Profit for the year		2,078	786
Earnings per share			
Basic and diluted earnings per share (cents)	21	2.00	0.76

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017 S$'000	2016 S$'000
Profit for the year		2,078	786
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets*		(105)	(41)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss*		455	–
Foreign currency translation differences of foreign operations*		(1,606)	327
Share of other comprehensive income of associate*	7	129	(247)
Other comprehensive income for the year, net of tax		(1,127)	39
Total comprehensive income for the year		951	825

* There are no tax effects relating to these components of other comprehensive income.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Share capital S$'000	Capital reserve S$'000	Translation reserve S$'000	Fair value reserve S$'000	Accumulated losses S$'000	Total equity S$'000
As at 1 January 2017	84,069	1,052	(353)	(350)	(17,813)	66,605
Total comprehensive income for the year						
Profit for the year	–	–	–	–	2,078	2,078
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	–	–	–	(105)	–	(105)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	455	–	455
Foreign currency translation differences of foreign operations	–	–	(1,606)	–	–	(1,606)
Share of other comprehensive income of associate	–	–	129	–	–	129
Total other comprehensive income	–	–	(1,477)	350	–	(1,127)
Total comprehensive income for the year	–	–	(1,477)	350	2,078	951
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Liquidation of a subsidiary	–	(76)	–	–	76	–
Dividends payable to selling shareholder of a subsidiary*	–	–	–	–	(837)	(837)
Total contributions by and distributions to owners	–	(76)	–	–	(761)	(837)
Total transactions with owners	–	(76)	–	–	(761)	(837)
As at 31 December 2017	84,069	976	(1,830)	–	(16,496)	66,719

* Pursuant to call and put options entered into between the Group and the selling shareholders of K.A. Group on 5 September 2014 to acquire the remaining 30% in K.A. Group by 2020.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Share capital S$'000	Capital reserve S$'000	Translation reserve S$'000	Fair value reserve S$'000	Accumulated losses S$'000	Total equity S$'000
As at 1 January 2016	84,069	1,052	(433)	(309)	(17,668)	66,711
Total comprehensive income for the year						
Profit for the year	–	–	–	–	786	786
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	–	–	–	(41)	–	(41)
Foreign currency translation differences of foreign operations	–	–	327	–	–	327
Share of other comprehensive income of associate	–	–	(247)	–	–	(247)
Total other comprehensive income	–	–	80	(41)	–	39
Total comprehensive income for the year	–	–	80	(41)	786	825
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid to selling shareholder of a subsidiary*	–	–	–	–	(234)	(234)
Dividends payable to selling shareholder of a subsidiary*	–	–	–	–	(697)	(697)
Total contributions by and distributions to owners	–	–	–	–	(931)	(931)
Total transactions with owners	–	–	–	–	(931)	(931)
As at 31 December 2016	84,069	1,052	(353)	(350)	(17,813)	66,605

* Pursuant to call and put options entered into between the Group and the selling shareholders of K.A. Group on 5 September 2014 to acquire the remaining 30% in K.A. Group by 2020.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 S$'000	2016 S$'000
Cash flows from operating activities			
Profit for the year		2,078	786
Adjustments for:			
Depreciation	4	697	941
Amortisation of intangible assets	5	77	299
(Reversal of impairment loss)/Impairment loss on property, plant and equipment	4	(119)	119
Impairment loss on intangible assets	5	127	–
Gain on disposals of property, plant and equipment		–	(33)
Property, plant and equipment written off		23	–
Write-back of trade payables		–	(6)
Allowance made for doubtful receivables		70	–
Reversal of write-down of inventory to net realisable value, net	9	(4)	(5)
Share of net profit of equity-accounted investees, net of tax		(1,735)	(1,499)
Impairment loss on available-for-sale financial assets		455	–
Change in fair value of the contingent consideration		712	111
Net finance income	18	(357)	(361)
Tax expense	20	296	124
		2,320	476
Changes in:			
– inventories		109	(117)
– trade and other receivables		1,374	580
– trade and other payables		4,617	(2,619)
Cash generated from/(used in) operating activities		8,420	(1,680)
Taxes paid		(248)	(235)
Net cash flow from/(used in) operating activities		8,172	(1,915)
Cash flows from investing activities			
Interest received		702	645
Purchase of property, plant and equipment		(4,564)	(139)
Dividends from an associate	7	1,300	2,816
Proceeds from disposals of property, plant and equipment		1	61
Net cash flow (used in)/from investing activities		(2,561)	3,383
Cash flows from financing activities			
Interest paid		(391)	(284)
Proceeds from loans and borrowings		8,508	25,660
Repayment of loans and borrowings		(25,894)	(21,491)
Payment of finance lease liabilities		(59)	(55)
Dividends paid to selling shareholder of a subsidiary		(697)	(234)
Deposits pledged		(184)	(36)
Net cash flow (used in)/from financing activities		(18,717)	3,560
Net (decrease)/increase in cash and cash equivalents		(13,106)	5,028
Cash and cash equivalents at 1 January		43,917	38,605
Effects of exchange rate fluctuations on cash held		(507)	284
Cash and cash equivalents at 31 December	11	30,304	43,917

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 March 2018.

1 DOMICILE AND ACTIVITIES

Intraco Limited and its subsidiaries (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 60 Albert Street, #07-01 OG Albert Complex, Singapore 189969.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The Group is primarily involved in the trading of plastics products, providing fire protection solutions and services relating to wireless telecommunication related infrastructure.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRSs).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – key assumptions underlying recoverable amount of goodwill;
- Note 7 – Impairment assessment on joint venture
- Note 23 – key assumptions for measurement of financial derivative assets;
- Note 23 – impairment assessment on trade and other receivables;
- Note 15 and 23 – key assumptions for measurement of contingent consideration.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The Group Financial Controller has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

The Group Financial Controller regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values to support the conclusion that these valuations meet the requirements of FRSs, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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 the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the anticipated acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(ii) Written put option or forward with NCI

When the Group writes a put or enters into a forward purchase agreement with the NCI in an existing subsidiary or their equity interest in that subsidiary and provides for settlement in cash or in another financial asset by the Group, then the Group recognises a liability for the present value of the exercise price of the option or of the forward price. Subsequent to initial recognition of the financial liability, the changes in the carrying amount of the financial liability is recognised in profit or loss.

The Group applies the anticipated-acquisition method to account for the underlying NCI.

Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the written put options or forwards are derecognised when the financial liability is recognised. The profits and losses attributable to the holder of NCI subject to the put options or forwards are presented as attributable to the Group in the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI).

If the put option expires unexercised, then the financial liability is derecognised and NCI are recognised and treated consistently with a decrease in ownership interests in a subsidiary while retaining control.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries, associates and joint ventures in the separate financial statements

The subsidiaries held by the Company are classified as available-for-sale and are stated in the Company's statement of financial position at fair value with any resultant gain or loss recognised in OCI and presented in the fair value reserve in equity. Impairment losses on its subsidiaries are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. When the subsidiaries are disposed, the gain or loss accumulated in equity is reclassified to profit or loss.

Investments in associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss), which are recognised in OCI.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold properties	50 to 60 years
Leasehold improvements	3 to 60 years
Plant, machinery, tools and equipment	2 to 10 years
Furniture, fittings and equipment	3 to 10 years
Motor vehicles	3 to 6 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits with maturity of six months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded from cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 3.2(i)), are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

All other financial liabilities (including financial liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

(iii) Derivative financial instruments

Derivatives are recognised initially at fair value, any attributable transaction costs are recognised in profit or loss as incurred. Subsequently to initial recognition, derivatives are measured at fair value, and all changes in its fair value are recognised immediately in profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Order backlogs	28 months
Customer relationships	64 months

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. They are measured at cost plus profit recognised to date (see note 3.12(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position. Customer advances are presented as deferred income in the statement of financial position.

3.8 Leases

(i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant or a period of 9 months to be prolonged.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Associate and joint venture

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of trading products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port. Generally for such products, the customer has no right of return.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see note 3.7).

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'construction contracts in progress' and included under 'trade and other receivables'. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as 'billings in advance of work completed' and included under 'deferred income'. Amounts received before the related work is performed are shown as 'customer advances' and included under 'deferred income'.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Rendering of services

Revenue from rendering of services is recognised as and when the relevant services are rendered.

3.13 Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.14 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors of the Company are considered as key management personnel of the Group.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Applicable to 2018 financial statements (Continued)

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).*

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 *Transfers of Investment Property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – Deletion of Short-term Exemptions for First-time Adopters issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an Associate or Joint Venture at Fair Value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Summary of quantitative impact

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Consolidated statement of financial position

	Note	31 December 2017 Current Framework S$'000	SFRS(I) 1 S$'000	SFRS(I) 15 S$'000	SFRS(I) Framework S$'000	SFRS(I) 9 S$'000	1 January 2018 SFRS(I) Framework S$'000
Assets							
Non-current assets							
Property, plant and equipment		11,364	–	–	11,364	–	11,364
Intangible assets		6,926	–	–	6,926	–	6,926
Associate and joint venture		20,820	–	–	20,820	–	20,820
Other investments, including derivatives	(ii)	9,639	–	–	9,639	–	9,639
		48,749	–	–	48,749	–	48,749
Current assets							
Inventories		1,427	–	–	1,427	–	1,427
Trade and other receivables	(ii)	14,390	–	–	14,390	–	14,390
Cash and cash equivalents		30,674	–	–	30,674	–	30,674
		46,491	–	–	46,491	–	46,491
Total assets		95,240	–	–	95,240	–	95,240
Equity							
Share capital		84,069	–	–	84,069	–	84,069
Reserves	(i)	(854)	353	–	(501)	–	(501)
Accumulated losses	(i)	(16,496)	(353)	–	(16,849)	–	(16,849)
Equity attributable to owners of the Company		66,719	–	–	66,719	–	66,719
Liabilities							
Non-current liabilities							
Loans and borrowings		1,742	–	–	1,742	–	1,742
Trade and other payables		4,594	–	–	4,594	–	4,594
Deferred tax liabilities		570	–	–	570	–	570
		6,906	–	–	6,906	–	6,906
Current liabilities							
Loans and borrowings		8,623	–	–	8,623	–	8,623
Trade and other payables		12,453	–	–	12,453	–	12,453
Current tax liabilities		539	–	–	539	–	539
		21,615	–	–	21,615	–	21,615
Total equity and liabilities		95,240	–	–	95,240	–	95,240

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Consolidated statement of profit or loss

	Year ended 31 December 2017			
	Current Framework S$'000	SFRS(I) 1 S$'000	SFRS(I) 15 S$'000	SFRS(I) Framework S$'000
Revenue	121,327	–	–	121,327
Cost of sales	(110,237)	–	–	(110,237)
Gross profit	11,090	–	–	11,090
Other income	369	–	–	369
Distribution expenses	(71)	–	–	(71)
Administrative expenses	(10,369)	–	–	(10,369)
Other expenses	(737)	–	–	(737)
Results from operating activities	282	–	–	282
Finance income	704	–	–	704
Finance costs	(347)	–	–	(347)
Net finance income	357	–	–	357
Share of profit of equity-accounted investees (net of tax)	1,735	–	–	1,735
Profit before tax	2,374	–	–	2,374
Tax expense	(296)	–	–	(296)
Profit for the year	2,078	–	–	2,078

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2017 Current Framework S$'000	SFRS(I) 1 S$'000	SFRS(I) 15 S$'000	SFRS(I) Framework S$'000
Profit for the year		2,078	–	–	2,078
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale financial assets		(105)	–	–	(105)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		455	–	–	455
Foreign currency translation differences of foreign operations		(1,606)	1,610	–	4
Share of other comprehensive income of associate		129	–	–	129
Other comprehensive income for the year, net of tax		(1,127)	1,610	–	483
Total comprehensive income for the year		951	1,610	–	2,561

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Statement of financial position for the Company

	Note	31 December 2017 Current Framework S$'000	SFRS(I) 1 S$'000	SFRS(I) 15 S$'000	SFRS(I) Framework S$'000	1 January 2018 SFRS(I) 9 S$'000	SFRS(I) Framework S$'000
Assets							
Non-current assets							
Property, plant and equipment		476	–	–	476	–	476
Subsidiaries		18,836	–	–	18,836		18,836
Associate and joint venture		16,504	–	–	16,504	–	16,504
Other investments, including derivatives	(ii)	9,639	–	–	9,639	–	9,639
		45,455	–	–	45,455	–	45,455
Current assets							
Other investments, including derivatives		5,504			5,504		5,504
Trade and other receivables	(ii)	15,185	–	–	15,185	–	15,185
Cash and cash equivalents		9,116	–	–	9,116	–	9,116
		29,805	–	–	29,805	–	29,805
Total assets		75,260	–	–	75,260	–	75,260
Equity							
Share capital		84,069	–	–	84,069	–	84,069
Reserves	(i)	5,203	–	–	5,203	–	5,203
Retained earnings		(21,403)	–	–	(21,403)	–	(21,403)
Equity attributable to owners of the Company		67,869	–	–	67,869	–	67,869
Liabilities							
Current liabilities							
Trade and other payables		7,391	–	–	7,391	–	7,391
		7,391	–	–	7,391	–	7,391
Total equity and liabilities		75,260	–	–	75,260	–	75,260

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

(i) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of S$353,000 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group expects the cumulative FCTR to increase by S$353,000 and retained earnings to decrease by the same amount as at 31 December 2017.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information and the Group does not expect the adoption of SFRS(I) 15 to result in any significant changes to the basis of revenue recognition or significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 15 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

  – The determination of the business model within which a financial asset is held.

  – The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  – The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").

  – The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").

- If an investment in a debt security has low credit risk at 1 January 2018, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment. However, the actual tax effect may change when the transition adjustments are finalised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

(i) Classification and measurement: financial assets

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets amounting to S$9,639,000 at fair value under SFRS(I) 9. The available-for-sale debt securities amounting to S$9,639,000 are expected to be reclassified as financial assets subsequently measured at FVOCI as they are held to maintain liquidity for the Group and may be sold from time to time should the need arise.

The subsidiaries held by the Company amounting to S$18,836,000 are classified as available-for-sale equity securities and the Company plans to elect to present in OCI the changes in fair value of these available-for-sale equity securities because these subsidiaries are not held for trading purposes.

(ii) Impairment

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables. On adoption of SFRS(I) 9, the Group does not expect a significant increase in impairment loss allowance.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information and the Group does not expect the adoption of SFRS(I) 9 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

(ii) Impairment (Continued)

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019. The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and it has approximately S$490,000 of undiscounted leases commitments as of 31 December 2017. The Group expects that the adoption of SFRS(I) 16 will result in the increase in total assets, total liabilities, earnings before interest, tax, depreciation and amortisation and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively using the modified retrospective approach as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S$'000	Leasehold improvements S$'000	Plant, machinery, tools and equipment S$'000	Furniture, fittings and equipment S$'000	Motor vehicles S$'000	Total S$'000
Group						
Cost						
At 1 January 2016	7,120	467	41,026	1,439	389	50,441
Additions	–	–	123	–	86	209
Disposals/write-offs	–	–	(1)	(55)	(147)	(203)
Effects of movements in exchange rates	–	–	–	(1)	–	(1)
At 31 December 2016	7,120	467	41,148	1,383	328	50,446
Additions	–	238	4,228	98	–	4,564
Disposals/write-offs	–	(428)	(12)	(450)	–	(890)
At 31 December 2017	7,120	277	45,364	1,031	328	54,120
Accumulated depreciation and impairment losses						
At 1 January 2016	338	326	40,211	1,151	134	42,160
Depreciation	169	99	485	131	57	941
Impairment loss	119	–	–	–	–	119
Disposals/write-offs	–	–	(1)	(54)	(120)	(175)
Effects of movements in exchange rates	–	–	–	(1)	–	(1)
At 31 December 2016	626	425	40,695	1,227	71	43,044
Depreciation	166	88	278	92	73	697
Reversal of impairment loss	(119)	–	–	–	–	(119)
Disposals/write-offs	–	(421)	(11)	(434)	–	(866)
At 31 December 2017	673	92	40,962	885	144	42,756
Carrying amounts						
At 1 January 2016	6,782	141	815	288	255	8,281
At 31 December 2016	6,494	42	453	156	257	7,402
At 31 December 2017	6,447	185	4,402	146	184	11,364

Impairment loss

During the year, the recoverable amount of certain leasehold properties was estimated as S$6,300,000 (2016: S$6,300,000), determined based on fair value less cost to sell. The fair values of the leasehold properties as at 31 December 2017 and 2016 were appraised by an independent external valuer using the market comparison approach based on completed transactions of similar properties in the vicinity. In 2017, a reversal of impairment loss of S$119,000 was recognised in administrative expenses as the recoverable amount was higher than the carrying amount of S$6,140,000. In 2016, an impairment loss of S$119,000 was recognised in administrative expenses as the recoverable amount was lower than the carrying amount of S$6,419,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and equipment under finance lease

The carrying amount of plant and equipment under finance lease amounted to S$195,000 (2016: S$275,000). During the year, the Group did not acquire any plant and equipment (2016: S$70,000) under finance leases.

Security

At 31 December 2017, leasehold properties and motor vehicles of the Group with carrying amounts of S$6,454,000 (2016: S$6,575,000) are pledged as security to secure bank loans and finance lease liabilities (see note 14).

	Leasehold properties S$'000	Leasehold improvements S$'000	Furniture, fittings and equipment S$'000	Motor vehicles S$'000	Total S$'000
Company					
Cost					
At 1 January 2016	320	467	1,009	50	1,846
Disposals/write-offs	–	–	(4)	–	(4)
At 31 December 2016	320	467	1,005	50	1,842
Additions	–	238	96	–	334
Disposals/write-offs	–	(428)	(446)	–	(874)
At 31 December 2017	**320**	**277**	**655**	**50**	**1,302**
Accumulated depreciation and impairment losses					
At 1 January 2016	121	326	825	50	1,322
Depreciation	6	99	93	–	198
Disposals/write-offs	–	–	(4)	–	(4)
At 31 December 2016	127	425	914	50	1,516
Depreciation	6	87	68	–	161
Disposals/write-offs	–	(421)	(430)	–	(851)
At 31 December 2017	**133**	**91**	**552**	**50**	**826**
Carrying amounts					
At 1 January 2016	199	141	184	–	524
At 31 December 2016	193	42	91	–	326
At 31 December 2017	**187**	**186**	**103**	**–**	**476**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

5 INTANGIBLE ASSETS

	Goodwill S$'000	Order backlogs S$'000	Customer relationships S$'000	Total S$'000
Group				
Cost				
At 1 January 2016 and 31 December 2016 and 31 December 2017	6,899	518	411	7,828
Accumulated amortisation and impairment losses				
At 1 January 2016	–	296	103	399
Amortisation	–	222	77	299
At 31 December 2016	–	518	180	698
Amortisation	–	–	77	77
Impairment loss	–	–	127	127
At 31 December 2017	–	518	384	902

	Goodwill S$'000	Order backlogs S$'000	Customer relationships S$'000	Total S$'000
Carrying amounts				
At 1 January 2016	6,899	222	308	7,429
At 31 December 2016	6,899	–	231	7,130
At 31 December 2017	6,899	–	27	6,926

Amortisation and impairment of order backlogs and customer relationships

The amortisation of order backlogs and customer relationships is included in administrative expenses. An impairment loss of S$127,000 (2016: S$Nil) was recognised on certain customer relationships as the Group has ceased to have any ongoing business dealings with these customers. The impairment loss has been included in administrative expenses.

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's CGU (operating division) as follows:

	2017 S$'000	2016 S$'000
Group		
K.A. Group	6,899	6,899

K.A. Group

The recoverable amount of the CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU of S$40,363,000 (2016: S$26,857,000) was determined to be higher than its carrying amount and no impairment was required.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

5 INTANGIBLE ASSETS (CONTINUED)

K.A. Group (Continued)

Key assumptions used in the estimation of recoverable amount of the CGU as at 31 December were as follows:

	2017 %	2016 %
Group		
Terminal growth rate	2.0	Nil
Discount rate	8.7	9.0
EBIT margin (average of next five years)	21.3	20.4

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimates of the long term annual EBIT growth rate in perpetuity, consistent with the assumptions that a market participant would make. As a result, the terminal growth rate was estimated to be 2% (2016: Nil%).

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital.

The EBIT margin was estimated taking into account past experience, adjusted for management's assessment of future trends of the construction industry and anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated revenue growth for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately S$24,375,000 (2016: S$10,125,000). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2017 %	2016 %
Group		
Discount rate	19.0	14.3
EBIT margin (average of next five years)	9.7	14.0

6 SUBSIDIARIES

	Company	
	2017 S$'000	2016 S$'000
Equity investments at fair value	18,836	16,920

Details of subsidiaries are set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

6 SUBSIDIARIES (CONTINUED)

The carrying amounts of the equity investments were determined based on the fair value of the net assets of the subsidiaries as at the reporting date. The Company reviews its investments in subsidiaries for impairment whenever events or changes in circumstances indicate that a significant or prolonged decline in its fair value below its cost has occurred, in accordance with note 3.9(i). No impairment loss was recognised in 2017 and 2016.

7 ASSOCIATE AND JOINT VENTURE

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Interest in associate	18,860	19,584	14,544	14,544
Interest in joint venture	1,960	2,283	2,516	2,516
Less: Impairment losses	–	–	(556)	(233)
	20,820	21,867	16,504	16,827

KPMG LLP Singapore is the auditors of the Singapore-incorporated joint venture. The Singapore-incorporated associate is audited by another accounting firm, BDO LLP Singapore. For this purpose, an associated company is considered significant as defined under the Listing Manual of the SGX-ST if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The associate is considered significant and the Group is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST as suitable auditing firms have been appointed to meet the Group's audit obligations. In accordance to Rule 716, the Audit Committee and Board of Directors of the Company confirm that they are satisfied that the appointment of a different auditors for its significant associate would not compromise the standard and effectiveness of the audit of the Group.

Associate

The Group has an associate that is material to the Group in 2017 and 2016 and is equity accounted.

Details of the associate is as follows:

	Dynamic Colours Limited[1]
Nature of relationship with the Group	Trading in colour pigments manufacture and sale of compounded resins and polyethylene packaging materials and provisions of compounding services
Principal place of business/country of incorporation	Singapore
Ownership interest/Voting rights held	41.27% (2016: 41.27%)
Fair value of ownership interest	S$20,795,000 (2016: S$20,795,000)[2]

1 Listed on the Singapore Exchange Securities Trading Limited ("SGX-ST")
2 Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Associate (Continued)

The following table summarises the financial information of the associate based on its consolidated financial statements prepared in accordance with FRS.

	2017 S$'000	2016 S$'000
Results		
Revenue	61,220	57,684
Profit from continuing operations	4,576	4,085
OCI	314	(598)
Total comprehensive income	4,890	3,487
Attributable to non-controlling interests	–	–
Attributable to associate's shareholders	4,890	3,487
Assets and liabilities		
Non-current assets	22,924	24,795
Current assets	33,025	33,173
Non-current liabilities	(1,201)	(1,431)
Current liabilities	(9,245)	(9,403)
Net assets	45,503	47,134
Attributable to NCI	–	–
Attributable to associate's shareholders	45,503	47,134

	2017 S$'000	2016 S$'000
Group's interest in net assets of associate at beginning of the year	19,584	20,512
Group's share of:		
– profit from continuing operations	1,889	1,686
– OCI	129	(247)
– total comprehensive income	2,018	1,439
Translation difference	(1,442)	449
Dividends received during the year	(1,300)	(2,816)
Carrying amount of interest in associate at end of the year	18,860	19,584

Joint venture

Tat Hong Intraco Pte Ltd is an unlisted joint arrangement in which the Group has joint control via investors' agreement and 40% (2016: 40%) ownership interest. It was incorporated in Singapore by the Group, Tat Hong Holdings Ltd and Aung Moe Kyaw, and principally engaged in the leasing and sales of cranes and other heavy equipments in Myanmar.

Tat Hong Intraco Pte Ltd is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Tat Hong Intraco Pte Ltd as a joint venture, which is equity-accounted.

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YEAR ENDED 31 DECEMBER 2017

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Joint venture (Continued)

The following table summarises the financial information of the joint venture, based on its financial statements prepared in accordance with FRS.

	2017 S$'000	2016 S$'000
Revenue	798	529
Loss from continuing operations[1]	(386)	(467)
OCI	–	–
Total comprehensive income	(386)	(467)
Non-current assets	4,105	5,375
Current assets[2]	874	4,236
Current liabilities[3]	(78)	(3,903)
Net assets	4,901	5,708

1 Includes interest expense of S$61,000 (2016: S$97,000).

2 Includes cash and cash equivalents of S$695,000 (2016: S$4,134,000).

3 Includes current financial liabilities (excluding trade and other payables and provisions) of S$Nil (2016: S$3,484,000).

	2017 S$'000	2016 S$'000
Group's interest in net assets of joint venture at beginning of the year	2,283	2,412
Group's share of loss from continuing operations	(154)	(187)
	2,129	2,225
Translation difference	(169)	58
Carrying amount of interest in joint venture at end of the year	1,960	2,283

During the year, impairment loss of S$323,000 (2016: S$233,000) was recognised and included in administrative expenses for the Company's investment in joint venture as the recoverable amount was lower than the carrying amount of S$2,283,000 (2016: S$2,516,000) of the joint venture. The recoverable amount for the joint venture was estimated based on the value in use calculation which is derived using cash flow projections based on the most recent budgets and forecasts approved by management covering 3 years. Cash flows beyond this period is extrapolated using the estimated growth rates stated in the table below. The growth rate used reflects management's expectation of the growth rate of the business segment in Myanmar after taking into account the growth levels experienced over the past 3 years. The discount rate applied is the weighted average cost of capital of other market participants in the industry.

Key assumptions used in the estimation of recoverable amount as at 31 December were as follows:

	2017 %	2016 %
Company		
Growth rate	6.8	6.8
Discount rate	10.0	10.0

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Non-current investments				
Available-for-sale quoted debt securities	9,639	9,744	9,639	9,744
Current investments				
Financial derivative assets	–	–	5,504	1,480
	9,639	9,744	15,143	11,224

The financial derivative assets relate to the written call and put options in connection with the Company's acquisition of the remaining 30% equity interest in K.A. Group from the NCI. The Company received the right to acquire the remaining 30% equity interest in K.A. Group in 3 tranches of 10% each, while the Company also gave the NCI the right to sell the remaining 30% equity interest it owns in K.A. Group in 3 tranches of 10% each.

The options on the first 10%, subsequent 10% and final 10% equity interest in K.A. Group are exercisable, by the Company and/or the NCI on and after 4 September 2018, 4 September 2019 and 4 September 2020 respectively. The exercise dates are the dates falling immediately after the expiry of 4 years, 5 years and 6 years from date of acquisition respectively. The exercise price of the written put and call options in respect of each option shall be the amount determined based on the consideration paid by the Company to acquire the initial 70% equity interest in K.A. Group, adjusted for revised net tangible asset value of K.A. Group subsequent to initial acquisition date.

As at 31 December 2017, the fair value of the written call and put options recognised as financial derivative assets of the Company is S$5,504,000 (2016: S$1,480,000).

The Group's exposure to market risks and fair value information related to other investments, including derivatives, are disclosed in Note 23.

9 INVENTORIES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trading goods	204	344	–	–
Raw materials	1,211	1,101	–	–
Goods-in-transit	12	87	–	–
	1,427	1,532	–	–

In 2017, inventories of S$105,763,000 (2016: S$92,435,000) were recognised as an expense during the period and included in cost of sales.

In 2017, reversal of write-down of inventories to net realisable value of S$4,000 (2016: S$5,000) was recognised. The reversal of write-down was recognised in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade receivables	16,361	17,160	9	12
Impairment losses	(6,388)	(6,347)	–	–
Net trade receivables	9,973	10,813	9	12
Deposits	279	319	70	69
Amounts due from subsidiaries (non-trade)	–	–	18,706	25,091
Impairment losses	–	–	(3,873)	(4,136)
Net amounts due from subsidiaries	–	–	14,833	20,955
Other receivables	405	329	224	225
Interest receivables	16	14	–	–
Advances to suppliers	1,374	1,214	–	–
Loans and receivables	12,047	12,689	15,136	21,261
Prepayments	211	186	49	22
Construction contracts in progress	2,132	2,898	–	–
	14,390	15,773	15,185	21,283

Construction contracts in progress

At 31 December 2017, the aggregated amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to S$36,825,000 (2016: S$32,658,000) for the Group. Progress billings and advances received from customers under open construction contracts amounted to S$34,693,000 (2016: S$29,760,000) for the Group.

At 31 December 2017, trade receivables for the Group include retentions of S$1,631,000 (2016: S$1,193,000) relating to construction contracts in progress.

Amounts due from subsidiaries

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Credit and market risk, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for loans and receivables are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Cash at banks and in hand	**17,197**	18,770	**2,316**	1,206
Fixed deposits with banks	**13,477**	25,333	**6,800**	6,800
Cash and cash equivalents in the statements of financial position	**30,674**	44,103	**9,116**	8,006
Deposits pledged	**(370)**	(186)	**–**	–
Cash and cash equivalents in the statement of cash flows	**30,304**	43,917	**9,116**	8,006

Deposits pledged represent bank balances of certain subsidiaries pledged as security for issuance of letters of credit.

The weighted average effective interest rates per annum relating to fixed deposits with banks at the reporting date for the Group and Company are 1.38% (2016: 0.94%) and 1.05% (2016: 0.86%) respectively. Interest rates reprice at intervals of one to six months.

12 CAPITAL AND RESERVES

	Company	
Share capital	2017 Number of shares	2016 Number of shares
Fully paid ordinary shares, with no par value:		
In issue on 1 January and 31 December	**103,725,879**	103,725,879

No share options had been granted under the Intraco Employee Share Option Scheme which was approved at an Extraordinary General Meeting held on 29 April 2013. In this respect, the Company does not have outstanding convertibles as at 31 December 2017 (see note 13).

Ordinary shares

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12 CAPITAL AND RESERVES (CONTINUED)

Reserves

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Capital reserve	976	1,052	–	–
Translation reserve	(1,830)	(353)	–	–
Fair value reserve	–	(350)	5,203	2,937
	(854)	349	5,203	2,937

Capital reserve

Capital reserve comprises negative goodwill that has previously been taken to reserve and share of associate's statutory reserve.

Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

13 EMPLOYEE SHARE OPTIONS

Intraco Employee Share Option Scheme (the 2013 Scheme)

The 2013 Scheme of the Company was approved and adopted by its shareholders at an Extraordinary General Meeting held on 29 April 2013.

Information regarding the 2013 Scheme is set out below:

- The maximum number of shares issued or to be issued for options under the 2013 Scheme is 15% of the issued share capital of the Company.

- Options may be granted at the average of the closing price of the Company's shares on the SGX-ST for the 3 consecutive trading days immediately preceding the date of grant (Market Price) or at a price of up to 20% discount of the Market Price.

NOTES TO THE FINANCIAL STATEMENTS

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13 EMPLOYEE SHARE OPTIONS (CONTINUED)

Intraco Employee Share Option Scheme (the 2013 Scheme) (Continued)

- Under the 2013 Scheme, a non-discounted option vests 1 year after the date of the grant and a discounted option vests 2 years after the date of grant.
- Options granted to non-executive directors of the Group, and employees and directors of Associated Companies as defined under the 2013 Scheme, will have a life span of 5 years or such earlier date as may be determined by the Remuneration Committee. Options granted to employees and executive directors of the Group will have a life span of 10 years or such earlier date as may be determined by the Remuneration Committee.

There were no options granted since commencement of the 2013 Scheme till the end of the financial year.

14 LOANS AND BORROWINGS

	Group	
	2017 S$'000	2016 S$'000
Non-current liabilities		
Secured bank loans	1,650	1,784
Finance lease liabilities	92	151
	1,742	1,935
Current liabilities		
Secured bank loans	103	89
Finance lease liabilities	59	59
Unsecured bank loans	1,302	1,214
Trust receipts	7,159	24,765
	8,623	26,127

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14 LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			Group	
	Nominal interest rate	Year of maturity	Face value S$'000	Carrying amount S$'000
2017				
SGD secured bank loans	**1.52% – 4.12%**	**2018 – 2033**	**1,753**	**1,753**
SGD finance lease liabilities	**1.58% – 2.99%**	**2018 – 2021**	**151**	**151**
USD unsecured bank loans	**2.69% – 2.74%**	**2018**	**1,302**	**1,302**
USD trust receipts	**2.41% – 3.04%**	**2018**	**7,159**	**7,159**
			10,365	**10,365**
2016				
SGD secured bank loans	1.18% – 3.41%	2017 – 2033	1,873	1,873
SGD finance lease liabilities	1.58% – 2.99%	2017 – 2021	210	210
USD unsecured bank loans	1.93%	2017	1,214	1,214
USD trust receipts	1.60% – 2.80%	2017	24,765	24,765
			28,062	28,062

The secured bank loans and finance lease liabilities of the Group are secured over the leasehold properties and motor vehicles of the Group with carrying amounts of S$6,454,000 (2016: S$6,575,000) (see Note 4).

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments S$'000	Interest S$'000	Present value of minimum lease payments S$'000
2017			
Within one year	**65**	**6**	**59**
Between one and five years	**101**	**9**	**92**
	166	**15**	**151**
2016			
Within one year	65	6	59
Between one and five years	165	14	151
	230	20	210

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14 LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Other loans and borrowings S$'000	Finance lease liabilities S$'000	Total S$'000
Balance at 1 January 2017	27,852	210	28,062
Changes from financing cash flows			
Proceeds from borrowings	8,508	–	8,508
Repayment of borrowings	(25,894)	–	(25,894)
Payment of finance lease liabilities	–	(59)	(59)
Interest paid	(385)	(6)	(391)
Total changes from financing cash flows	(17,771)	(65)	(17,836)
The effect of changes in foreign exchange rates	(252)	–	(252)
Other changes			
Liability-related			
Interest payable	44	–	44
Interest expense	341	6	347
Total liability-related other changes	385	6	391
Balance at 31 December 2017	10,214	151	10,365

NOTES TO THE FINANCIAL STATEMENTS

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15 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Current				
Trade payables	3,410	2,642	32	32
Advances from customers	4,292	311	–	–
Accrued expenses	1,187	1,452	549	863
Amounts due to subsidiaries (non-trade)	–	–	6,661	11,300
Interest payable	14	58	–	–
Other payables	255	323	149	238
Dividends payable	837	697	–	–
Contingent consideration	2,458	–	–	–
	12,453	5,483	7,391	12,433
Non-current				
Contingent consideration	4,594	6,340	–	–
	17,047	11,823	7,391	12,433

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Contingent consideration pertains to the put option granted by the Group to the selling shareholders of K.A. Group in connection with the Company's acquisition of the remaining 30% equity interest in K.A. Group. At the reporting date, the contingent consideration is measured at the present value of the aggregate exercise price for each of the three tranches of 10% equity interest which may be exercised on 4 September 2018, 2019 and 2020 respectively.

Key assumptions used in the estimation of the present value of the contingent consideration as at the reporting date are as follows:

Group	2017	2016
Discount rate	5.0%	5.0%
Exercise price for each 10% tranche:	S$'000	S$'000
– 4 September 2018	2,541	2,398
– 4 September 2019	2,549	2,407
– 4 September 2020	2,558	2,415

The discount rate is estimated based on the Group's borrowing rate.

The exercise price for each tranche is estimated based on 10% of the revalued net tangible assets as at the reporting date and adjusting for projected profit or loss of the K.A. Group over the next 0.67 year, 1.67 years and 2.67 years (2016: 1.67 years, 2.67 years and 3.67 years) respectively.

The Group's exposure to market risk and fair value information related to contingent consideration is disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

15 TRADE AND OTHER PAYABLES (CONTINUED)

Market and liquidity risks

The Group and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

16 DEFERRED TAX LIABILITIES

Movement in deferred tax liabilities during the year are as follows:

Group

	Balance as at 1 January 2016 S$'000	Recognised in profit or loss (Note 20) S$'000	Balance as at 31 December 2016 S$'000	Recognised in profit or loss (Note 20) S$'000	Balance as at 31 December 2017 S$'000
Deferred tax liabilities					
Property, plant and equipment	610	(32)	578	(13)	565
Intangible assets	90	(51)	39	(34)	5
	700	(83)	617	(47)	570

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Deductible temporary differences	11,914	11,138	295	(403)
Tax losses	27,716	28,537	9,035	8,958
	39,630	39,675	9,330	8,555

The tax losses are subject to agreement by the tax authorities. Tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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17 REVENUE

	Group 2017 S$'000	Group 2016 S$'000
Trading sales	107,043	93,815
Revenue from construction contracts	12,393	12,094
Rental income	174	389
Service income	1,717	1,111
	121,327	107,409

18 NET FINANCE INCOME

	Group 2017 S$'000	Group 2016 S$'000
Interest income		
– bank deposits	189	127
– other investments	515	518
Finance income	704	645
Interest expense on secured bank loans	(72)	(77)
Interest expense on unsecured bank loans and trust receipts	(269)	(202)
Interest expense on finance lease liabilities	(6)	(5)
Finance costs	(347)	(284)
Net finance income recognised in profit or loss	357	361

The above finance income and finance costs represents interest income and interest expense in respect of assets/(liabilities) not at fair value through profit or loss.

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YEAR ENDED 31 DECEMBER 2017

19 PROFIT BEFORE TAX

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

	Group	
	2017 S$'000	2016 S$'000
Government grants	(162)	(193)
Gain on disposals of property, plant and equipment	–	(33)
Write-back of trade payables	–	(6)
Write-back of unclaimed dividend	(168)	–
Reversal of write-down of inventory to net realisable value	4	(5)
Foreign exchange gain	–	(51)
Allowance made for doubtful receivables	70	–
Foreign exchange loss	211	–
Impairment loss of available-for-sale financial assets	455	–
Audit fees paid to:		
– auditors of the Company	265	235
– other auditors	2	2
Non-audit fees paid to:		
– auditors of the Company	54	37
Cost of inventories recognised in cost of sales	105,763	92,435
Depreciation of property, plant and equipment	697	941
(Reversal of impairment)/Impairment loss of property, plant and equipment	(119)	119
Property, plant and equipment written off	23	–
Amortisation of intangible assets	77	299
Impairment loss on intangible assets	127	–
Change in fair value of contingent consideration	712	111
Operating lease expenses	628	764
Employee benefits expense		
Salaries, bonuses and other costs	5,598	6,138
Contributions to defined contribution plans	382	395
	5,980	6,533

NOTES TO THE FINANCIAL STATEMENTS

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20 TAX EXPENSE

	Group 2017 S$'000	Group 2016 S$'000
Tax recognised in profit or loss		
Current tax expense		
Current year	422	323
Adjustment for prior years	(79)	(116)
	343	207
Deferred tax expense		
Origination and reversal of temporary differences	(47)	(64)
Adjustment for prior year	–	(19)
	(47)	(83)
Tax expense	296	124
Reconciliation of effective tax rate		
Profit before tax	2,374	910
Tax using the Singapore tax rate of 17%	404	155
Tax-exempt income	(196)	(171)
Non-deductible expenses	470	92
Effects of results of equity-accounted investees presented net of tax	(295)	(255)
Change in unrecognised temporary differences	(8)	438
Over provided in prior years	(79)	(135)
	296	124

21 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of S$2,078,000 (2016: S$786,000) and a weighted average number of ordinary shares in issue and on a fully diluted basis of 103,725,879 (2016: 103,725,879), calculated as follows:

	2017 Number of shares	2016 Number of shares
Issued ordinary shares at 1 January and 31 December	103,725,879	103,725,879

There were no dilutive potential ordinary shares in issue during the year.

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22 OPERATING SEGMENTS

The Group has the following two strategic business units which are its reportable segments, as described below. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Fire Protection* — Manufacturing and installation of passive fire protection products.
- *Trading and others* — Trading in industrial materials which include plastics, provision of commercial wireless services and investment holding.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Geographical information

The Group's business is managed in three principal geographical areas, namely, Singapore, rest of ASEAN and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Operating segments

	Fire protection S$'000	Trading and others S$'000	Consolidated S$'000
2017			
External revenue	12,627	108,700	121,327
Interest income	50	29	79
Interest expense	(78)	(269)	(347)
Depreciation and amortisation	(438)	(174)	(612)
Reportable segment profit before tax	2,259	35	2,294
Reportable segment assets	22,618	25,252	47,870
Other material non-cash items:			
Reversal of impairment loss on property, plant and equipment	119	–	119
Impairment loss on intangible assets	(127)	–	(127)
Allowance made for doubtful debts	(70)	–	(70)
Reversal of write-down of inventory to net realisable value	4	–	4
Change in fair value of contingent consideration	(712)	–	(712)
Capital expenditure	(63)	(4,167)	(4,230)
Reportable segment liabilities	4,641	15,533	20,174

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

Operating segments (Continued)

	Fire protection S$'000	Trading and others S$'000	Consolidated S$'000
2016			
External revenue	12,228	95,181	107,409
Interest income	22	62	84
Interest expense	(82)	(202)	(284)
Depreciation and amortisation	(652)	(392)	(1,044)
Reportable segment profit before tax	1,970	223	2,193
Reportable segment assets	22,022	38,207	60,229
Other material non-cash items:			
Impairment loss on property, plant and equipment	(119)	–	(119)
Gain on disposal of property, plant and equipment	33	–	33
Reversal of write-down of inventory to net realisable value	5	–	5
Other material non-cash items:			
Write-back of trade payables	–	6	6
Change in fair value of contingent consideration	(111)	–	(111)
Capital expenditure	(209)	–	(209)
Reportable segment liabilities	4,247	28,570	32,817

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2017 S$'000	2016 S$'000
Revenue		
Total revenue for reporting segments and consolidated revenue	121,327	107,409
Profit or loss		
Total profit for reportable segments	2,294	2,193
Unallocated amounts:		
– Other corporate expenses, net of income	(1,655)	(2,782)
Share of profit of equity-accounted investees, net of tax	1,735	1,499
Consolidated profit before tax	2,374	910
Assets		
Total assets for reportable segments	47,870	60,229
Other unallocated amounts	26,550	25,455
	74,420	85,684
Investments in equity-accounted investees	20,820	21,867
Consolidated total assets	95,240	107,551
Liabilities		
Total liabilities for reportable segments	20,174	32,817
Other unallocated amounts	8,347	8,129
Consolidated total liabilities	28,521	40,946

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22 OPERATING SEGMENTS (CONTINUED)

Other material items

	Reportable segments S$'000	Adjustments S$'000	Consolidated S$'000
2017			
Interest income	79	625	704
Interest expense	(347)	–	(347)
Depreciation and amortisation	(612)	(162)	(774)
Reversal of impairment loss on property, plant and equipment	119	–	119
Impairment loss on intangible assets	(127)	–	(127)
Allowance made for doubtful receivables	(70)	–	(70)
Property, plant and equipment written off	–	(23)	(23)
Reversal of write-down of inventory to net realisable value, net	4	–	4
Change in fair value of contingent consideration	(712)	–	(712)
Impairment loss on available-for-sale financial assets	–	(455)	(455)
Capital expenditure	(4,230)	(334)	(4,564)
2016			
Interest income	84	561	645
Interest expense	(284)	–	(284)
Depreciation and amortisation	(1,044)	(196)	(1,240)
Impairment loss on property, plant and equipment	(119)	–	(119)
Gain on disposal of property, plant and equipment	33	–	33
Reversal of write-down of inventory to net realisable value	5	–	5
Write-back of trade payables	6	–	6
Change in fair value of contingent consideration	(111)	–	(111)
Capital expenditure	(209)	–	(209)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22 OPERATING SEGMENTS (CONTINUED)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2017 S$'000	2016 S$'000
Revenue		
Singapore	35,180	32,885
Vietnam	70,266	60,764
Others	15,881	13,760
Consolidated revenue	121,327	107,409
Non-current assets*		
Singapore	11,178	7,209
China	186	193
	11,364	7,402

* Non-current assets presented consist of property, plant and equipment.

Major customer

Revenue from one customer of the Group's Trading and others segment represents approximately S$16,004,000 (2016: S$11,239,000) of the Group's total revenue.

23 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, and policies and processes for measuring and managing risk, and the Group's management of capital.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Overview (Continued)

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Auditor. The Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposure to credit risk, before taking into account any collateral. The Group and the Company do not hold any collateral in respect of their financial assets.

Risk management policy

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2017, the Group and the Company does not have any collective impairment on its loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Risk management policy (Continued)

Financial transactions are restricted to counterparties that meet appropriate credit criteria that are approved by the Group and are being reviewed on a regular basis. In respect of trade receivables, the Group has guidelines governing the process of granting credit and outstanding balances are monitored on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving financial instruments are allowed only with counterparties who have sound credit ratings.

Exposure to credit risk

The Group's primary exposure to credit risk arises through its loans and receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are regionally dispersed. The Group's historical experience in the collections of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group and the Company's trade receivables.

The maximum exposure to credit risk for trade and other receivables* at the reporting date (by operating segments) was:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Fire protection	3,862	2,808	9	12
Trading and others	8,185	9,881	15,127	21,249
	12,047	12,689	15,136	21,261

The Group's most significant customer, a trading customer, accounts for S$669,000 (2016: S$1,157,000) of the trade and other receivables* as at 31 December 2017. There is no concentration of customer risk at the Company level.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Impairment losses

The ageing of trade and other receivables* at the reporting date was:

	Gross 2017 S$'000	Impairment 2017 S$'000	Gross 2016 S$'000	Impairment 2016 S$'000
Group				
Not past due	8,118	–	7,243	–
Past due 0 – 30 days	3,142	–	4,340	–
Past due 31 – 120 days	544	–	914	–
More than 120 days	6,631	(6,388)	6,539	(6,347)
	18,435	(6,388)	19,036	(6,347)

* Exclude prepayments and construction contracts in progress.

	Gross 2017 S$'000	Impairment 2017 S$'000	Gross 2016 S$'000	Impairment 2016 S$'000
Company				
Not past due	394	–	409	–
Past due 0 – 30 days	3	–	2	–
Past due 31 – 120 days	10	–	438	–
More than 120 days	18,602	(3,873)	24,548	(4,136)
	19,009	(3,873)	25,397	(4,136)

The movement in impairment loss in respect of trade and other receivables during the year is as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
At 1 January	6,347	7,034	4,136	3,954
Allowance made for doubtful receivables	70	–	–	–
Allowance utilised	(29)	(687)	–	–
Effects of movements in exchange rates	–	–	(263)	182
At 31 December	6,388	6,347	3,873	4,136

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Impairment losses (Continued)

The Group assessed the collectability of its trade receivables and wrote-off doubtful receivables of S$29,000 (2016: S$687,000) against the allowance set aside after considering the financial condition and the uncertainty in the recoverability of the outstanding amounts.

Based on the Group's monitoring of credit risk, the Group believes that apart from the above, no additional allowance is necessary.

Debt securities

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of S$30,674,000 and S$9,116,000 (2016: S$44,103,000 and S$8,006,000) respectively at 31 December 2017 and these amounts represent their maximum credit exposures on these assets.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Risk management policy (Continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amounts S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Within 2-5 years S$'000	More than 5 years S$'000
2017					
Non-derivative financial liabilities					
Secured bank loans	1,753	(2,115)	(152)	(760)	(1,203)
Finance lease liabilities	151	(166)	(64)	(102)	–
Unsecured bank loans	1,302	(1,306)	(1,306)	–	–
Trust receipts	7,159	(7,177)	(7,177)	–	–
Trade and other payables*	12,755	(12,755)	(8,161)	(4,594)	–
	23,120	(23,519)	(16,860)	(5,456)	(1,203)
2016					
Non-derivative financial liabilities					
Secured bank loans	1,873	(2,618)	(171)	(857)	(1,590)
Finance lease liabilities	210	(230)	(65)	(165)	–
Unsecured bank loans	1,214	(1,216)	(1,216)	–	–
Trust receipts	24,765	(25,122)	(25,122)	–	–
Trade and other payables*	11,512	(11,512)	(5,172)	(6,340)	–
	39,574	(40,698)	(31,746)	(7,362)	(1,590)
Company					
2017					
Non-derivative financial liabilities					
Trade and other payables*	7,391	(7,391)	(7,391)	–	–
2016					
Non-derivative financial liabilities					
Trade and other payables*	12,433	(12,433)	(12,433)	–	–

* Exclude advances from customers.

The maturity analyses show the undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to changes in interest relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. Interest rate is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group adopts a policy of constantly monitoring movements in interest rates. Presently the Group does not use derivative financial instruments to hedge its interest rate risk.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Fixed rate instruments				
Financial assets	23,116	35,077	16,439	16,544
Financial liabilities	(8,612)	(26,189)	–	–
	14,504	8,888	16,439	16,544
Variable rate instrument				
Financial liabilities	(1,753)	(1,873)	–	–

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Group		Company	
	100 bp increase S$'000	100 bp decrease S$'000	100 bp increase S$'000	100 bp decrease S$'000
2017				
Variable rate instruments	**(18)**	**18**	**–**	**–**
2016				
Variable rate instruments	(19)	19	–	–

Currency risk

Risk management policy

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily the US dollar.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Exposure to currency risk

The Group and Company's exposures to foreign currency risk based on notional amounts were as follows:

Group	US dollar $'000
2017	
Trade receivables	**5,117**
Cash and cash equivalents	**6,066**
Loans and borrowings	**(8,461)**
Trade and other payables	**(949)**
Net statement of financial position exposure	**1,773**
2016	
Trade receivables	7,166
Cash and cash equivalents	22,509
Loans and borrowings	(25,979)
Trade and other payables	(1,608)
Net statement of financial position exposure	2,088

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (Continued)

Exposure to currency risk (Continued)

Company	US dollar S$'000
2017	
Cash and cash equivalents	88
Amount due from a subsidiary	8
Net statement of financial position exposure	96
2016	
Trade receivables	34
Cash and cash equivalents	228
Net statement of financial position exposure	262

Sensitivity analysis

A weakening of 10% (2016: 10%) in the following major currencies against the functional currency of each of the Group entities at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Group		Company	
	2017 Profit or loss S$'000	2016 Profit or loss S$'000	2017 Profit or loss S$'000	2016 Profit or loss S$'000
US dollar	(177)	(209)	(10)	(26)

A 10% (2016: 10%) strengthening of the above currencies against the functional currency of each of the Group entities at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Other market price risk

Risk management policy

Equity price risk arises from available-for-sale equity securities. Material investments within the Group's investment portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
Group	Note	Loans and receivables S$'000	Available-for-sale S$'000	Other financial liabilities S$'000	Total S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
2017									
Financial asset measured at fair value									
Other investments	8	–	9,639	–	9,639	9,639	–	–	9,639
Financial assets not measured at fair value									
Trade and other receivables*	10	12,047	–	–	12,047				
Cash and cash equivalents	11	30,674	–	–	30,674				
		42,721	–	–	42,721				
Financial liability measured at fair value									
Contingent consideration	15	–	–	(7,052)	(7,052)	–	–	(7,052)	(7,052)
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	(1,753)	(1,753)	–	(1,753)	–	(1,753)
Finance lease liabilities	14	–	–	(151)	(151)	–	(151)	–	(151)
Unsecured bank loans	14	–	–	(1,302)	(1,302)	–	(1,302)	–	(1,302)
Trust receipts	14	–	–	(7,159)	(7,159)	–	(7,159)	–	(7,159)
Trade and other payables**	15	–	–	(5,703)	(5,703)				
		–	–	(16,068)	(16,068)				

* Exclude prepayments and construction contracts in progress.
** Exclude advances from customers and contingent considerations.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value			
Group	Note	Loans and receivables S$'000	Available-for-sale S$'000	Other financial liabilities S$'000	Total S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
2016									
Financial asset measured at fair value									
Other investments	8	–	9,744	–	9,744	9,744	–	–	9,744
Financial assets not measured at fair value									
Trade and other receivables*	10	12,689	–	–	12,689				
Cash and cash equivalents	11	44,103	–	–	44,103				
		56,792	–	–	56,792				
Financial liability measured at fair value									
Contingent consideration	15	–	–	(6,340)	(6,340)	–	–	(6,340)	(6,340)
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	(1,873)	(1,873)	–	(1,873)	–	(1,873)
Finance lease liabilities	14	–	–	(210)	(210)	–	(210)	–	(210)
Unsecured bank loans	14	–	–	(1,214)	(1,214)	–	(1,214)	–	(1,214)
Trust receipts	14	–	–	(24,765)	(24,765)	–	(24,765)	–	(24,765)
Trade and other payables**	15	–	–	(5,172)	(5,172)				
		–	–	(33,234)	(33,234)				

* Exclude prepayments and construction contracts in progress.

** Exclude advances from customers and contingent considerations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

Company	Note	Carrying amount: Loans and receivables S$'000	Carrying amount: Held-for-trading S$'000	Carrying amount: Available-for-sale S$'000	Carrying amount: Other financial liabilities S$'000	Carrying amount: Total S$'000	Fair value: Level 1 S$'000	Fair value: Level 2 S$'000	Fair value: Level 3 S$'000	Fair value: Total S$'000
2017										
Financial assets measured at fair value										
Subsidiaries	6	–	–	18,836	–	18,836	–	–	18,836	18,836
Other investments, including derivatives	8	–	5,504	9,639	–	15,143	9,639	–	5,504	15,143
		–	5,504	28,475	–	33,979				
Financial assets not measured at fair value										
Trade and other receivables*	10	15,136	–	–	–	15,136				
Cash and cash equivalents	11	9,116	–	–	–	9,116				
		24,252	–	–	–	24,252				
Financial liability not measured at fair value										
Trade and other payables	15	–	–	–	(7,391)	(7,391)				
2016										
Financial assets measured at fair value										
Subsidiaries	6	–	–	16,920	–	16,920	–	–	16,920	16,920
Other investments, including derivatives	8	–	1,480	9,744	–	11,224	9,744	–	1,480	11,224
		–	1,480	26,664	–	28,144				
Financial assets not measured at fair value										
Trade and other receivables*	10	21,261	–	–	–	21,261				
Cash and cash equivalents	11	8,006	–	–	–	8,006				
		29,267	–	–	–	29,267				
Financial liability not measured at fair value										
Trade and other payables	15	–	–	–	(12,433)	(12,433)				

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 1, level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by exercise price for each tranche of the written call and put options to be paid.	• Risk-adjusted discount rate at 5% (2016: 5%)	The estimated fair value would increase (decrease) if: • The net tangible asset was higher (lower); and • The risk-adjusted discount rate was lower (higher).
Group and Company			
Debt securities	*Market comparison technique:* The fair values are based on quoted bid prices at the reporting date	N/A	N/A
Company			
Equity investments	*Net asset value*	N/A	The estimated fair value would increase (decrease) if the net asset value was higher (lower).
Financial derivative assets	*Black-Scholes pricing model:* The pricing model calculates the theoretical value of an European option based on certain key determinants, including amongst others: (i) the strike price; (ii) time to expiration; (iii) risk-free rate; (iv) expected volatility	• Risk-free rate in the range of 1.63% to 1.74% (2016: 1.22% to 1.58%) Volatility in the range of 34.63% to 40.23% (2016: 40.00%)	The estimated fair value would increase (decrease) if: • The risk-free rate was higher (lower). • The volatility was higher (lower).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (Continued)

(ii) Transfers between levels 1, 2 and 3

During the financial years ended 31 December 2017 and 31 December 2016, there have been no transfers between Level 1, Level 2 and Level 3.

The valuation techniques and the inputs used in the fair value measurements of the financial assets and financial liabilities for measurement and/or disclosure purposes are set out in Note 2.4.

(iii) Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Group	Contingent consideration 2017 S$'000	Contingent consideration 2016 S$'000
At 1 January	6,340	6,229
Total unrealised gains and losses recognised in profit or loss:		
– administrative expenses	712	111
At 31 December	7,052	6,340

Company	2017 Equity investments at fair value S$'000	2017 Financial derivatives assets S$'000	2016 Equity investments at fair value S$'000	2016 Financial derivatives assets S$'000
At 1 January	16,920	1,480	14,657	2,309
Total unrealised gains and losses recognised in profit or loss:				
– other income	–	4,024	–	–
– administrative expenses	–	–	–	(829)
Total gains and losses for the period included in OCI:				
– net change in fair value	1,916	–	2,263	–
At 31 December	18,836	5,504	16,920	1,480

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

For the fair values of contingent consideration and equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following impacts.

Contingent consideration

	Group Profit or loss	
	Decrease S$'000	Increase S$'000
31 December 2017		
Risk-adjusted discount rate (1% movement)	(112)	109
31 December 2016		
Risk-adjusted discount rate (1% movement)	(163)	157

Equity securities – Available-for-sale

	Company OCI, net of tax	
	Increase S$'000	Decrease S$'000
31 December 2017		
Net tangible assets (1% movement)	188	(188)
31 December 2016		
Net tangible assets (1% movement)	169	(169)

Financial derivative assets – Held-for-trading

	Company Profit or loss	
	Increase S$'000	Decrease S$'000
31 December 2017		
Risk-free rate (1% movement)	111	(113)
31 December 2016		
Risk-free rate (1% movement)	141	(141)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

24 OPERATING LEASES

(a) Operating leases as lessor

The Group leases out its equipment under non-cancellable operating lease agreements. The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2017 S$'000	2016 S$'000
Receivables:		
Not later than one year	18	162
Between one and five years	71	–
More than five years	72	–
	161	162

(b) Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Payable:				
Within 1 year	254	346	179	226
After 1 year but within 5 years	236	78	224	–
	490	424	403	226

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for initial period of three to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

During the year, an amount of S$628,000 (2016: S$764,000) was recognised as an expense in profit or loss in respect of operating leases.

25 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Compensation payable to key management personnel comprises:

	Group	
	2017 S$'000	2016 S$'000
Short-term employee benefits		
Directors' fees	405	389
Director's remuneration	6	–
Key management staff	2,040	1,935
	2,451	2,324

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25 RELATED PARTIES (CONTINUED)

Other related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the year:

	Group			
	Transaction value for the year ended		Balance as at 31 December	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Transaction with a director				
Advisory services rendered by a director of the Company to certain subsidiaries	3	69	69	69

26 SUBSIDIARIES

Name of Company	Principal activities	Country of incorporation	Ownership interest held by Group 2017 %	Ownership interest held by Group 2016 %	Note
Held by Intraco Limited:					
Intrawave Pte Ltd	Provision of radio coverage system management, operation and mobile service and supply of communications equipment to other service providers.	Singapore	100	100	i
Intraco Trading Pte Ltd	Trading, marketing and distribution and acting as commission agents for industrial materials, energy commodities products.	Singapore	100	100	i
Intraco Foods Pte Ltd	Trading and processing of agricultural and food products which include frozen seafood and fertilisers.	Singapore	100	100	i
Intraco International Pte Ltd	Investment holding company.	Singapore	100	100	i

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

26 SUBSIDIARIES (CONTINUED)

Name of Company	Principal activities	Country of incorporation	Ownership interest held by Group 2017 %	2016 %	Note
Held by Intraco International Pte Ltd:					
Intraco International (Shanghai) Co., Ltd	Import, export and wholesale of industrial materials which include metals, plastics, petrochemicals and rubbers and commission agency business.	China	100	100	ii, iv
K.A. Group Holdings Pte. Ltd.	Investment holding company.	Singapore	70	70	i
Held by K.A. Group Holdings Pte. Ltd.:					
K.A. Building Construction Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	70	i
K.A. Fireproofing Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	70	i
K.A. Fabric Shutters Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	70	i
K.A. FireLite Pte. Ltd.	Manufacturing and installation of passive fire protection products.	Singapore	70	70	i
K.A. Vermiculite Spray Sdn Bhd	Manufacturing and installation of passive fire protection products.	Malaysia	70	70	iii, iv

Notes:
i Audited by KPMG LLP, Singapore.
ii Audited by Shanghai Mingyu Certified Public Accountants Co., Ltd., People's Republic of China.
iii Audited by P.S. Yap, Isma & Associates, Chartered Accountants, Malaysia.
iv These companies are dormant during the year.

KPMG LLP Singapore is the auditors of all significant Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

SUPPLEMENTARY INFORMATION

(SGX-ST Listing Manual Disclosure Requirements)

PROPERTIES HELD BY THE GROUP

Description of properties held by the Group is as follows:

Location	Description	Tenure
22B3, No. 19 Duli Street Yuanda Mansion Dalian 116001	Office space	50-year lease from 30 March 1997 to 29 March 2047
17A2, No. 19 Duli Street Yuanda Mansion Dalian 116001	Residential apartment	50-year lease from 30 March 1997 to 29 March 2047
43 Tuas View Close Singapore 637477	Factory	60-year lease from 9 July 1996 to 8 July 2056
71 Tuas View Place #05-01 Westlink Two Singapore 637434	Factory	60-year lease from 20 November 1995 to 19 November 2055
71 Tuas View Place #05-20 Westlink Two Singapore 637434	Factory	60-year lease from 20 November 1995 to 19 November 2055

SHAREHOLDERS' INFORMATION

AS AT 1 MARCH 2018

SHAREHOLDING STATISTICS

Class of shares	:	Ordinary shares
Number of issued and fully paid shares	:	103,725,879
Voting rights	:	One vote per share

TREASURY SHARES AND SUBSIDIARY HOLDINGS

The Company does not hold any treasury shares or subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	54	1.63	1,725	0.00
100 – 1,000	750	22.68	538,510	0.52
1,001 – 10,000	1,976	59.75	7,746,030	7.47
10,001 – 1,000,000	520	15.73	24,859,544	23.97
1,000,001 and above	7	0.21	70,580,070	68.04
Total	**3,307**	**100.00**	**103,725,879**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Phillip Securities Pte Ltd	29,120,906	28.07
2.	UOB Kay Hian Private Limited	29,010,900	27.97
3.	Soh Ying Sin	4,500,000	4.34
4.	Oei Hong Leong	3,781,100	3.65
5.	DBS Nominees (Private) Limited	1,888,145	1.82
6.	United Overseas Bank Nominees (Private) Limited	1,201,019	1.16
7.	Morph Investments Ltd	1,078,000	1.04
8.	Citibank Nominees Singapore Pte Ltd	791,414	0.76
9.	HL Bank Nominees (Singapore) Pte Ltd	781,500	0.75
10.	Khong Kin Pang	751,000	0.72
11.	CGS-CIMB Securities (Singapore) Pte. Ltd.	746,992	0.72
12.	OCBC Nominees Singapore Private Limited	683,750	0.66
13.	Goh Choon Wei or Goh Soon Poh	580,300	0.56
14.	Lee Mei Fong	516,000	0.50
15.	Ng Hwee Koon	433,000	0.42
16.	Ng Poh Cheng	426,000	0.41
17.	Chan Soo Hin	357,000	0.34
18.	Sim Wee Lim	283,000	0.27
19.	Ng Poh Cheng	244,768	0.24
20.	Tan Boon Kay	218,000	0.21
Total		**77,392,794**	**74.61**

PUBLIC FLOAT

Disclosure pursuant to Rule 1207(9)(e) of the SGX-ST Listing Manual

As at 6 March 2017, approximately 39.27% of the total number of issued shares of the Company was held by the public and accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

SHAREHOLDERS' INFORMATION

AS AT 1 MARCH 2018

INFORMATION ON SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
TH Investments Pte Ltd	–	–	29,486,148(1)	28.43
Tat Hong Investments Pte Ltd	–	–	29,486,148(1)	28.43
Chwee Cheng & Sons Pte Ltd	–	–	29,486,148(1)	28.43
Ng San Tiong	–	–	29,486,148(1)	28.43
Ng Sun Ho	–	–	29,486,148(1)	28.43
Ng San Wee	–	–	29,486,148(1)	28.43
Ng Sun Giam	–	–	29,486,148(1)	28.43
Amtrek Investment Pte. Ltd.	28,998,400	27.96	–	–
Chew Leong Chee	–	–	28,998,400(2)	27.96
Melanie Chew Ng Fung Ning	–	–	28,998,400(3)	27.96
Resource Pacific Holdings Pte. Ltd.	–	–	28,998,400(4)	27.96
Asia Resource Corporation Pte. Ltd.	–	–	28,998,400(5)	27.96
Macondray Holdings Pte. Ltd.	–	–	28,998,400(6)	27.96

Notes:

(1) Shares owned by TH Investments Pte Ltd are held under a nominee account. TH Investments Pte Ltd is wholly owned by Tat Hong Investments Pte Ltd, which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd. 43.56% of the issued share capital of Chwee Cheng & Sons Pte Ltd is owned by The Chwee Cheng Trust constituted under a trust deed. Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam are the joint trustees of The Chwee Cheng Trust.

Pursuant to Section 7 of the Companies Act, Cap. 50 (the "**Act**"), each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam has a deemed interest in The Chwee Cheng Trust's 43.56% shareholding interest in Chwee Cheng & Sons Pte Ltd and a direct interest in Chwee Cheng & Sons Pte Ltd. Accordingly, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam has a deemed interest in 28.43% of the issued share capital of the Company.

(2) Mr Chew Leong Chee ("**Mr Chew**") owns 25% direct interest and 30% indirect interest through his spouse, Dr Melanie Chew Ng Fung Ning ("**Dr Melanie Chew**") in Resource Pacific Holdings Pte. Ltd. ("**RPHPL**"). Mr Chew also owns 40.14% interest in Asia Resource Corporation Pte. Ltd. ("**ARCPL**").

RPHPL owns 45.12% interest in ARCPL. ARCPL owns 79.04% interest in Macondray Holdings Pte. Ltd. ("**MHPL**"). MHPL owns 100% interest in Amtrek Investment Pte. Ltd. ("**AIPL**"). Pursuant to Section 7 of the Act, Mr Chew is deemed to be interested in the shares held by AIPL in the Company.

(3) Dr Melanie Chew owns 30% direct interest in RPHPL. RPHPL owns 45.12% interest in ARCPL. ARCPL owns 79.04% interest in MHPL. MHPL owns 100% interest in AIPL. Pursuant to Section 7 of the Act, Dr Melanie Chew is deemed to be interested in the shares held by AIPL in the Company.

(4) RPHPL owns 45.12% interest in ARCPL. ARCPL owns 79.04% interest in MHPL. MHPL owns 100% interest in AIPL. Pursuant to Section 7 of the Act, RPHPL is deemed to be interested in the shares held by AIPL in the Company.

(5) ARCPL owns 79.04% interest in MHPL. MHPL owns 100% interest in AIPL. Pursuant to Section 7 of the Act, ARCPL is deemed to be interested in the shares held by AIPL in the Company.

(6) MHPL owns 100% interest in AIPL. Pursuant to Section 7 of the Act, MHPL is deemed to be interested in the shares held by AIPL in the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting (the "**AGM**") of **INTRACO LIMITED** (the "**Company**") will be held at InterContinental Hotel Singapore, Bras Basah Room I/II, Level 2, 80 Middle Road, Singapore 188966 at 10.00 a.m. on Thursday, 12 April 2018 to transact the following business:

AS ORDINARY BUSINESS

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

Resolution 1

2. To re-elect the following Directors retiring pursuant to Article 115 of the Constitution of the Company:

(i) Mr Shabbir H Hassanbhai **Resolution 2**
(ii) Mr Charlie Ng How Kiat **Resolution 3**

*Mr Shabbir H Hassanbhai will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Mr Shabbir H Hassanbhai will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

Mr Charlie Ng How Kiat will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee, Remuneration Committee and Investment Committee and will be considered non-independent.

3. To approve the payment of Directors' fees of up to S$440,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears (FY2017: S$440,000).

See Explanatory Note (i) **Resolution 4**

4. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 5

5. To transact any other ordinary business which may be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

(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 Instruments made or granted by the Directors of the Company while this resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company ("**Shareholders**") shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below):

(2) (subject to such manner of 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 the issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution;

(b) new shares arising from the conversion or exercise of any convertible securities; 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 for the time being 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

See Explanatory Note (ii) **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING

7. **AUTHORITY TO ISSUE SHARES UNDER THE INTRACO EMPLOYEE SHARE OPTION SCHEME**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Intraco Employee Share Option Scheme ("**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

See Explanatory Note (iii) **Resolution 7**

By Order of the Board

Josephine Toh
Company Secretary

Singapore
28 March 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Resolutions to be passed:

(i) The Ordinary Resolution 4 proposed in item 3 above is to approve Non-Executive Directors' fees for the financial year ending 2018. The amount is computed based on a framework comprising basic fees reflecting membership and Chairmanship of the Board and the Board Committees; attendance fees based on the anticipated number of Board and Board Committees meetings to be held in 2018; and travel allowance.

The Directors' fee framework remains unchanged.

(ii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote at the AGM.

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

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

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

3. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time set for the AGM or any adjournment thereof.

Personal data privacy:

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

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INTRACO LIMITED
(Incorporated in Singapore)
(Company Registration No. 196800526Z)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the Meeting (please see note 3 for the definition of "relevant intermediary").
2. For CPF/SRS investors who have used their CPF monies to buy Intraco Limited's shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. 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 28 March 2018.

*I/We, ________________________ (Name) ________________ (NRIC/Passport/Co Reg No.)

of ____ (Address)
being a member/members of **Intraco Limited** (the "**Company**"), hereby appoint:

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

*and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Annual General Meeting (the "**Meeting**") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Meeting of the Company to be held at InterContinental Hotel Singapore, Bras Basah Room I/II, Level 2, 80 Middle Road, Singapore 188966 at 10:00 a.m. on Thursday, 12 April 2018 and at any adjournment thereof.

*I/We direct *my/our*proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) within the relevant box provided. If you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

No.	Resolutions relating to:	For	Against
Ordinary Business			
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
2.	Re-election of Mr Shabbir H Hassanbhai		
3.	Re-election of Mr Charlie Ng How Kiat		
4.	Approval of Directors' fees		
5.	Re-appointment of KPMG LLP as Auditors		
Special Business			
6.	Share Issue Mandate		
7.	Authority to issue shares under the Intraco Employee Share Option Scheme		

* *Delete where inapplicable*

Dated this ________ day of ______________ 2018.

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

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Fold this flap for sealing

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 Future Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. If any proxy other than the Chairman of the Meeting is to be appointed, please delete the words "the Chairman of the Meeting", and insert the name and address of the proxy desired in the box provided. If the box is left blank or incomplete, the Chairman of the Meeting shall be deemed to be appointed as your proxy.
3. (a) A member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A proxy need not be a member of the Company.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Colin Low (Chairman and Independent Director)

Dr Tan Boon Wan (Independent Director)

Mr Shabbir H Hassanbhai (Independent Director)

Mr Charlie Ng How Kiat (Non-Executive Director)

Mr Tony Chew Leong Chee (Alternate Director to Mr Charlie Ng How Kiat)

Dr Steve Lai Mun Fook (Non-Executive Director)

Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook)

AUDIT COMMITTEE

Dr Tan Boon Wan (Chairman)
Mr Colin Low
Mr Shabbir H Hassanbhai

NOMINATING COMMITTEE

Mr Shabbir H Hassanbhai (Chairman)
Dr Tan Boon Wan
Mr Charlie Ng How Kiat

REMUNERATION COMMITTEE

Mr Shabbir H Hassanbhai (Chairman)
Mr Colin Low
Mr Charlie Ng How Kiat

INVESTMENT COMMITTEE

Mr Colin Low (Chairman)
Mr Charlie Ng How Kiat
Dr Steve Lai Mun Fook

COMPANY SECRETARIES

Ms Josephine Toh Lei Mui
Mr Victor Lai Kuan Loong (Appointed on 5 May 2017)
Ms Lynn Wan Tiew Leng (Resigned on 5 May 2017)

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Audit Partner – Ms Linda Tan Kar Yee
(Appointed since financial year ended 31 December 2015)

REGISTERED OFFICE

60 Albert Street
#07-01 OG Albert Complex
Singapore 189969
Tel: (65) 6586 6777
Fax: (65) 6316 3128
Email: admin@intraco.com
Website: www.intraco.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

PRINCIPAL BANKERS

DBS Bank Ltd
United Overseas Bank Ltd

INVESTOR RELATIONS

Waterbrooks Consultants Pte Ltd
1000 Toa Payoh North
SPH, News Centre
Annexe Block, Level 7
Singapore 318994
Tel: (65) 6100 2228

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