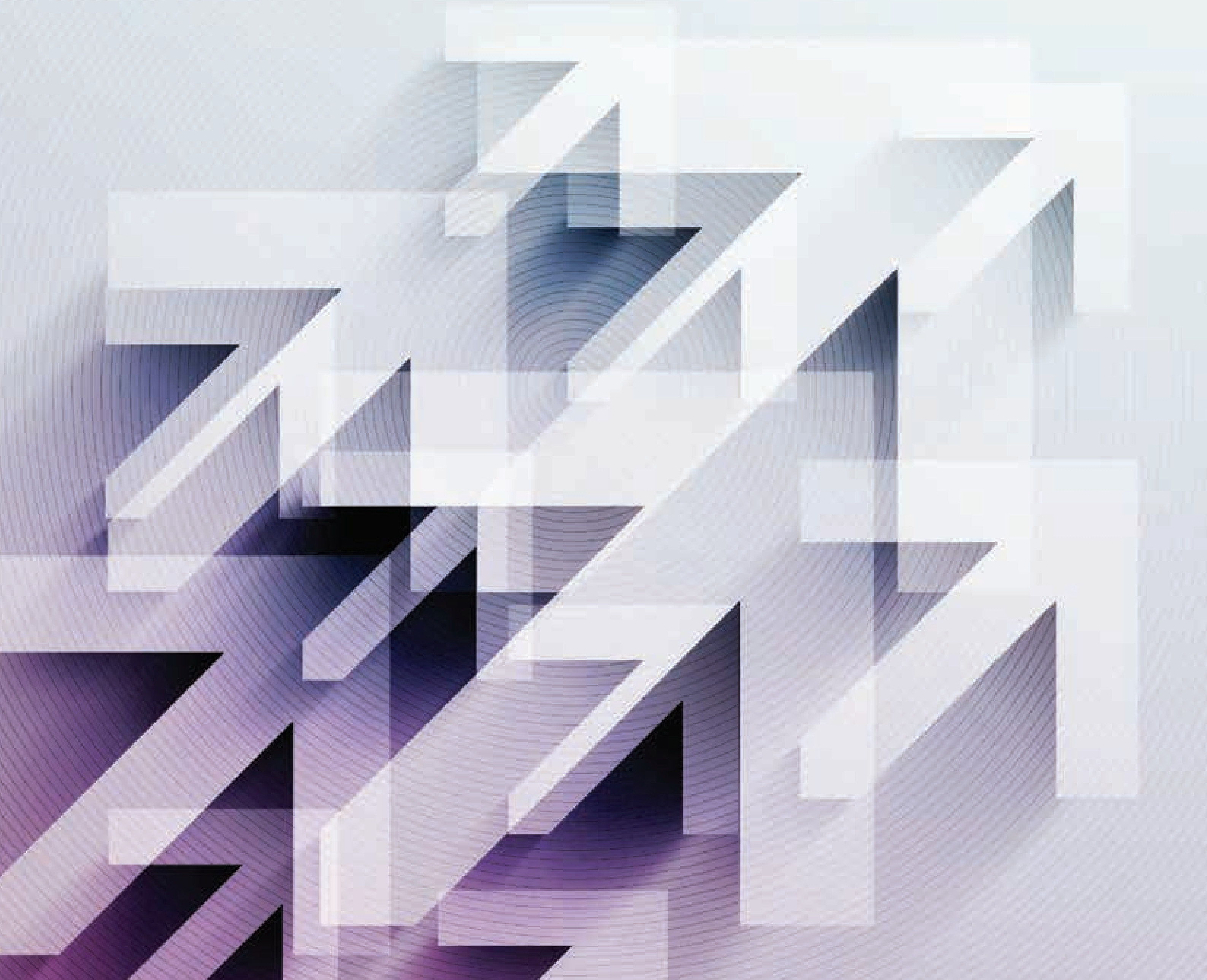
INTRACO Limited

Poised for Growth

ANNUAL REPORT **2016**



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CORPORATE PROFILE

Incorporated in 1968 by the Singapore government and listed on the Singapore Exchange ("**SGX**") in 1972, INTRACO Limited ("**INTRACO**", or together with its subsidiaries the "**Group**") started as a trading company that played a key role in the industrialisation of Singapore. Over the years, the Group has grown through experience and is currently making its transition into an investment management company.

The Group has five main businesses, namely:

(1) Provision of passive fire protection products via its subsidiary KA Group, which is a leading player in Singapore's construction industry for such solutions;

(2) Colour compounding and modified compounding of resins that are used in the manufacture of external casings or component parts of electrical appliances and electronic devices as well as the manufacture and sale of heavy-duty polyethylene packaging materials via its substantial shareholding of SGX Mainboard-listed Dynamic Colours Limited;

(3) Management and maintenance of 4G telecommunication infrastructure for the North East Line via its telecommunications infrastructure division – Intrawave;

(4) Provision of crane rental and other related services in Myanmar via Tat Hong Intraco, its joint-venture company with SGX Mainboard-listed crane company Tat Hong Holdings Ltd and Myanmar business magnate, Mr Aung Moe Kyaw; and

(5) Trading and distribution of plastic resin products through its Plastics Division.

With a focus on its transition into an investment management company, INTRACO actively seeks out opportunities to expand its portfolio through strategic investments in profitable, high growth businesses and to create value for all its shareholders and generate recurring net income. The Group is committed to use its resources to help its investee companies develop their business strategies and achieve sustainable growth.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Over the last few years, we have been focused on transforming your company to deliver shareholder value through multiple streams of income. In 2016, we remained on track with our transformation efforts by streamlining operations to position the Group for the long term.

Today, INTRACO is an investment management company that targets collaborations and partnerships in high growth platforms and we currently have five lines of businesses in the region: Fire protection, safety and applications in construction; polyethylene packaging and resin compounding; telecommunications infrastructure; plastics resin trading; and construction crane rentals.

Growth Strategy

INTRACO has a three-pronged growth strategy to realise our vision of becoming the premier Asian company in investment management.

M&A is the first key prong. We are confident that we will find good businesses to add to our portfolio. We seek to acquire profitable, higher margin businesses across industries and geographies. Being industry agnostic, any acquisition has to be accretive to the bottom line and able to leverage on the strengths of Intraco's international network.

The second prong is to grow the profitability of businesses in our portfolio. As a major shareholder in the five lines of businesses that we have invested in, we provide support via capital and management expertise for businesses needs, to outperform and take their business to the next level of growth. INTRACO's in-house investment team works closely with the five businesses to streamline operations, boost productivity and expand into new markets. We currently operate across the entire ASEAN region and China.

The third thrust of our strategy is to invest in the capabilities of full management teams in investee companies. We seek to develop and engage leadership teams and employees via training and development programmes as well as identify leaders to prepare them to take on key roles as part of the company's succession planning programme.

The Board and Management continually review INTRACO's growth strategy to ensure that it remains relevant to our vision and mission. A good strategy needs strong execution ability. Therefore, we regularly assess the Group's bench strength to ensure that every employee's ability and commitment is aligned to INTRACO's growth plans.

Good Corporate Governance

The Board is committed to practising good corporate governance. We deliver transparency and disclosure on all our investments as well as strengthen stakeholder confidence by adopting good corporate governance policies. We assure investors, companies and stakeholders that our business is conducted in a responsible and ethical manner.

At INTRACO, we are committed to building businesses that deliver profit and sustainable shareholder value, underpinned by our core values of integrity, reliability, and diversity.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank all our stakeholders for your support in INTRACO's next phase of growth, including our management, staff, shareholders, clients and business associates for your confidence in the Group. I look forward to your continued support in the years ahead.

Colin Low
Chairman of the Board

CEO'S MESSAGE

DEAR SHAREHOLDERS,

The last financial year (FY2016) has been a challenging one for INTRACO, marked by a slowing global economy, political uncertainty, volatile currency and commodity markets as well as increased business risks.

Despite the tough environment, I am happy to report that INTRACO has managed to sail close to the wind and maintained our business on an even keel.

The Group reported revenue of S$107.4 million and net profit of S$786,000 in FY2016. Revenue was lower by 7.9% year on year mainly due to lower revenue from the trading and others segment, caused by a lower allocation of resin supplies and lower selling prices. The trading and others segment contributed 88.6% of the Group's revenue. The projects segment (KA Group) contributed 11.4% of the Group's revenue, which increased by 10.4% to S$12.2 million in FY2016 due to the higher number of completed projects despite the slowdown in the construction industry for the year under review.

The trading and others, and projects segments registered a combined operating segment profit before tax of S$2.9 million in FY2016, an increase of 27.7%.

Our financial position remains healthy, with a net asset value of 64 cents per share as at 31 December 2016.

The strength of the Group's balance sheet and sustained profitability amid challenging headwinds in our key operating segments attest to the effectiveness of our ongoing restructuring and transformation exercise.

With a healthy cash and cash equivalents and debt securities of S$53.8 million, INTRACO has the financial leverage and is well-positioned to pursue growth through strategic acquisition of businesses that will create long-term value for shareholders.

We believe we have a strong team and a growth strategy in place to bring the company forward.

Will Hoon
Chief Executive Officer

BOARD OF DIRECTORS

DR STEVE LAI MUN FOOK
Non-Executive Director

MR NG SAN TIONG ROLAND
Alternate Director to
Dr Steve Lai Mun Fook

MR NG HOW KIAT CHARLIE
Non-Executive Director

MR CHEW LEONG CHEE TONY
Alternate Director to
Mr Ng How Kiat Charlie

DR TAN BOON WAN
Independent Director

MR SHABBIR H HASSANBHAI
Independent Director

MR COLIN LOW
Chairman & Independent Director

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 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 specializing 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 (Honors), Bachelor of Science in Marketing (Honors) 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 the Audit Committee and a member of the Nominating Committee. Dr Tan was last re-elected as a Director at the Annual General Meeting on 23 April 2014.

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.

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.

Besides serving 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 is also Singapore's Non-Resident High Commissioner to Nigeria since 2007.

He is also active in various business and social organisations in Singapore among which he is the Vice Chairman of the Singapore Business Federation; Vice President of the Singapore Indian Development Association (SINDA)'s Executive Committee; Chairman of the Advisory Board of the NTU-SBF Centre for African Studies; Member of the Management Board at the National University of Singapore's Middle East Institute; and Chairman of the School Advisory Committee of Chong Boon Secondary School.

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.

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

BOARD OF DIRECTORS

MR NG HOW KIAT CHARLIE

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.

MR CHEW LEONG CHEE TONY

(Alternate Director to Mr Ng How Kiat Charlie)

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

Mr Chew is the Executive Chairman of Asia Resource Corporation which has diversified business interests in the Asian region. He is also Chairman of Macondray Holdings Pte Ltd, Vice-Chairman of KFC-Vietnam Company and board member of APB Alliance Brewery Co Ltd., Myanmar Distillery Co Ltd and Myanmar Supply Chain & Marketing Services Co Ltd.

Companies he founded or led include Pepsi-Cola Vietnam, KFC Vietnam, JetStar Asia Ltd, Myanmar Airways International, Pepsi-Cola Philippines, International Beverages Trading Company Myanmar, Del Monte Pacific, Sterling Tobacco Philippines and Hua Feng Paper Mill China.

In Singapore, he played an active role in promoting regional businesses, having served as Chairman of the Singapore Business Federation, Network Indonesia and the Vietnam Business Club. He also served as member of the Singapore Trade Development Board, Economic Strategies Committee, National Productivity and Continuing Education Council, and was founding Chairman of Duke-NUS Graduate Medical School.

He is presently Co-Chairman of ACCORD Employers and Business Council, Board Member of Singapore Health Services, Chinese Development Assistance Council Board of Trustees, and Advisor to Singapore Institute of International Affairs.

Mr Chew was conferred the National Day Meritorious Service Medal (2013), Public Service Star (2008), Public Service Medal (2001), NUS Outstanding Service Award (2011) and SCCCI SG50 Outstanding Chinese Business Pioneers Award (2015).

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 serves as a member of the Investment Committee.

Dr Lai currently sits on the Boards 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 NG SAN TIONG ROLAND

(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.

EXECUTIVE TEAM

MR WILL HOON
Chief Executive Officer

Prior to joining INTRACO, Mr Hoon served as a senior management officer of several companies, including Chief Executive Officer of Sateri, President of Eu Yan Sang, Executive Vice President of Transpac Capital, Executive Chairman of Foodstar, Executive Director of Hsu Fu Chi and Managing Director and Head of Private Equity at the Crosby Group. Earlier, he had worked for Bain & Company, following his employment with the Boston Consulting Group. Mr Hoon has extensive experience in leading operating companies, management consulting practices, and private equity businesses. He has an excellent track record of creating significant value for shareholders and investors. He has outstanding success in managing substantial organisations and funds.

Mr Hoon received his Bachelor of Science in Mathematics with Computer Science from the School of Science at the Massachusetts Institute of Technology and completed his graduate research in Computer Science at the Computer Laboratory of the University of Cambridge (Trinity College). He was elected to Sigma Xi. In addition, he had received the George B. Morgan '20 Award and the Great Dome Award. Mr Hoon is a Fellow of the Chartered Institute of Marketing.

MR EDDIE CHUA WUI LIK
Group Financial Controller
(Resigned on 15 March 2017)

Mr Chua is a finance professional with more than 35 years of regional experience in senior management roles for multi-national corporations and local organisations across various industries such marine, petrochemical, oil and gas and business venture expansion to regional countries. His past appointments include Chief Financial Officer of KS Distribution Pte Ltd and Finance Director of SSH Corporation Ltd.

Mr Chua graduated with a Masters in Business Administration from the University of Manchester and is a fellow member of the Association of Chartered Certified Accountants (FCCA), Institute of Singapore Chartered Accountants (ISCA) and Singapore Institute of Directors (SID).

MS THED TIAN JEE
Group Financial Controller
(Appointed on 6 March 2017)

Prior to joining INTRACO, Ms Thed was Group Financial Controller of VibroPower Corporation Ltd, a SGX listed company. She brings with her more than 10 years of experience in various financial and accounting capacities.

Ms Thed graduated from Sheffield Hallam University with a Degree in Accounting & Finance. She is a member of the Institute of Singapore Chartered Accountants (ISCA) and ACCA U.K.

MR SOH YONG POON
Chief Executive Officer, KA Group,
a subsidiary of INTRACO

Mr Soh is the founder of KA 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, KA Group is today one of the market leaders in niche building materials in Singapore. In September 2014, KA 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 KA Group towards achieving its corporate objectives and goals. He continues to be responsible for product development.

MS CAREN SOH
Chief Operating Officer, KA Group,
a subsidiary of INTRACO

Ms Soh has been with KA Group since 2008. She is overall in charge of 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.

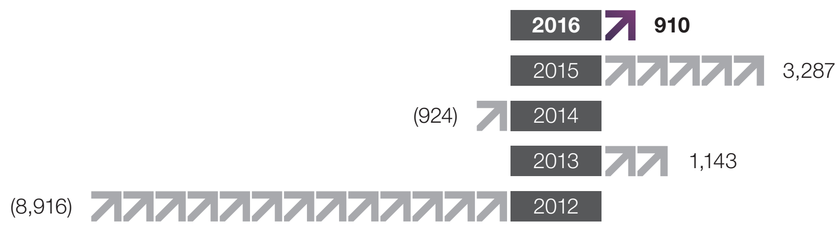
Ms Soh majored in management at the University of London, where she graduated with a Bachelor of Science Management in 2010.

FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2016

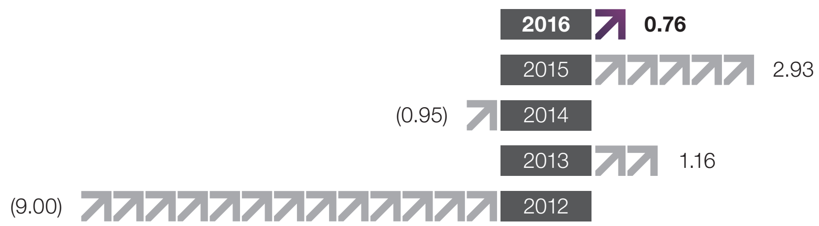
REVENUE (S$'000)

PROFIT/(LOSS) BEFORE TAX* (S$'000)



* **Note:** Excluding discontinued operations

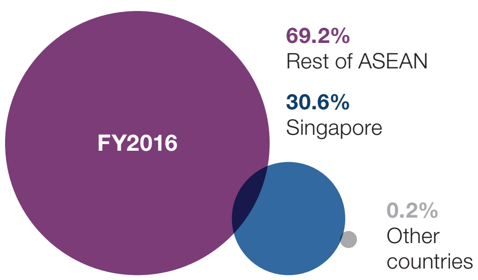
EARNINGS PER SHARE* (SINGAPORE CENTS)



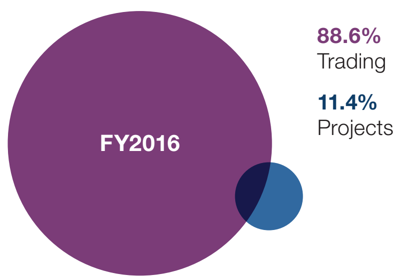
* **Note:** Excluding discontinued operations

NET ASSET VALUE PER SHARE (SINGAPORE CENTS)

REVENUE BY GEOGRAPHICAL SEGMENTS

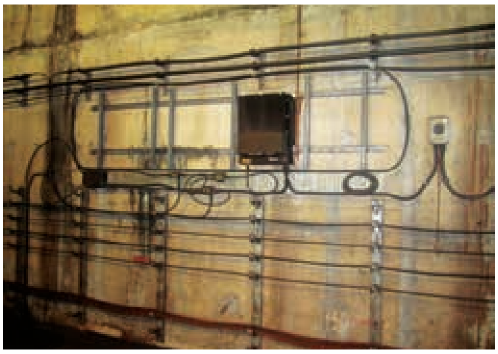


REVENUE BY OPERATING SEGMENTS



OPERATING AND FINANCIAL REVIEW


KA Group, a leading one-stop provider of fire protection products in Singapore.




IntraWave, an infrastructure service provider of commercial wireless services to the mobile telecommunications operators in the North East MRT Line (NEL).


Tat Hong Intraco, a provider of crane rental and other related services in Myanmar.


Intraco Trading, a trader and distributor of plastic resin products.

OPERATING AND FINANCIAL REVIEW

OPERATIONS REVIEW

Currently, the Group has five lines of business:

(1) KA Group, a leading one-stop provider of fire protection products in Singapore;

(2) SGX Mainboard-listed Dynamic Colours Limited, a leading manufacturer of compounded resins and packaging materials;

(3) IntraWave, an infrastructure service provider of commercial wireless services to the mobile telecommunications operators in the North East MRT Line (NEL).

(4) Tat Hong Intraco, a provider of crane rental and other related services in Myanmar; and

(5) Intraco Trading, a trader and distributor of plastic resin products.

During the year, KA Group continued to deliver growth in revenues supported by strong demand for fire protection solutions despite the slowdown in the construction sector. Looking beyond Singapore, KA Group has engaged in business development activities in Malaysia, such as our participation in the Ecobuild Southeast Asia trade fair in Kuala Lumpur in April 2016.

For FY2016, Dynamic Colours was impacted by a decline in average selling price in both the resin compounding ("RC") and polyethylene packaging segments, a decrease in RC tonnage as well as higher administrative expenses. As such, Dynamic Colours reported revenue of US$41.8 million and net profit of US$3.2 million in FY2016, down 13.2% and 56.1% year on year respectively.

At Intrawave, work on the Northeast Line system upgrade project ("4G Project") had commenced in January 2017 and will contribute to revenue over the next two years.

At Tat Hong Intraco, the Myanmar crane rental operations were impacted by a decline in the rental rates for cranes due to keen competition as well as a challenging market environment on the back of the recent change of government in Myanmar. As such, the management had implemented measures to streamline its operations and costs.

Meanwhile, Intraco Trading was affected by a shortage of resin supplies in FY2016. The Group is working towards securing more allocation of resin supplies and also looking for new sources.

GOING FORWARD

The trading segment is expected to be affected by the resin market, which is dependent on crude oil prices and supplier allocations. The projects segment, which is the Fire Protection business, is expected to continue to contribute to the Group's profitability. However, the rising labour cost due to tight foreign labour control policy and higher rental cost will result in higher operating cost. With the uncertain outlook of the global economy, the Group expects its businesses to be challenging for the next financial year. The Group will continue to explore new avenues for growth and acquisitions.

The Group will continue to seek to grow its current portfolio of businesses, offering support by way of capital, expertise and network to help them improve profitability and further business opportunities.

OPERATING AND FINANCIAL REVIEW

FINANCIAL REVIEW

INCOME STATEMENT REVIEW

INTRACO reported revenue of S$107.4 million for the year ended 31 December 2016 ("FY2016"), a decrease of S$9.2 million, or 7.9%, from FY2015, mainly due to lower revenue from the trading and others segment.

Revenue from the trading and others segment decreased by 9.8%, to S$95.2 million in FY2016 mainly due to a shortage of resin supplies in FY2016. Revenue contribution from the trading and others segment made up more than 88.6% of the Group's revenue for FY2016.

Revenue from the projects segment increased by 9.9% to S$12.2 million in FY2016 from S$11.1 million in FY2015, driven by growth at KA Group. Revenue contribution from the projects segment made up about 11.4% of the Group's revenue for FY2016, which expanded from approximately 9.5% in FY2015.

In terms of geographical breakdown, 30.6% of revenue came from Singapore, 69.2% from rest of ASEAN and 0.2% from other countries.

Gross profit decreased by 3.0% from S$10.2 million in FY2015 to S$9.9 million in FY2016, largely in tandem with the decrease in revenue. Gross profit margins for FY2016 improved to 9.2% compared to 8.8% in the previous year.

Other income mainly comprised government grants and refunds of S$0.2 million and gain on disposal of fixed assets of S$33,000.

Administration expenses dipped 5.8% to S$11.1 million.

Finance income remained stable at S$0.6 million in FY2016. It relates mainly to the interest income derived from the available-for-sale debt securities purchased in previous years. Net finance income increased to S$0.4 million in FY2016 from S$0.3 million in FY2015.

The Group's share of results from associate and joint venture decreased by S$2.7 million to S$1.5 million in FY2016 from S$4.2 million in FY2015 due mainly to a gain from disposal of property by the associate recognised in FY2015 of S$2.8 million.

Consolidated profit before tax was S$0.9 million for FY2016 compared to profit before tax of S$3.3 million reported in FY2015, a decrease of S$2.4 million. The decrease in consolidated profit before tax was mainly due to the decrease in share of profit of associate and joint venture of S$2.7 million.

For FY2016, INTRACO recorded a net profit after tax of S$0.8 million, as compared to S$3.0 million in FY2015.

BALANCE SHEET REVIEW

As at 31 December 2016, Intraco reported total equity of S$66.6 million. Net asset value stood at 64 cents a share, unchanged from 2015. Cash and marketable securities stood at S$53.8 million as at 31 December 2016 compared with S$48.5 million as at 31 December 2015.

OPERATING AND FINANCIAL REVIEW

CASH FLOW REVIEW

The Group's cash and cash balances increased by S$5.3 million, or 13.8%, from S$38.8 million in FY2015 to S$44.1 million in FY2016.

Net cash flow used in operating activities amounted to S$1.6 million in FY2016. This was attributable mainly to the decrease in trade and other payables of S$2.6 million, which was partially offset by the decrease in trade and other receivables of S$0.6 million and interest received of S$0.6 million.

Net cash flow from investing activities amounted to S$2.7 million in FY2016. This was attributable mainly to the dividend income of S$2.8 million received from an associate, which was partially offset by the purchase of plant and equipment of S$0.1 million.

There was a net cash inflow in financing activities of S$3.8 million due mainly to the proceeds from bank borrowings of S$25.7 million, which was partially offset by the repayment of bank borrowings of S$21.5 million.

CORPORATE GOVERNANCE

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 Mr Colin Low's appointment 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 His Excellency, 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 endeavor 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.

A. BOARD MATTERS

The Board works closely with Management for the long-term success of the Company. The Board comprises the following members:

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

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The 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.

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's and Board Committees' performance and succession planning process;

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**"), 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. identifies the key stakeholder groups and recognizes that their perceptions affect the Company's reputation;

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

9. considers sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

Delegation by the Board
Management is responsible for the day-to-day operations and administration of the Group, and works within the guidelines, policies and framework approved by the Board.

The 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 defined terms of reference, which have been approved by the Board.

The composition of the Board Committees for the financial year ended 31 December 2016 ("**FY2016**") is tabulated below:

Directors	AC	NC	R C	IC
Colin Low	Member		Member	Chairman
Tan Boon Wan	Chairman	Member		
Shabbir H Hassanbhai	Member	Chairman	Chairman	
Ng How Kiat Charlie		Member	Member	Member
Steve Lai Mun Fook				Member

CORPORATE GOVERNANCE

The Board recognizes that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board. 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. In addition, the Company has an established internal policy on the types of transactions/activities and financial authorisation limits that require Board approval. These include approval of annual budgets, financial plans, financial statements, business strategies, and material transactions, such as acquisitions, divestments, funding and investment proposals. Below the Board level, there is appropriate delegation of authority and approval sub-limits at management level, to facilitate operational efficiency.

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. 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.

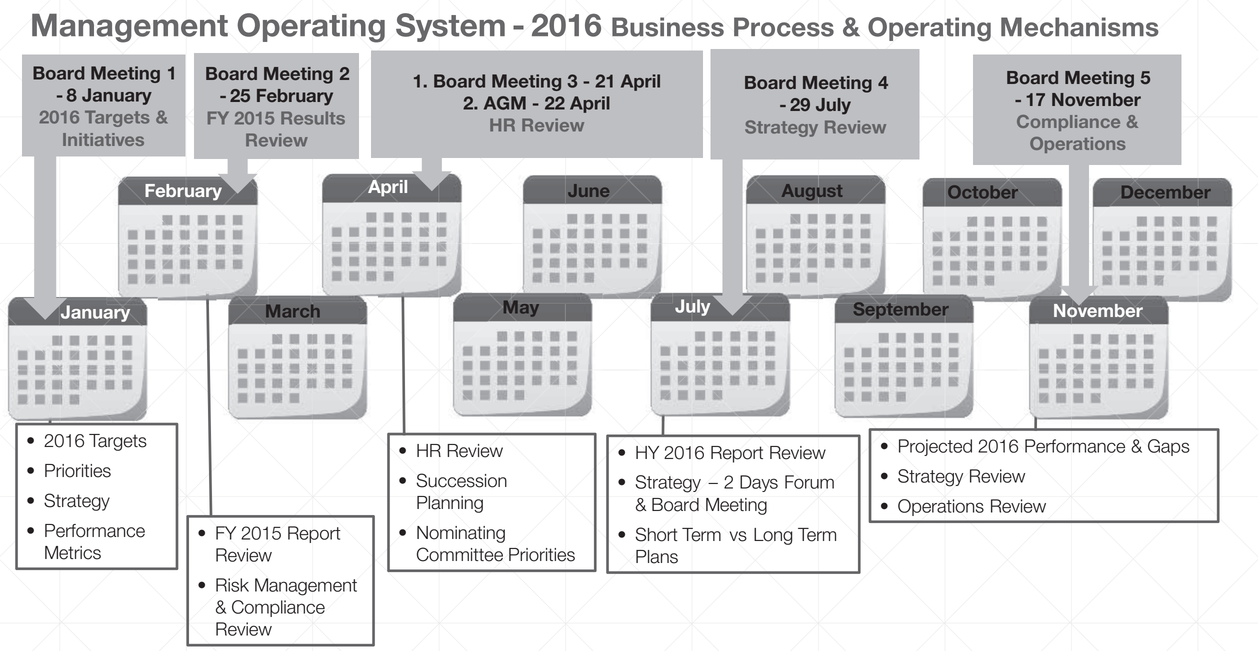
Presentations are also made by senior executives on performance of the Group's various businesses and business strategies at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in robust discussions with the Group's senior executives.

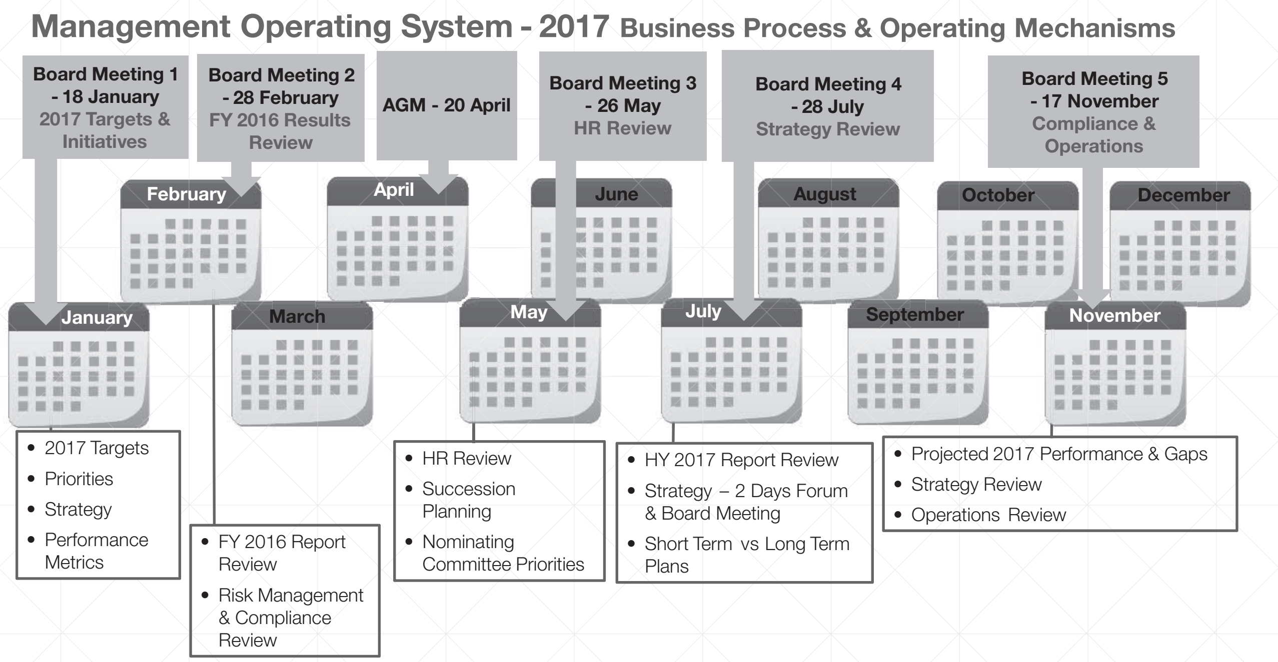
Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings.

The number of meetings held by the Board and Board Committees and attendance records taken during FY2016 are as follows:

	Board	**AC**	**NC**	**RC**	**IC**
			No. of Meetings Held in FY2016		
	6	6	2	3	6
Directors			**No. of Meetings Attended**		
Colin Low	6	6	–	3	6
Tan Boon Wan	6	6	2	–	–
Shabbir H Hassanbhai	6	6	2	3	–
Ng How Kiat Charlie	6	–	2	3	6
Steve Lai Mun Fook	6	–	–	–	6
Chew Leong Chee Tony (Alternate Director to Ng How Kiat Charlie)	3	–	–	–	–
Ng San Tiong Roland (Alternate Director to Steve Lai Mun Fook)	5	–	–	–	–

CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

Business Processes undertaken by the Board
The above set out the timeline of Board processes during a calendar year. In order to show the complete cycle for FY2016 Report, the processes for two calendar years, 2016 and 2017 were shown.

Typically, 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 key management personnel ("**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 at the same time with regard to the risks management review undertaken as described under "Risk Management and Internal Controls" in this corporate governance report.

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.

Induction, Information and Training of Director
All newly-appointed Directors attend an orientation programme to familiarize them 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.

Formal letters are provided to each Director upon appointment, setting out duties and responsibilities as a Director under the Companies Act, Cap. 50 (the "**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

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.

During the year, the Board attended various training seminars, courses, conferences and workshops as part of the Board's continuing development programme, which accounted for more than 100 training hours in aggregate. These include programmes conducted by the Singapore Institute of Directors, of which the Company is a corporate member. A tailored in-house orientation for Directors to refresh themselves on corporate governance was also organised by the Company during FY2016. 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.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Composition and Independent Directors
The Board comprises five Non-Executive Directors, three of whom (including the Chairman) are independent and two alternate 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.

The Board comprises members with diverse expertise and experience in accounting, banking, law, marketing, fund management, business, management, finance, risk management, trading, logistics management and as a group provides core competencies necessary to lead and govern the Company effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views.

From time to time, 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 Board considers its current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

Independence of Directors
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.

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 Boon Wan, has served on the Board beyond nine years from the date of his first appointment.

Dr Tan Boon Wan has served on the Board since 5 October 2004. 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 being that independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution to the Board.

The NC noted that Dr Tan has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. He continues to express his individual viewpoint, debate on issues, objectively scrutinizes and challenges Management's proposals as well as participates actively in discussions on business activities and transactions involving conflicts of interests and other complexities. Dr Tan has served competently in his role, providing strong governance oversight to the Board from time to time.

Having considered the above and weighing the need for progressive refreshing of the Board, the NC had determined that Dr Tan's tenure had not affected his independence or ability to bring about independent and considered judgement to bear in the discharge of his duties as a member of the Board. 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.

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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. Mr Charlie Ng and Dr Lai are not independent by virtue of them representing the interests of their 10% shareholders (as defined under the Code) of the Company.

PRINCIPLE 3: CHAIRMAN AND CEO

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. Mr Will Hoon was appointed as the CEO of the Company on 1 January 2016. The Chairman and the CEO are not related.

The Board had adopted a role statement for each of the Chairman and CEO for greater transparency.

The Chairman, Mr Colin Low, 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 organized, 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 accurate, complete 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.

The CEO is the highest-ranking executive officer of the Company and whose primary role is to effectively manage and supervise the day-to-day operations of the Group and plays a key role in running the Group's business and operations in accordance with the strategy, policies, budget and operational objectives approved by the Board.

His responsibilities include, *inter alia*:

1. running the Company's business and developing its vision, mission, core values, strategies and business objectives;

2. providing clear and decisive leadership and guidance to employees of the Company;

3. being accountable to the Board for all aspects of the Company's administration, operations and performance;

4. providing timely strategic and operational information to the Board, including performance reports and other matters that the Board may not otherwise be aware of;

5. managing and cultivating relationships with regulators, leading communication efforts with shareholders and the public and ensuring compliance with disclosure obligations; and

6. developing an organizational structure which ensures an effective and cohesive management team.

As the roles and responsibilities of the Chairman and the CEO are separate, 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.

PRINCIPLE 4: BOARD MEMBERSHIP

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

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

For the year under review, the NC held two meetings and the Chairman of the NC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Members of the NC comprise persons of stature, integrity and accountability, who are able to exercise independent judgment in the performance of their duties.

The duties of NC include:

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. ensuring that all Board appointees undergo an appropriate induction programme;

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

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

5. identifying gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

CORPORATE GOVERNANCE

6. 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;

7. reviewing the independence of each Independent Director annually;

8. reviewing Board and key management personnel succession plans;

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

10. assessing the effectiveness of the Board as a whole; and

11. identifying candidates, in consultation with the CEO of the Company, for nominee director position to the board of the Company's subsidiaries and/or associate and/or joint venture companies.

Succession Planning and Procedure for Selection and Appointment of New Directors
The NC recognizes 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 FY2016, there was no appointment of new Director.

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 appointments to Board Committees are 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 specialization.

Succession Planning for KMP
The NC also reviews the succession and leadership development plans for KMP, including the identification and management of talent among the younger staff. The NC also gives guidance to senior management on talent development in the Group with the aim of building and reinforcing leadership succession for key positions.

CORPORATE GOVERNANCE

Procedure for Re-appointment of Directors

The Company's Constitution provide for the retirement and re-election of Directors at every Annual General Meeting ("**AGM**"). 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. The NC is responsible for the nomination of retiring Directors for re-election.

In determining the nomination of a Director for re-election, the NC takes into account 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 Board Committee 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.

Dr Tan Boon Wan and Dr Steve Lai Mun Fook would be 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. Dr Tan is considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual. Dr Lai is not independent by virtue of him representing the interests of his 10% shareholder (as defined under the Code) of the Company.

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.

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.

CORPORATE GOVERNANCE

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:

Directors	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Colin Low	Listed – OSIM International Ltd	Principal – Singapore Investment Development Corporation Pte. Ltd. and Cancer Treatment Centres of America (USA)
Tan Boon Wan	–	Listed – Hotung Investment Holdings Ltd.
Shabbir H Hassanbhai	–	Principal – Indo Straits Trading Co Pte Ltd Listed – Gateway Distriparks Limited, India and Snowman Logistics Limited, India
Ng How Kiat Charlie	–	Principal – Macondray Holdings Pte Ltd
Steve Lai Mun Fook	–	Listed – Yongmao Holdings Limited

Other key information on each Director, including their current directorship, is set out on page 5 to 6 of this Annual Report.

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 Chew Leong Chee Tony (alternate to Mr Ng How Kiat Charlie) and Mr Ng San Tiong Roland (alternate to Dr Steve Lai Mun Fook). 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.

PRINCIPLE 5: BOARD PERFORMANCE

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 analyzed 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.

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 analyzed and discussed by the NC, with comparatives from the previous year's results, and reported to the Board. Each individual Board member 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.

In discussing the results of the performance evaluations for FY2016, the Board and Board Committee members were able to identify areas for improving their effectiveness. The NC was generally satisfied with the FY2016 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.

PRINCIPLE 6: 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.

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.

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. The appointment of such professional advisor is subject to approval by the Board.

B. REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

CORPORATE GOVERNANCE

The Chairman of the RC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The members of the RC have many years of corporate experience and are knowledgeable in the field of human resource knowledge. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

No remuneration consultants were engaged in FY2016.

The duties of the RC, which are defined in its terms of reference, 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;

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, Executive Directors 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. More information on the 2013 Scheme is set out in the Directors' Statement on page 37 to 38;

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.

For the year under review, the RC held three meetings. The RC also sets aside time to meet without the presence of management at each RC meeting, where necessary, to discuss matters such as the remuneration of KMP.

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.

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.

CORPORATE GOVERNANCE

The CEO, Mr Will Hoon is remunerated as part of Management. He is under a service contract, which is for a fixed term of 3 years commencing 1 January 2016. The renewal of his service contract is subject to the approval of the Board with the prior review and endorsement by the RC.

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

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. No Director is involved in the deliberation and decision in respect of his own individual fees. The annual quantum of Directors' fees to be paid is reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

The RC had also recommended that the Company sets aside a budget of S$40,000 as travel allowance outside Singapore so that the Chairman and Directors can assist Management by visiting the target companies to better understand their operations. This would enable the Board to make a well informed decision in evaluating the targets. The Board concurred with the RC and this S$40,000 will be part of the Directors' fees for shareholders' approval at the Company's AGM.

The Directors' fee framework remains unchanged.

During FY2016, Dr Steve Lai Mun Fook, a non-executive Director, was appointed as a Special Adviser to the KA Group of companies (referred as "the KA Group" being subsidiaries of the Group). He was nominated for the role due to his technical expertise to look at specific areas of the KA Group ranging from intellectual property strategy to new business development. The proposed remuneration for Dr Lai's Special Adviser role is S$1,500 per day, subject to a maximum of two days per week, and is remunerated by KA Group.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The RC has recommended to the Board a total amount up to S$440,000 (including the S$40,000 travel allowance) as Directors' fees for the financial year ending 2017 ("**FY2017**"), to be paid quarterly in arrears. This would be tabled at the forthcoming AGM for shareholders' approval.

A summary compensation table of the Directors receiving remuneration from the Company for FY2016 is appended below:

Directors	Directors' Fees	Salary	Bonus	Other Benefits	Total (S$)
Colin Low	100%	–	–	–	114,875
Tan Boon Wan	100%	–	–	–	71,625
Shabbir H Hassanbhai	100%	–	–	–	86,500
Ng How Kiat Charlie	100%	–	–	–	65,875
Steve Lai Mun Fook	100%	–	–	–	49,625

CORPORATE GOVERNANCE

The disclosure of the CEO's and 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 set out below. The aggregate remuneration paid to the said KMP (excluding the Director and CEO) in FY2016 amounted to S$1,266,086.

Remuneration Band & Name of CEO and KMP	Salary	Bonus	Other Benefits[1]	Total (S$)
[S$500,000 to S$749,999]				
Will Hoon	82.11%	7.48%	10.41%	100.00%
[S$250,000 to S$499,999]				
Yeo Choon Tat[2]	50.65%	5.99%	43.36%	100.00%
Soh Yong Poon	80.29%	6.69%	13.02%	100.00%
Soh Ying Sin	77.29%	6.44%	16.27%	100.00%
[Below S$250,000]				
Lim Kim Liang[3]	26.07%	0	73.93%	100.00%
Chua Wui Lik[4]	86.70%	7.22%	6.08%	100.00%

Notes:

(1) Other benefits refers to allowance.

(2) Mr Yeo Choon Tat retired as GFC of the Company on 15 September 2016.

(3) Mr Lim Kim Liang resigned as Chief Operating Officer of the Company on 26 February 2016.

(4) Mr Chua Wui Lik was appointed as GFC of the Company on 15 September 2016 and his remuneration was pro-rated in the above table.

The Company is of the view that this 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 maximize 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.

In recognition of Mr Yeo Choon Tat's contributions to the Group, a 3-month ex-gratia payment of approximately S$57,000 was paid to him upon his retirement.

Apart from the above, no termination, retirement and post-employment benefits were granted to the Directors, CEO and top five KMP for FY2016.

Remuneration of 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 FY2016.

Long-term Incentive Scheme
The employees of the Group, including Executive Directors, if any, 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 FY2016.

C. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board endeavors 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.

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.

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. The Group is not required to issue negative assurance confirmation statements for its full year results announcements.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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 at least annually.

The Company does not have a Risk Management 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.

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 Organizations 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 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.

CORPORATE GOVERNANCE

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 the 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.

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, summarize 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 2016 to address financial, operational and compliance risks, including information technology risks, which the Group considers relevant and material to its operations.

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 endeavors 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).

CORPORATE GOVERNANCE

PRINCIPLE 12: AUDIT COMMITTEE ("AC")

The AC comprises three members, all of whom are Independent Directors:

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

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

The Chairman of the AC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. 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.

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

The AC held six meetings in FY2016 and addressed the following matters, which are part of its duties as stipulated in its terms of reference:

1. 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. the financial statements of the Company and the consolidated financial statements of the Group;

3. the half-year and full year announcements of the results of the Group before submission to the Board for approval;

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

5. regulatory matters that may have a material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

6. 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$234,990 and S$36,700 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;

7. any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position;

8. the recommendation 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

9. review 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.

In performing its functions, the AC:

1. meets the external auditors and internal auditor ("IA") (who have direct access to the AC) at least annually, without the presence of Management, and reviews the overall scope of the external audit and the assistance given by Management to the auditors. 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;

2. confirms that the Company has complied with Rule 712 of the SGX-ST 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;

3. confirms that the Company has complied with Rule 715 of the SGX-ST 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;

4. confirms that the Company has complied with Rule 716 of the SGX-ST 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 27 of the Notes to the Financial Statements on pages 77 to 79 and 108 to 109 of the Annual Report;

5. 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

6. has full access to and cooperation of Management and the discretion to invite any Director or officer to attend its meetings.

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. A summary of the policy can be found in the Company's website. New staff who joined the Company will also be briefed of the policy. There was no whistle blowing report received for FY2016.

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.

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 the financial year ended 31 December 2016.

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 auditor that there were no identified deviation 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 KA Group, being the cash generating unit which goodwill was allocated. The AC received reporting from the external auditor that the assumptions and resulting estimates on the recoverable amount of KA Group (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 KA 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 auditor, 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.

CORPORATE GOVERNANCE

PRINCIPLE 13: INTERNAL AUDIT ("IA")

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

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.

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 Directors, of whom one, the Chairman, is an Independent Director and the other two are Non-Executive Directors:

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

The Chairman of the IC 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.

In FY2016, IC had six meetings with Management of the Company and the IC's primary role, which is outlined in its 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 investment and treasury management policy guidelines and related procedures/processes.

In the year under review, the Chairman of the IC had also visited a potential investment on assets centered in China with the Management.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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 does not practice 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.

The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at shareholders' meetings. Shareholders are given ample opportunity and time 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.

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). At shareholders' meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the meetings. Relevant intermediaries as defined in Section 181 of the Act may appoint more than two proxies to attend general meetings and vote.

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 in the general meeting via SGXNet. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held.

Investor Engagement
The Board recognizes 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.

Dealings in Securities
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.

The Company has complied with its best practices on dealings in securities in accordance with Listing Rule 1207(19).

CORPORATE GOVERNANCE

Dividends

The Company does not have a policy on payment of dividends. The form, frequency and amount of dividends declared each year 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 endeavors 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 FY2016. The Company is preserving its cash reserves to pursue strategic business opportunities.

Interested Person Transactions ("IPT")

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 FY2016, 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

Except as disclosed in Note 26 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 FY2016.

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 2016.

In our opinion:

(a) the financial statements set out on pages 45 to 109 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and 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 Ng How Kiat Charlie
Dr Steve Lai Mun Fook
Mr Chew Leong Chee Tony (Alternate Director to Mr Ng How Kiat Charlie)
Mr Ng San Tiong Roland (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 Chew Leong Chee Tony		
(Alternate Director to Mr Ng How Kiat Charlie)		
Intraco Limited		
– ordinary shares		
– deemed interests	28,856,000*	28,998,400*
Mr Ng San Tiong Roland		
(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 2017.

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 Ng How Kiat Charlie, 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.

- 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.

DIRECTORS' STATEMENT

- 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.

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.

DIRECTORS' STATEMENT

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
20 March 2017

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Intraco Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 45 to 109.

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 2016 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 18 – 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.

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 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 KA Group in 2014. Goodwill is stated at cost less accumulated impairment losses. The determination of the estimated recoverable amount of KA 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 KA Group CGU is sensitive to key assumptions applied in deriving the future cash flow forecasts, growth rates and discount.

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 KA 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 the historical accuracy of the Group's estimates in previous periods, our understanding of the Group's commercial prospects and comparison of assumptions with publicly available data.

We tested the mathematical accuracy of the value in use calculations. We considered whether the disclosures in the notes to financial statements describe 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 KA 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.

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 KA 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 KA Group at each exercise date falling on 5 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

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

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.

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
20 March 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	**7,402**	8,281	**326**	524
Intangible assets	5	**7,130**	7,429	**–**	–
Subsidiaries	6	**–**	–	**16,920**	14,657
Associate and joint venture	7	**21,867**	22,924	**16,827**	17,060
Other investments, including derivatives	8	**9,744**	9,785	**9,744**	9,785
Non-current assets		**46,143**	48,419	**43,817**	42,026
Other investments, including derivatives	8	**–**	–	**1,480**	2,309
Inventories	9	**1,532**	1,410	**–**	–
Trade and other receivables	10	**15,773**	16,353	**21,283**	20,180
Cash and cash equivalents	11	**44,103**	38,755	**8,006**	7,009
Current assets		**61,408**	56,518	**30,769**	29,498
Total assets		**107,551**	104,937	**74,586**	71,524
Equity					
Share capital	12	**84,069**	84,069	**84,069**	84,069
Reserves	12	**349**	310	**2,937**	716
Accumulated losses		**(17,813)**	(17,668)	**(24,853)**	(23,589)
Equity attributable to owners of the Company		**66,605**	66,711	**62,153**	61,196
Liabilities					
Loans and borrowings	14	**1,935**	2,015	**–**	–
Trade and other payables	15	**6,340**	6,229	**–**	–
Deferred tax liabilities	16	**617**	700	**–**	–
Non-current liabilities		**8,892**	8,944	**–**	–
Loans and borrowings	14	**26,127**	21,398	**–**	–
Provisions	17	**–**	255	**–**	255
Trade and other payables	15	**5,483**	7,157	**12,433**	10,073
Current tax liabilities		**444**	472	**–**	–
Current liabilities		**32,054**	29,282	**12,433**	10,328
Total liabilities		**40,946**	38,226	**12,433**	10,328
Total equity and liabilities		**107,551**	104,937	**74,586**	71,524

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Revenue	18	**107,409**	116,639
Cost of sales		**(97,491)**	(106,412)
Gross profit		**9,918**	10,227
Other income	20	**290**	545
Distribution expenses		**(77)**	(48)
Administrative expenses		**(11,080)**	(11,766)
Other expenses		**(1)**	(189)
Results from operating activities		**(950)**	(1,231)
Finance income		**645**	673
Finance costs		**(284)**	(352)
Net finance income	19	**361**	321
Share of profit of equity-accounted investees (net of tax)		**1,499**	4,197
Profit before tax	20	**910**	3,287
Tax expense	21	**(124)**	(248)
Profit for the year		**786**	3,039
Earnings per share			
Basic and diluted earnings per share (cents)	22	**0.76**	2.93

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

YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 $'000	2015 $'000
Profit for the year	**786**	3,039
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*	**(41)**	(258)
Foreign currency translation differences of foreign operations*	**327**	1,122
Share of other comprehensive income of associate*	**(247)**	(218)
Share of associate's reserve arising from change in ownership interest*	**–**	3
Other comprehensive income for the year, net of tax	**39**	649
Total comprehensive income for the year	**825**	3,688

* 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 2016

Group	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
As at 1 January 2015	84,069	1,037	(1,337)	(51)	(20,395)	63,323
Total comprehensive income for the year						
Profit for the year	–	–	–	–	3,039	3,039
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	–	–	–	(258)	–	(258)
Foreign currency translation differences of foreign operations	–	–	1,122	–	–	1,122
Share of other comprehensive income of associate	–	–	(218)	–	–	(218)
Share of associate's reserve arising from change in ownership interest	–	15	–	–	(12)	3
Total other comprehensive income	–	15	904	(258)	(12)	649
Total comprehensive income for the year	–	15	904	(258)	3,027	3,688
Transactions with owners, recognised directly in equity						
Distributions to owners						
Dividends paid to selling shareholders of a subsidiary*	–	–	–	–	(300)	(300)
Total distributions to owners	–	–	–	–	(300)	(300)
Total transactions with owners	–	–	–	–	(300)	(300)
As at 31 December 2015	84,069	1,052	(433)	(309)	(17,668)	66,711

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

YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'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/payable to selling shareholders of a subsidiary*	–	–	–	–	**(931)**	**(931)**
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 KA Group on 5 September 2014 to acquire the remaining 30% in KA Group by 2020.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		**786**	3,039
Adjustments for:			
Depreciation		**941**	1,078
Amortisation of intangible assets		**299**	299
Impairment loss on property, plant and equipment		**119**	–
Gain on disposals of property, plant and equipment		**(33)**	(11)
Property, plant and equipment written off		**–**	10
Write-back of trade payables		**(6)**	(232)
Allowance made for doubtful receivables		**–**	37
Write-off of trade receivables		**–**	45
(Reversal of write-down)/write-down of inventory to net realisable value		**(5)**	40
Provision for warranties		**–**	91
Distribution received from other investments		**–**	(127)
Share of net profit of equity-accounted investees, net of tax		**(1,499)**	(4,197)
Change in fair value of the contingent consideration		**111**	291
Net finance income		**(361)**	(321)
Tax expense		**124**	248
		476	290
Changes in:			
– inventories		**(117)**	10
– trade and other receivables		**580**	5,173
– trade and other payables		**(2,619)**	(7,914)
Cash used in operating activities		**(1,680)**	(2,441)
Interest received		**645**	673
Interest paid		**(284)**	(352)
Taxes paid		**(235)**	(254)
Net cash used in operating activities		**(1,554)**	(2,374)
Cash flows from investing activities			
Distribution received from other investments		**–**	127
Additional investment in associate		**–**	(80)
Purchase of property, plant and equipment		**(139)**	(210)
Dividends from an associate		**2,816**	1,950
Proceeds from disposals of property, plant and equipment		**61**	11
Acquisition of other investments		**–**	(809)
Net cash from investing activities		**2,738**	989

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Proceeds from borrowings		**25,660**	21,254
Repayment of borrowings		**(21,491)**	(19,259)
Payment of finance lease liabilities		**(55)**	(115)
Dividends paid to selling shareholders of a subsidiary		**(234)**	(300)
Deposits pledged		**(36)**	(37)
Net cash from financing activities		**3,844**	1,543
Net increase in cash and cash equivalents		**5,028**	158
Cash and cash equivalents at 1 January		**38,605**	38,647
Effects of exchange rate fluctuations on cash held		**284**	(200)
Cash and cash equivalents at 31 December	11	**43,917**	38,605

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 March 2017.

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 8 Jurong Town Hall Road, #12-01 The JTC Summit, Singapore 609434.

The financial statements of the Group as at and for the year ended 31 December 2016 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 and lighting 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 (FRS).

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.

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 – impairment test: key assumptions underlying recoverable amount of goodwill;
- Note 8 and 24 – measurement of financial derivative assets;
- Note 10 and 24 – impairment assessment on trade and other receivables;
- Note 15 and 24 – 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 such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

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.

Further information about the assumptions made in measuring fair values is included in Note 24 – measurement of fair values of financial instruments.

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 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. Otherwise, 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.

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.

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.

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 end of the reporting period are retranslated 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 retranslated 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 retranslation are recognised in profit or loss, except for differences arising on the retranslation 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 end of 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 end of 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 or significant influence 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 that includes a foreign operation while retaining significant influence, 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.

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.

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 years
Leasehold improvements	3 to 50 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.

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 legal right to offset the amounts and intends either to settle 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

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 recognised initially 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 original maturities of three months or less from the acquisition date 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 recognised initially 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Non-derivative financial liabilities (Continued)

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus 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 and share options are recognised as a deduction from equity, net of any tax effects.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets (Continued)

(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 year and comparative year 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.

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. It is 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 in the Group, 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 and 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables (Continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions (Continued)

(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.

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'.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

(iii) Rental income

Rental income receivable under operating leases 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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax 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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group in future financial periods, the Group has assessed the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

Applicable to 2018 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 115 ***Revenue from Contracts with Customers***	
FRS 115 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. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 New standards and interpretations not yet adopted (Continued)

Applicable to 2018 financial statements (Continued)

Summary of the requirements	Potential impact on the financial statements
FRS 109 *Financial Instruments*	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. Available-for-sale equity securities are held as long-term investments. For these, the Group expects to elect to present subsequent changes in fair value in OCI. Under FRS 109, only dividend income is recognised in profit or loss. Any subsequent fair value changes are recognised in OCI and will not be reclassified to profit or loss even upon divestment. **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables. On adoption of FRS 109, the Group does not expect a significant increase in impairment loss allowance. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 New standards and interpretations not yet adopted (Continued)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 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. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS *27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has leased certain commercial space under operating leases. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition option and practical expedients in 2017.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Leasehold properties $'000	Leasehold improvements $'000	Plant, machinery, tools and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost							
At 1 January 2015		7,120	467	40,989	1,340	342	50,258
Additions		–	–	75	114	89	278
Disposals/write-offs		–	–	(38)	(16)	(42)	(96)
Effects of movements in exchange rates		–	–	–	1	–	1
At 31 December 2015		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**
Accumulated depreciation							
At 1 January 2015		169	227	39,763	925	83	41,167
Depreciation charge for the year		169	99	476	241	93	1,078
Disposals/write-offs		–	–	(28)	(16)	(42)	(86)
Effects of movements in exchange rates		–	–	–	1	–	1
At 31 December 2015		338	326	40,211	1,151	134	42,160
Depreciation charge for the year		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**
Carrying amounts							
At 1 January 2015		6,951	240	1,226	415	259	9,091
At 31 December 2015		6,782	141	815	288	255	8,281
At 31 December 2016		**6,494**	**42**	**453**	**156**	**257**	**7,402**

Impairment loss

During the year, the recoverable amount of certain leasehold properties was estimated as $6,300,000 (2015: $6,655,000), determined based on fair value less cost to sell. The fair values of the leasehold properties as at 31 December 2016 and 2015 were appraised by an independent external valuer using the market comparison approach based on completed transactions of similar properties in the vicinity. As the recoverable amount was lower than the carrying amount of $6,419,000 (2015: $6,583,000), an impairment loss of $119,000 (2015: Nil) was recognised during the year.

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and equipment under finance lease

The carrying amount of plant and equipment under finance lease amounted to $275,000 (2015: $282,000). During the year, the Group acquired plant and equipment of $70,000 (2015: $68,000) under finance leases.

Security

At 31 December 2016, leasehold properties and plant and equipment of the Group with carrying amounts of $6,300,000 (2015: $6,583,000) are pledged as security to secure bank loans and finance lease liabilities (see note 14).

Company	Leasehold properties $'000	Leasehold improvements $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2015	320	467	934	50	1,771
Additions	–	–	88	–	88
Disposals/write-offs	–	–	(13)	–	(13)
At 31 December 2015	320	467	1,009	50	1,846
Disposals/write-offs	–	–	(4)	–	(4)
At 31 December 2016	**320**	**467**	**1,005**	**50**	**1,842**
Accumulated depreciation					
At 1 January 2015	114	227	749	50	1,140
Depreciation charge for the year	7	99	89	–	195
Disposals/write-offs	–	–	(13)	–	(13)
At 31 December 2015	121	326	825	50	1,322
Depreciation charge for the year	6	99	93	–	198
Disposals/write-offs	–	–	(4)	–	(4)
At 31 December 2016	**127**	**425**	**914**	**50**	**1,516**
Carrying amounts					
At 1 January 2015	206	240	185	–	631
At 31 December 2015	199	141	184	–	524
At 31 December 2016	**193**	**42**	**91**	**–**	**326**

5 INTANGIBLE ASSETS

Group	Goodwill $'000	Order backlogs $'000	Customer relationships $'000	Total $'000
Cost				
At 1 January 2015 and 31 December 2015 and 31 December 2016	**6,899**	**518**	**411**	**7,828**
Accumulated amortisation				
At 1 January 2015	–	74	26	100
Amortisation for the year	–	222	77	299
At 31 December 2015	–	296	103	399
Amortisation for the year	–	222	77	299
At 31 December 2016	**–**	**518**	**180**	**698**
Carrying amounts				
At 1 January 2015	6,899	444	385	7,728
At 31 December 2015	6,899	222	308	7,429
At 31 December 2016	**6,899**	**–**	**231**	**7,130**

The amortisation of order backlogs and customer relationships is included in administrative expenses. No impairment loss was recognised in 2016 and 2015.

Impairment testing for goodwill

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

Group	2016 $'000	2015 $'000
KA Group	**6,899**	6,899

KA 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 $26,857,000 (2015: $23,858,000) was determined to be higher than its carrying amount and no impairment was required.

5 INTANGIBLE ASSETS (CONTINUED)

KA Group (Continued)

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

Group	2016 %	2015 %
Terminal growth rate	**Nil**	Nil
Discount rate	**9.0**	10.7
EBIT margin (average of next five years)	**20.4**	26.4

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 perpetually, consistent with the assumptions that a market participant would make. As a result, the terminal growth rate was estimated to be Nil% (2015 : 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 $10,125,000 (2015: $4,563,000). 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	
Group	2016 %	2015 %
Discount rate	**14.3**	13.9
EBIT margin (average of next five years)	**14.0**	22.1

6 SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Equity investments at fair value	**16,920**	14,657

6 SUBSIDIARIES (CONTINUED)

Details of subsidiaries are set out in note 27.

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 in accordance with note 3.9(i) has occurred. No impairment loss was recognised in 2016 and 2015.

7 ASSOCIATE AND JOINT VENTURE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Interest in associate	**19,584**	20,512	**14,544**	14,543
Interest in joint venture	**2,283**	2,412	**2,283**	2,517
	21,867	22,924	**16,827**	17,060

KPMG LLP Singapore is the auditor 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 auditor 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 2016 and 2015 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% (2015: 41.27%)
Fair value of ownership interest	$20,795,000 (2015: $19,928,000)[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)

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.

	2016 $'000	2015 $'000
Results		
Revenue	**57,684**	65,654
Profit from continuing operations	**4,085**	10,956
Post-tax loss from discontinued operations	**–**	(624)
OCI	**(598)**	(529)
Total comprehensive income	**3,487**	9,803
Attributable to non-controlling interests	**–**	(121)
Attributable to investee's shareholders	**3,487**	9,924
Assets and liabilities		
Non-current assets	**24,795**	24,973
Current assets	**33,173**	33,930
Non-current liabilities	**(1,431)**	(1,452)
Current liabilities	**(9,403)**	(8,069)
Net assets	**47,134**	49,382
Attributable to NCI	**–**	–
Attributable to investee's shareholders	**47,134**	49,382

	2016 $'000	2015 $'000
Group's interest in net assets of investee at beginning of the year	**20,512**	17,114
Group's share of:		
– profit from continuing and discontinued operations (net)	**1,686**	4,264
– OCI	**(247)**	(218)
– Group's share of associate's reserve arising from change in ownership interest	**–**	3
– total comprehensive income	**1,439**	4,049
Group's contribution during the year	**–**	80
Translation difference	**449**	1,219
Dividends received during the year	**(2,816)**	(1,950)
Carrying amount of interest in investee at end of the year	**19,584**	20,512

Joint venture

Tat Hong Intraco Pte Ltd is an unlisted joint arrangement in which the Group has joint control via investors' agreement and 40% (2015: 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.

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Joint venture (Continued)

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.

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

	2016 $'000	2015 $'000
Revenue	**529**	2,282
Loss from continuing operations[1]	**(467)**	(290)
OCI	**–**	–
Total comprehensive income	**(467)**	(290)
Non-current assets	**5,375**	5,639
Current assets[2]	**4,236**	5,179
Current liabilities[3]	**(3,903)**	(4,788)
Net assets	**5,708**	**6,030**

1 Includes interest expense of $97,000 (2015: $115,000).

2 Includes cash and cash equivalents of $4,134,000 (2015: $5,100,000).

3 Includes current financial liabilities (excluding trade and other payables and provisions) of $3,484,000 (2015: $4,655,000).

	2016 $'000	2015 $'000
Group's interest in net assets of investee at beginning of the year	**2,412**	2,376
Group's share of loss from continuing operations	**(187)**	(117)
	2,225	2,259
Translation difference	**58**	153
Carrying amount of interest in investee at end of the year	**2,283**	2,412

In accordance with agreement under which Tat Hong Intraco Pte Ltd was established, the Company and Tat Hong Holdings Ltd have agreed to issue proportionate corporate guarantee of USD6,500,000 (equivalent to approximately $9,427,000) (2015: USD6,500,000 (equivalent to approximately $9,164,000)) comprising USD3,250,000 (equivalent to approximately $4,714,000) (2015: USD3,250,000 (equivalent to approximately $4,582,000)) each to be equally guaranteed by the Company and Tat Hong Holdings Ltd. This commitment has not been recognised in the Group's consolidated financial statements.

8 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current investments				
Available-for-sale quoted debt securities	**9,744**	9,785	**9,744**	9,785
Current investments				
Financial derivative assets	**–**	–	**1,480**	2,309
	9,744	9,785	**11,224**	12,094

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 KA Group from the NCI. The Company received the right to acquire the remaining 30% equity interest in KA 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 KA Group in 3 tranches of 10% each.

The options on the first 10%, subsequent 10% and final 10% equity interest in KA 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 KA Group, adjusted for revised net tangible asset value of KA Group subsequent to initial acquisition date.

As at 31 December 2016, the fair value of the written call and put options recognised as financial derivative assets of the Company is $1,480,000 (2015: $2,309,000).

The Group's exposure to market risks and fair value information related to other investments, including derivatives, are disclosed in note 24.

9 INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trading goods	**344**	147	**–**	–
Raw materials	**1,101**	1,253	**–**	–
Goods-in-transit	**87**	10	**–**	–
	1,532	1,410	**–**	–

In 2016, inventories of $92,435,000 (2015: $102,675,000) were recognised as an expense during the period and included in cost of sales.

In 2016, reversal of write-down of inventories to net realisable value of $5,000 (2015: write-down of inventories of $40,000) was recognised. The write-down was recognised in cost of sales.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	**17,160**	19,450	**12**	190
Impairment losses	**(6,347)**	(7,034)	**–**	–
Net trade receivables	**10,813**	12,416	**12**	190
Deposits	**319**	365	**69**	61
Amounts due from subsidiaries (non-trade)	**–**	–	**25,091**	23,652
Impairment losses	**–**	–	**(4,136)**	(3,954)
Net amounts due from subsidiaries	**–**	–	**20,955**	19,698
Other receivables	**329**	323	**225**	220
Interest receivables	**14**	30	**–**	–
Advances to suppliers	**1,214**	205	**–**	–
Loans and receivables	**12,689**	13,339	**21,261**	20,169
Prepayments	**186**	175	**22**	11
Construction contracts in progress	**2,898**	2,839	**–**	–
	15,773	16,353	**21,283**	20,180

Construction contracts in progress

At 31 December 2016, the aggregated amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to $32,658,000 (2015: $25,298,000) for the Group. Progress billings and advances received from customers under open construction contracts amounted to $29,760,000 (2015: $22,459,000) for the Group.

At 31 December 2016, trade and other receivables for the Group include retentions of $1,193,000 (2015: $1,130,000) 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 24.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank and in hand	**18,770**	27,368	**1,206**	1,509
Fixed deposits with banks	**25,333**	11,387	**6,800**	5,500
Cash and cash equivalents in the statements of financial position	**44,103**	38,755	**8,006**	7,009
Deposits pledged	**(186)**	(150)	**–**	–
Cash and cash equivalents in the statement of cash flows	**43,917**	38,605	**8,006**	7,009

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 cash and cash equivalents at the reporting date for the Group and Company are 0.94% (2015: 0.81%) and 0.86% (2015: 0.30%) respectively. Interest rates reprice at intervals of one to three months.

12 CAPITAL AND RESERVES

	Company	
	2016	2015
Share capital	**Number of shares**	**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 2016 (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.

12 CAPITAL AND RESERVES (CONTINUED)

Reserves

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Capital reserve	**1,052**	1,052	**–**	–
Translation reserve	**(352)**	(433)	**–**	–
Fair value reserve	**(351)**	(309)	**2,937**	716
	349	310	**2,937**	716

Capital reserve

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

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.
- 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 2016 $'000	Group 2015 $'000
Non-current liabilities		
Secured bank loans	**1,784**	1,873
Finance lease liabilities	**151**	142
	1,935	2,015
Current liabilities		
Secured bank loans	**89**	91
Finance lease liabilities	**59**	53
Unsecured bank loans	**1,214**	–
Trust receipts	**24,765**	21,254
	26,127	21,398

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 24.

Terms and debt repayment schedule

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

	Nominal interest rate	Year of maturity	Group Face value $'000	Group Carrying amount $'000
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 fixed rate loans	**1.93%**	**2017**	**1,214**	**1,214**
USD trust receipts	**1.60% – 2.80%**	**2017**	**24,765**	**24,765**
			28,062	**28,062**
2015				
SGD secured bank loans	1.18% – 3.41%	2016 – 2033	1,964	1,964
SGD finance lease liabilities	1.58% – 4.00%	2016 – 2019	195	195
USD trust receipts	1.01% – 2.14%	2016	21,254	21,254
			23,413	23,413

The secured bank loans and finance lease liabilities of the Group are secured over the leasehold properties and plant and equipment of the Group with carrying amounts of $6,300,000 (2015: $6,583,000) (see note 4).

14 LOANS AND BORROWINGS (CONTINUED)

Breach of loan covenant

In 2015, a subsidiary breached two of the financial covenants stipulated in the loan agreement. The subsidiary's total liabilities (including contingent liabilities) shall not exceed 200% of its tangible net worth at all times. As at 31 December 2015, the subsidiary's total liabilities is 234% of its tangible net worth. Besides, the subsidiary also failed to maintain a minimum tangible net worth of $12.2 million as at year end. As such, the bank could potentially call for immediate repayment of the outstanding trust receipts of USD3,315,021 (equivalent to approximately $4,673,848) as a result of the breach in financial covenants. The trust receipts were fully settled by 16 February 2016.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
2016			
Within one year	**65**	**6**	**59**
Between one and five years	**165**	**14**	**151**
	230	**20**	**210**
2015			
Within one year	58	5	53
Between one and five years	156	14	142
	214	19	195

15 TRADE AND OTHER PAYABLES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current				
Trade payables	**2,642**	4,740	**32**	34
Advances from customers	**311**	639	**–**	–
Accrued expenses	**1,452**	1,452	**863**	795
Amounts due to subsidiaries (non-trade)	**–**	–	**11,300**	9,000
Interest payable	**58**	35	**–**	–
Other payables	**323**	291	**238**	244
Dividends payable	**697**	–	**–**	–
	5,483	7,157	**12,433**	10,073
Non-current				
Contingent consideration	**6,340**	6,229	**–**	–
	11,823	13,386	**12,433**	10,073

15 TRADE AND OTHER PAYABLES (CONTINUED)

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 KA Group in connection with the Company's acquisition of the remaining 30% equity interest in KA 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.

Key assumptions used in the estimation of the present value of the contingent consideration as at the reporting date are as follows:

Group	2016	2015
Discount rate	**5.0%**	5.0%
Exercise price for each 10% tranche:		
– 4 September 2018	**$2,398,255**	$2,482,847
– 4 September 2019	**$2,406,630**	$2,482,847
– 4 September 2020	**$2,415,005**	$2,482,847

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 KA Group over the next 1.67 years, 2.67 years and 3.67 years (2015: 2.67 years, 3.67 years and 4.67 years) respectively.

The Group's exposure to market risk and fair value information related to contingent consideration is disclosed in note 24.

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 24.

16 DEFERRED TAX LIABILITIES

Movement in deferred tax liabilities during the year are as follows:

Group

	Balance as at 1 Jan 2015 $'000	Recognised in profit or loss $'000	Balance as at 31 Dec 2015 $'000	Recognised in profit or loss $'000	Balance as at 31 Dec 2016 $'000
Deferred tax liabilities					
Property, plant and equipment	628	(18)	610	(19)	**591**
Intangible assets	158	(68)	90	(64)	**26**
Inventories	10	(10)	–	–	**–**
	796	(96)	700	(83)	**617**

16 DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deductible temporary differences	**11,138**	11,176	**(403)**	(170)
Tax losses	**28,537**	25,923	**8,958**	7,655
	39,675	37,099	**8,555**	7,485

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.

17 PROVISIONS

	Group and Company	
	2016	2015
	$'000	$'000
Warranties		
At 1 January	**255**	164
Provision made during the year	**–**	91
Utilised	**(255)**	–
At 31 December	**–**	255

Warranties

The provision for warranties relates to lighting products sold previously and estimated based on the projected replacement costs of the lighting products.

18 REVENUE

	Group	
	2016	2015
	$'000	$'000
Trading sales	**93,815**	104,322
Revenue from construction contracts	**12,094**	10,787
Rental income	**389**	389
Service income	**1,111**	1,141
	107,409	116,639

19 NET FINANCE INCOME

	Group 2016 $'000	Group 2015 $'000
Interest income		
– bank deposits	**127**	158
– other investments	**518**	515
Finance income	**645**	673
Interest expense on secured bank loans	**(77)**	(61)
Interest expense on unsecured bank loans	**(202)**	(278)
Interest expense on finance lease liabilities	**(5)**	(13)
Finance costs	**(284)**	(352)
Net finance income recognised in profit or loss	**361**	321

The above finance income and finance costs represents interest income and interest expense in respect of assets/(liabilities) not at fair through profit or loss.

20 PROFIT BEFORE TAX

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

	Group 2016 $'000	Group 2015 $'000
Distribution received from other investments	**–**	(127)
Government grants	**(198)**	(170)
Gain on disposals of property, plant and equipment	**(33)**	(11)
Write-back of trade payables	**(6)**	(232)
Foreign exchange gain	**(51)**	–
Others	**(2)**	(5)
Other income	**(290)**	(545)
Allowance made for doubtful receivables	**–**	37
Write-off of trade receivables	**–**	45
(Reversal of write-down)/write-down of inventory to net realisable value	**(5)**	40
Amortisation of intangible assets	**299**	299
Audit fees paid to:		
– auditors of the Company	**235**	230
– other auditors	**2**	2
Non-audit fees paid to:		
– auditors of the Company	**37**	34
Cost of inventories recognised in cost of sales	**92,435**	102,675
Depreciation of property, plant and equipment	**941**	1,078
Foreign exchange loss	**–**	23
Provision for warranties	**–**	91
Change in fair value of contingent consideration	**111**	291
Property, plant and equipment written off	**–**	10
Operating lease expenses	**764**	730
Impairment of property, plant and equipment	**119**	–
Employee benefits expense		
Salaries, bonuses and other costs	**6,138**	6,307
Contributions to defined contribution plans	**395**	393
	6,533	6,700

21 TAX EXPENSE

	Group 2016 $'000	Group 2015 $'000
Tax recognised in profit or loss		
Current tax expense		
Current year	**323**	382
Adjustment for prior years	**(116)**	(38)
	207	344
Deferred tax expense		
Origination and reversal of temporary differences	**(64)**	(74)
Adjustment for prior year	**(19)**	(22)
	(83)	(96)
Tax expense	**124**	248
Reconciliation of effective tax rate		
Profit before tax	**910**	3,287
Tax using the Singapore tax rate of 17%	**155**	559
Tax-exempt income	**(171)**	(372)
Non-deductible expenses	**92**	122
Effects of results of equity-accounted investees presented net of tax	**(255)**	(713)
Change in unrecognised temporary differences	**438**	712
Over provided in prior years	**(135)**	(60)
	124	248

22 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of $786,000 (2015: $3,039,000) and a weighted average number of ordinary shares outstanding of 103,725,879 (2015: 103,725,879), calculated as follows:

	2016 Number of shares	2015 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.

23 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:

- *Projects* Sale of conventional lighting products and provision of energy-savings and fire-protection solutions.
- *Trading and others* Trading in industrial materials which include plastics and petrochemicals and 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 Greater China (Hong Kong, Taiwan 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

	Projects $'000	Trading and others $'000	Consolidated $'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	2,579	278	2,857
Reportable segment assets	22,022	38,207	60,229
Other material non-cash items:			
Impairment of property, plant and equipment	(119)	–	(119)
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)
Reportable segment liabilities	4,247	28,570	32,817

23 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

Operating segments (Continued)

	Projects $'000	Trading and others $'000	Consolidated $'000
2015			
External revenue	11,072	105,567	116,639
Interest income	20	107	127
Interest expense	(74)	(278)	(352)
Depreciation and amortisation	(789)	(395)	(1,184)
Reportable segment profit/(loss) before tax	2,512	(275)	2,237
Reportable segment assets	20,866	36,059	56,925
Other material non-cash items:			
Allowance made for doubtful receivables	(37)	–	(37)
Write-off of trade receivables	(45)	–	(45)
Provision made for warranty	(91)	–	(91)
Write-down of inventory to net realisable value	(40)	–	(40)
Write-back of trade payables	231	1	232
Change in fair value of contingent consideration	(291)	–	(291)
Capital expenditure	(191)	–	(191)
Reportable segment liabilities	1,917	26,239	28,156

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2016 $'000	2015 $'000
Revenue		
Total revenue for reporting segments and consolidated revenue	**107,409**	116,639
Profit or loss		
Total profit for reportable segments	**2,857**	2,237
Unallocated amounts:		
– Other corporate expenses, net of income	**(3,446)**	(3,147)
Share of profit of equity-accounted investees, net of tax	**1,499**	4,197
Consolidated profit before tax	**910**	3,287
Assets		
Total assets for reportable segments	**60,229**	56,925
Other unallocated amounts	**25,455**	25,088
	85,684	82,013
Investments in equity-accounted investees	**21,867**	22,924
Consolidated total assets	**107,551**	104,937
Liabilities		
Total liabilities for reportable segments	**32,817**	28,156
Other unallocated amounts	**8,129**	10,070
Consolidated total liabilities	**40,946**	38,226

23 OPERATING SEGMENTS (CONTINUED)

Other material items

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2016			
Interest income	**84**	**561**	**645**
Interest expense	**(284)**	**–**	**(284)**
Depreciation and amortisation	**(1,044)**	**(196)**	**(1,240)**
Impairment of property, plant and equipment	**(119)**	**–**	**(119)**
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)**
2015			
Interest income	127	546	673
Interest expense	(352)	–	(352)
Depreciation and amortisation	(1,184)	(193)	(1,377)
Allowance made for doubtful debts	(37)	–	(37)
Write-off of trade receivables	(45)	–	(45)
Provision for warranties	(91)	–	(91)
Write-down of inventory to its net realisable value	(40)	–	(40)
Write-back of trade payables	232	–	232
Change in fair value of contingent consideration	(291)	–	(291)
Capital expenditure	(191)	(87)	(278)

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.

	2016 $'000	2015 $'000
Revenue		
Singapore	**32,885**	34,986
Rest of ASEAN	**74,312**	81,653
Others	**212**	–
Consolidated revenue	**107,409**	116,639
Non-current assets*		
Singapore	**7,209**	8,082
Greater China	**193**	199
	7,402	8,281

* Non-current assets presented consist of property, plant and equipment.

23 OPERATING SEGMENTS (CONTINUED)

Major customer

Revenues from one customer of the Group's Trading and others segment represents approximately $11,239,000 (2015: $14,865,000) of the Group's total revenues.

24 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.

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. The 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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

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 2016, the Group and the Company does not have any collective impairment on its loans and receivables.

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 loans and receivables at the reporting date (by operating segments) was:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Projects	**2,808**	2,625	**12**	190
Trading and others	**9,881**	10,714	**21,249**	19,979
	12,689	13,339	**21,261**	20,169

The Group's most significant customer, a trading customer, accounts for $1,157,000 (2015: $1,168,000) of the loans and receivables carrying amount at 31 December 2016. There is no concentration of customer risk at the Company level.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Impairment losses

The ageing of loans and receivables at the reporting date was:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Group				
Not past due	**7,243**	**–**	5,644	–
Past due 0 – 30 days	**4,340**	**–**	6,930	–
Past due 31 – 120 days	**914**	**–**	558	–
More than 120 days	**6,539**	**(6,347)**	7,241	(7,034)
	19,036	**(6,347)**	20,373	(7,034)
Company				
Not past due	**409**	**–**	772	–
Past due 0 – 30 days	**2**	**–**	–	–
Past due 31 – 120 days	**438**	**–**	534	–
More than 120 days	**24,548**	**(4,136)**	22,817	(3,954)
	25,397	**(4,136)**	24,123	(3,954)

The movement in impairment loss in respect of loans and receivables during the year is as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**7,034**	14,805	**3,954**	5,079
Allowance made for doubtful receivables	**–**	37	**182**	–
Allowance utilised	**(687)**	(8,240)	**–**	(1,125)
Effects of movements in exchange rates	**–**	432	**–**	–
At 31 December	**6,347**	7,034	**4,136**	3,954

The Group assessed the collectability of its trade receivables and wrote-off doubtful receivables of $687,000 (2015: $8,240,000) against the allowance set aside after considering its 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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

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 $44,103,000 and $8,006,000 (2015: $38,755,000 and $7,009,000) respectively at 31 December 2016 and these figures 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amounts $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2-5 years $'000	More than 5 years $'000
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)**

24 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Risk management policy (Continued)

	Carrying amounts $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2-5 years $'000	More than 5 years $'000
2015					
Non-derivative financial liabilities					
Secured bank loans	1,964	(2,599)	(161)	(807)	(1,631)
Finance lease liabilities	195	(214)	(58)	(156)	–
Trust receipts	21,254	(21,506)	(21,506)	–	–
Trade and other payables*	12,747	(12,747)	(6,518)	(6,229)	–
	36,160	(37,066)	(28,243)	(7,192)	(1,631)
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables*	**12,433**	**(12,433)**	**(12,433)**	**–**	**–**
2015					
Non-derivative financial liabilities					
Trade and other payables*	10,073	(10,073)	(10,073)	–	–

* 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.

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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**35,077**	21,172	**16,544**	15,285
Financial liabilities	**(26,189)**	(21,449)	**–**	–
	8,888	(277)	**16,544**	15,285
Variable rate instrument				
Financial liabilities	**(1,873)**	(1,964)	**–**	–

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.

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 2015.

	Group		Company	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
2016				
Variable rate instruments	**(19)**	**19**	**–**	**–**
2015				
Variable rate instruments	(20)	20	–	–

24 FINANCIAL INSTRUMENTS (CONTINUED)

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 are primarily the US dollar, Euro, British pound and Malaysian ringgit.

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 were as follows based on notional amounts:

Group	Singapore dollar $'000	US dollar $'000	British pound $'000	Malaysian ringgit $'000
2016				
Trade receivables	**–**	**7,166**	**–**	**–**
Cash and cash equivalents	**26**	**22,509**	**–**	**–**
Loans and borrowings	**–**	**(25,979)**	**–**	**–**
Trade and other payables	**–**	**(1,608)**	**–**	**–**
Net statement of financial position exposure	**26**	**2,088**	**–**	**–**
2015				
Trade receivables	–	9,216	–	–
Cash and cash equivalents	32	13,102	62	–
Loans and borrowings	–	(21,254)	–	–
Trade and other payables	–	(1,841)	–	(16)
Net statement of financial position exposure	32	(777)	62	(16)

24 FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (Continued)

Exposure to currency risk (Continued)

Company	US dollar $'000	British pound $'000	Malaysian ringgit $'000
2016			
Trade receivables	**34**	**–**	**–**
Cash and cash equivalents	**228**	**–**	**–**
Net statement of financial position exposure	**262**	**–**	**–**
2015			
Trade receivables	18	–	–
Cash and cash equivalents	535	62	–
Trade payables	–	–	(16)
Net statement of financial position exposure	553	62	(16)

Sensitivity analysis

A weakening of 10% (2015: 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 2015.

	Group		Company	
	2016 Profit or loss $'000	2015 Profit or loss $'000	2016 Profit or loss $'000	2015 Profit or loss $'000
Singapore dollar[1]	**40**	31	**–**	–
US dollar	**(217)**	72	**(26)**	(55)
British pound	**–**	(6)	**–**	(6)
Malaysian ringgit	**(7)**	2	**–**	2

(1) As compared to functional currency of US dollar

A 10% (2015: 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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 and is a reasonable approximation of fair value.

		Carrying amount				Fair value			
Group	**Note**	**Loans and receivables $'000**	**Available-for-sale $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'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 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)				

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value			
Group	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015									
Financial asset measured at fair value									
Other investments	8	–	9,785	–	9,785	9,785	–	–	9,785
Financial assets not measured at fair value									
Trade and other receivables*	10	13,339	–	–	13,339				
Cash and cash equivalents	11	38,755	–	–	38,755				
		52,094	–	–	52,094				
Financial liability measured at fair value									
Contingent consideration	15	–	–	(6,229)	(6,229)	–	–	(6,229)	(6,229)
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	(1,964)	(1,964)	–	(1,964)	–	(1,964)
Finance lease liabilities	14	–	–	(195)	(195)	–	(195)	–	(195)
Trust receipts	14	–	–	(21,254)	(21,254)	–	(21,254)	–	(21,254)
Trade and other payables**	15	–	–	(6,518)	(6,518)				
		–	–	(29,931)	(29,931)				

* Exclude prepayments and construction contracts in progress.

** Exclude advances from customers.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount					Fair value			
Company	**Note**	**Loans and receivables $'000**	**Held-for-trading $'000**	**Available-for-sale $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
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)**				
2015										
Financial assets measured at fair value										
Subsidiaries	6	–	–	14,657	–	14,657	–	–	14,657	14,657
Other investments, including derivatives	8	–	2,309	9,785	–	12,094	9,785	–	2,309	12,094
		–	2,309	24,442	–	26,751				
Financial assets not measured at fair value										
Trade and other receivables*	10	20,169	–	–	–	20,169				
Cash and cash equivalents	11	7,009	–	–	–	7,009				
		27,178	–	–	–	27,178				
Financial liability not measured at fair value										
Trade and other payables	15	–	–	–	(10,073)	(10,073)				

* Exclude prepayments and construction contracts in progress.

24 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 considering the exercise price for each tranche of the written call and put options on the consideration to be paid.	• Risk-adjusted discount rate at 5% (2015: 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 1.22% to 1.58% (2015: 5.00%) Volatility of 40.00% (2015: 44.00%)	The estimated fair value would increase (decrease) if: • The risk-free rate was higher (lower). • The volatility was higher (lower).

24 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (Continued)

(ii) Transfers between levels 1, 2 and 3

During the financial years ended 31 December 2016 and 31 December 2015, 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.

	Contingent consideration	
Group	**2016 $'000**	**2015 $'000**
At 1 January	**6,229**	5,938
Total unrealised gains and losses recognised in profit or loss:		
– administrative expenses	**111**	291
At 31 December	**6,340**	6,229

	2016		**2015**	
Company	**Equity investments at fair value $'000**	**Financial derivatives $'000**	**Equity investments at fair value $'000**	**Financial derivatives $'000**
At 1 January	**14,657**	**2,309**	14,762	62
Total unrealised gains and losses recognised in profit or loss:				
– other income	**–**	**–**	–	2,247
– Administrative expenses	**–**	**(829)**	–	–
Total gains and losses for the period included in OCI:				
– net change in fair value	**2,263**	**–**	(105)	–
At 31 December	**16,920**	**1,480**	14,657	2,309

24 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 $'000	Increase $'000
31 December 2016		
Risk-adjusted discount rate (1% movement)	**(163)**	**157**
31 December 2015		
Risk-adjusted discount rate (1% movement)	(221)	212

Equity securities

	Company OCI, net of tax	
	Increase $'000	Decrease $'000
31 December 2016		
Net tangible assets (1% movement)	**169**	**(169)**
31 December 2015		
Net tangible assets (1% movement)	147	(147)

Financial derivative liabilities

	Company Profit or loss	
	Increase $'000	Decrease $'000
31 December 2016		
Risk-free rate (1% movement)	**141**	**(141)**
31 December 2015		
Risk-free rate (1% movement)	222	(222)

25 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Payable:				
Within 1 year	**346**	634	**226**	542
After 1 year but within 5 years	**78**	244	**–**	226
	424	878	**226**	768

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 $764,000 (2015: $730,000) was recognised as an expense in profit or loss in respect of operating leases.

26 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Compensation payable to key management personnel comprises:

	Group	
	2016	2015
	$'000	$'000
Short-term employee benefits		
Directors' fees	**389**	439
Director's remuneration	**–**	814
Key management staff	**1,935**	1,594
	2,324	2,847

Other related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, jointly control, or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common joint control. Related parties may be individuals or other entities.

26 RELATED PARTIES (CONTINUED)

Other related party transactions (Continued)

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Transaction with a director				
Advisory services rendered by a director of the Company to certain subsidiaries	**69**	**–**	**69**	–

27 SUBSIDIARIES

Name of company	Principal activities	Country of incorporation	Ownership interest held by Group 2016 %	2015 %	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 and agricultural 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

27 SUBSIDIARIES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Ownership interest held by Group 2016 %	2015 %	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
K.A. Group Holdings Pte. Ltd.	Investment holding company.	Singapore	**70**	70	i***
K.A. Building Construction Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	**–**	–	i**
K.A. Fireproofing Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	**–**	–	i**
K.A. Fabric Shutters Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	**–**	–	i**
K.A. FireLite Pte. Ltd.	Manufacturing and installation of passive fire protection products.	Singapore	**–**	–	i**
K.A. Vermiculite Spray Sdn Bhd (previously known as K.A. Firespray Sdn Bhd)	Manufacturing and installation of passive fire protection products.	Malaysia	**–**	–	iii**
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 (previously known as K.A. Firespray Sdn Bhd)	Manufacturing and installation of passive fire protection products.	Malaysia	**70**	70	iii**

Notes

i Audited by KPMG LLP, Singapore.

ii Audited by Zhong Hui CPA Ltd, People's Republic of China.

iii Audited by P.S. Yap, Isma & Associates, Chartered Accountants, Malaysia.

** On 5 September 2014, the Group acquired 70% equity interest in these companies collectively known as "KA Group of Companies". It is a manufacturer cum applicator of fire protection materials serving the building industry in Singapore.

*** On 9 February 2015, the Group incorporated a subsidiary, K.A. Group Holdings Pte. Ltd., domiciled in Singapore, and transferred its entire interest in the KA Group of Companies to K.A. Group Holdings Pte. Ltd. pursuant to a share swap agreement. The Group continues to hold 70% equity interest in KA Group of Companies (held through K.A. Group Holdings Pte. Ltd.) as at 31 December 2015.

KPMG LLP Singapore is the auditor 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

As at 6 March 2017

SHAREHOLDERS' INFORMATION

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	50	1.46	1,546	0.00
100 – 1,000	762	22.30	548,356	0.53
1,001 – 10,000	2,070	60.58	8,108,733	7.82
10,001 – 1,000,000	528	15.45	25,347,884	24.44
1,000,001 and above	7	0.21	69,719,360	67.21
Total	**3,417**	**100.00**	**103,725,879**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Phillip Securities Pte Ltd	29,111,806	28.07
2.	UOB Kay Hian Pte Ltd	29,010,900	27.97
3.	Soh Ying Sin	4,500,000	4.34
4.	Oei Hong Leong	3,007,000	2.90
5.	DBS Nominees Pte Ltd	1,726,551	1.66
6.	United Overseas Bank Nominees	1,285,103	1.24
7.	Morph Investments Ltd	1,078,000	1.04
8.	CIMB Securities (Singapore) Pte Ltd	804,791	0.78
9.	Citibank Nominees Singapore Pte Ltd	781,914	0.75
10.	HL Bank Nominees (S) Pte Ltd	781,500	0.75
11.	Khong Kin Pang	751,000	0.72
12.	Goh Choon Wei or Goh Soon Poh	717,000	0.69
13.	OCBC Nominees Singapore Private Limited	700,750	0.68
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.	Maybank Kim Eng Securities Pte Ltd	411,207	0.40
18.	OCBC Securities Private Ltd	365,209	0.35
19.	Chan Soo Hin	357,000	0.34
20.	Boon Suan Aik	314,000	0.30
Total		**77,078,731**	**74.31**

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 6 March 2017

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 40.01% interest in Asia Resource Corporation Pte. Ltd. ("ARCPL").

RPHPL owns 44.98% 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 44.98% 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 44.98% 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-Eighth Annual General Meeting (the "**AGM**") of INTRACO LIMITED (the "**Company**") will be held at the Theatrette, Level 2, The JTC Summit, 8 Jurong Town Hall Road, Singapore 609434 on Thursday, 20 April 2017 at 10.00 a.m. 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 2016 together with the Auditor's Report thereon.

   (Resolution 1)

2. To re-elect the following Directors retiring pursuant to Article 115 of the Constitution of the Company:

   (i) Dr Tan Boon Wan **(Resolution 2)**

   (ii) Dr Steve Lai Mun Fook **(Resolution 3)**

   *Dr Tan Boon Wan will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee. Dr Tan will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

   Dr Steve Lai Mun Fook will, upon re-election as a Director of the Company, remain as a member of the 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 2017, to be paid quarterly in arrears (FY2016: S$400,000).

   [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

   (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,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) 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) 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) shall be based on the total number of issued shares (excluding treasury shares) 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)**

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) 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
4 April 2017

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 2017. 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 2017; 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) 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) will be calculated based on the total number of issued shares (excluding treasury shares) 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) 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 Registered Office 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 AGM (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 4 April 2017.

*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 "**AGM**") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM of the Company to be held at the Theatrette, Level 2, The JTC Summit, 8 Jurong Town Hall Road, Singapore 609434 on Thursday, 20 April 2017 at 10:00 a.m. and at any adjournment thereof.

*I/We direct *my/our*proxy/proxies to vote for or against the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/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 Auditor's Report		
2.	Re-election of Dr Tan Boon Wan		
3.	Re-election of Dr Steve Lai Mun Fook		
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 ____________________ 2017.

Total Number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

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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 AGM is to be appointed, please delete the words "the Chairman of the AGM", 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 AGM 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 AGM. 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 AGM, 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 AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM 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 AGM.
6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Jurong Town Hall Road, #12-01 The JTC Summit, Singapore 609434 not less than forty-eight (48) hours before the time appointed for the AGM.
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 AGM, 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

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Affix
Postage
Stamp
Here

Company Secretary
INTRACO Limited
8 Jurong Town Hall Road
#12-01 The JTC Summit
Singapore 609434

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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 NG HOW KIAT CHARLIE (Non-Executive Director)

MR CHEW LEONG CHEE TONY *(Alternate Director to Mr Ng How Kiat Charlie)*

DR STEVE LAI MUN FOOK (Non-Executive Director)

MR 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 NG HOW KIAT CHARLIE

REMUNERATION COMMITTEE

MR SHABBIR H HASSANBHAI (Chairman)
MR COLIN LOW
MR NG HOW KIAT CHARLIE

INVESTMENT COMMITTEE

MR COLIN LOW (Chairman)
MR NG HOW KIAT CHARLIE
DR STEVE LAI MUN FOOK

COMPANY SECRETARIES

MS LYNN WAN TIEW LENG
(Appointed on 16 May 2016)
MS JOSEPHINE TOH LEI MUI
(Appointed on 16 May 2016)

PRINCIPAL BANKERS

DEVELOPMENT BANK OF SINGAPORE LIMITED
UNITED OVERSEAS BANK LIMITED

REGISTERED OFFICE

8 Jurong Town Hall Road
#12-01 The JTC Summit
Singapore 609434
Tel: (65) 6586 6777
Fax: (65) 6316 3128
Email: admin@intraco.com
Website: www.intraco.com

SHARE REGISTRAR

KCK CORPSERVE PTE. LTD.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

AUDITOR

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Audit Partner – Ms Tan Kar Yee, Linda
(Appointed since financial year ended 31 December 2015)

INVESTOR RELATIONS

WATERBROOKS CONSULTANTS PTE LTD
1000 Toa Payoh North
News Centre
Annexe Block, Level 6
Singapore 318994
Tel: (65) 6100 2228

INTRACO Limited

(RN: 196800526Z)

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Fax : (65) 6316 3128
Email : admin@intraco.com