



INTRACO LIMITED

2018 | ANNUAL
REPORT

50

YEARS OF LEGACY

OUR VISION

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

OUR MISSION

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

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





FOUNDATION FOR GROWTH

The key to delivering long term and sustainable growth is to invest in new talents, new products and new markets. We are continuously exploring growth opportunities.

STRATEGIC AND PORTFOLIO REVIEW

We are refining our strategy and reviewing our existing portfolio of investments with a view of maximising shareholders returns.





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INTRACO IN NUMBERS

153,863,000

REVENUES

68,482,000

NET ASSET VALUE

30,989,000

NET CASH

26,450,000

MARKET CAPITALISATION

3,281

SHAREHOLDERS

126

EMPLOYEES

50

YEARS OF HISTORY

14

PERCENT GEARING

5

EXISTING BUSINESSES

2.5

MILLION PROFIT AFTER TAX

1

VISION

ABOUT INTRACO

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

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

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

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

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

Intraco's strong regional network and culture of integrity, professionalism and performance, has helped ensure an enduring legacy over the years.

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

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

MILESTONES

- | | |
|-------------|---|
| 1968 | Year of incorporation |
| 1972 | Listed on Singapore Exchange |
| 1974 | Incorporated into the portfolio of Temasek Holdings |
| 1993 | Reached all-time high market cap of S\$278m |
| 1994 | Established Intraco Trading (Plastics Division) |
| 1995 | Recorded all-time high revenue of S\$918m |
| 1997 | Established Intrawave |
| 1999 | Recorded all-time high PAT of S\$19m |
| 2003 | Divested by Temasek Holdings |
| 2009 | Invested in Dynamic Colours |
| 2013 | Established Tat Hong Intraco JV in Myanmar |
| 2014 | Invested in K.A. Group |
| 2018 | Recorded 3rd consecutive year of growth in PAT to S\$2.5m |

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to report that Intraco has delivered another year of progress in FY2018.

As we navigate evolving challenges in our operating environment, we are constantly refining our strategies to strengthen the fundamentals of each of our business lines and maintain financial discipline.

Intraco registered an improved financial performance, with top and bottomline growth for FY2018. Revenue for Intraco and its subsidiaries ("the Group") increased 26.8% to S\$153.9 million, while profit after tax rose 21.3% to S\$2.5 million. We are committed to drive business growth and implement cost efficiencies across our operations concurrently.

During the year under review, the Group's plastic trading business performed well amidst the difficult global trading environment, and successfully expanded our regional footprint with its first office in Indonesia. Our mobile radio infrastructure management services business also delivered a strong performance. However, the fire protection segment reported poor sales in FY2018 due to the slowdown in the construction industry. This business segment performed poorly in FY2018 and significantly affected our ability to distribute dividends despite a profitable year for the Group. Regardless, this segment remains an important profit contributor to the Group and plays a vital role in ensuring Intraco's ability to implement a sustainable dividend policy going forward.

Looking ahead, Intraco is well-positioned to build on our strong fundamentals and continue on our journey of transformation. Regionalisation is a key pillar of our strategy as we work towards scaling and elevating the presence of our business units in the region. We will continue to explore new markets to broaden our geographical footprint for existing businesses across ASEAN and China.

As an investment holding company, we are constantly looking to enhance our portfolio of investments so as to bring about long-term sustainable value to our shareholders. We aim to further harness synergies across our existing businesses and acquire businesses accretive to Intraco's earnings.

The performance and progress of Intraco's business performance lies in no small part to the team behind the Group. The Board has strengthened Intraco's management bench strength over the past two years with an experienced team led by Chief Executive Officer Mr. Nicholas Yoong. The Board firmly believes in investing in a team of leaders who are fully aligned with Intraco's values: ethics, trust, teamwork, performance, professionalism and passion.



As we continue to focus Intraco on ongoing priorities on growth and regionalisation, the Board and the management team are also mindful to anchor our operations and business practices to stringent corporate governance standards. Our commitment to adhere to the best practices in corporate governance, transparency and ethics is reflected in the vast improvement in our ranking in the annual Singapore Corporate Governance and Transparency Index ("SGTI") released in August 2018. Intraco's ranking improved to 83 in 2018, compared to 295 in 2017.

Backed by our strong foundations, we will steer the Group on our growth journey as we look to reconfigure and transform Intraco in the years ahead.

On behalf of the Board, I would like to express sincere gratitude to the management and staff of the Group for their efforts and hard work over the past year; and our partners, suppliers and shareholders for their unwavering support.

COLIN LOW
Chairman of the Board
Intraco Limited

CEO'S STATEMENT

Dear Shareholders,

We are pleased to report that Intraco achieved revenue and profit growth of 26.8% and 21.3% respectively during the financial year ended 31 December 2018 ("FY2018"), with revenue of S\$153.9 million and profit after tax ("PAT") of S\$2.5 million.

The Group continued to improve on its financial performance despite FY2018 being a challenging year, due to a combination of weak market conditions and intense competition. Market sentiments underpinned by global uncertainties on the economic front have led to a disruption in overall consumer demand. These conditions affected our key businesses.

In spite of these challenges, we have continued to build on the progress achieved in FY2017, and pushed on with the following initiatives:-

- regionalising our existing businesses;
- strengthening the management bench strength;
- reinforcing a culture of excellence through alignment of vision, mission and core values;
- consolidating the existing businesses to drive better efficiency, productivity and effectiveness in our operations; and
- continuing the efforts to identify new growth opportunities.

IMPROVED PAT IN FY2018

Our efforts have translated into a number of tangible and measurable outcomes in FY2018:-

Firstly, the Group delivered an improved financial performance in FY2018 as a result of our initiatives to drive top and bottomline growth. We ended the year with a stronger financial position compared to FY2017 with a net cash of S\$31.0 million, Earnings Per Share of 2.43 cents, Net Asset Per Share of 66.0 cents and Gearing of 14.0%.

Secondly, the Group rose up the Singapore Governance and Transparency Index ("SGTI") from 295 to 83. SGTI is a leading index for assessing corporate governance practices of Singapore-listed companies. This is a testament of our strides made in the areas of transparency, governance and integrity.

Thirdly, we opened a new office in Jakarta to capitalise on the economic growth in Indonesia. This initiative received funding support from Enterprise Singapore with a grant to kickstart our regionalisation initiatives. We are now exploring expansion opportunities across ASEAN and China.



FY2019 IS A CRITICAL YEAR

FY2019 is a critical year for Intraco. As we chart the Company's course for the next 50 years, it is an opportune time to reflect on how far we have come, where the Company is in today's environment and where do we want to go from here. These are hard questions to answer – the world today is a different place compared to five decades ago.

We are continuously reviewing our portfolio with a view of unlocking value to maximise shareholder returns. As part of this process, it is possible things could get harder before it gets easier. What is important is to set the Company on the right path so as to enable it to achieve sustained profits and growth.

CONCLUSION

All said, once again, I would like to express my deepest appreciation to the Board, my colleagues and our business partners for without their relentless support and contributions, none of this would have been possible. Thank you.

NICHOLAS YOONG
Chief Executive Officer
Intraco Limited



LOOKING AHEAD

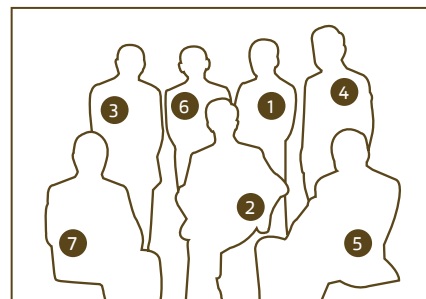
We are embarking on a new journey and charting the course for the next 50 years. Our focus will be on the existing sectors we operate in and potentially new high-growth and non-capital intensive sectors in South East Asia where we see opportunities for growth and value. This is determined by our resources,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



BOARD OF DIRECTORS



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



BOARD OF DIRECTORS



MR COLIN LOW

Chairman and Independent Director

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

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

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

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

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

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



BOARD OF DIRECTORS



DR TAN BOON WAN

Independent Director

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

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

He was previously an independent director of Hotung Investment Holdings Limited from 2012 to 2018, a company listed on SGX-ST.

He also sits on the boards of Provenance Capital Pte Ltd and Sebrina Holdings 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 12 April 2018.

Mr Hassanbhai serves as a Non-Executive Director in Dynamic Colours Limited. He is also active in various business and social organisations in Singapore among which he is a Trustee of the Singapore Indian Development Association ("SINDA"); Chairman of the Advisory Board of the NTU-SBF Centre for African Studies; and on the Board of ITE Education Services (Subsidiary of Institute of Technical Education). He also serves on the boards of his own companies in Singapore and the Middle East and as an Independent Director and Chairman of the Audit, Nomination and Remuneration Committees at listed India-based companies Gateway Distriparks Limited – a multi-modal container and rail company; and Snowman Logistics Limited – temperature controlled logistics services provider.

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

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

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

BOARD OF DIRECTORS



MR CHARLIE NG HOW KIAT

Non-Executive Director

Mr Ng was appointed to the Board as a Non-Executive Director on 22 November 2012. He is a member of the Remuneration, Nominating and Investment Committees. Mr Ng was last re-elected as a Director at the Annual General Meeting on 12 April 2018.

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.

He held previous 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 TONY CHEW LEONG CHEE

Alternate Director to Mr Charlie Ng How Kiat

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

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

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

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

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

BOARD OF DIRECTORS



DR STEVE LAI MUN FOOK

Non-Executive Director

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

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

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

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

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



MR ROLAND NG SAN TIONG

Alternate Director to Dr Steve Lai Mun Fook

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

Mr Ng is the Managing Director of one of the world's largest crawler crane rental company, Tat Hong Holdings Ltd, and he is vastly experienced in the areas of corporate management, business development and business management. He sits on the board of Tat Hong Holdings Ltd (de-listed from SGX on 20 July 2018) 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.

Mr Ng is also the President of the Singapore Chinese Chamber of Commerce & Industry ("SCCCI"), a member of the Board of Directors of Business China and a member of the Board of Trustees of the Chinese Development and Assistance Council ("CDAC").

Mr Ng holds a Bachelor of Science (Honours) degree from Loughborough University, United Kingdom. He was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2002 and the Bintang Bakti Masyarakat (Public Service Star) in 2010 by the President of the Republic of Singapore. In September 2015, Mr Ng was appointed Justice of the Peace by the President of the Republic of Singapore.

INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

MR COLIN LOW ("MR LOW"), 57

Date of Appointment
1 March 2014

Date of last re-appointment
(if applicable)
22 April 2016

Country of principal residence
Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)

The re-election of Mr Low as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Low's attendance, participation and contribution to the business and operations of the Company as well as Board processes.

Whether appointment is executive, and if so, the area of responsibility
No.

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Chairman of the Board and Independent Director, Chairman of the Investment Committee and a member of the Audit Committee and Remuneration Committee.

Professional qualifications

- Bachelor of Science in Management (Honours);
- Bachelor of Science in Marketing (Honours); and
- Master's in Business Administration.

Working experience and occupation(s) during the past 10 years

Mr Low is currently the Chairman of Singapore Investment Development Corporation Pte. Ltd. ("SIDC") and an ASEAN Council Member of INSEAD University.

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 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 a 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 has past experience as a Board member of OSIM Limited and various institutions as indicated in his past directorships below.

Shareholding interest in the listed issuer and its subsidiaries
Nil.

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries
Nil.

Conflict of interest (including any competing business)
Nil.

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer
Yes.

Other Principal Commitments* Including Directorships#

- * "Principal Commitments" has the same meaning as defined in the Code.
- # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)

Past (for the last 5 years)

Past Directorships/
Principal Commitments:

- Cancer Treatment Centers of America – US National Board Member;
- OSIM Limited;
- American Chamber of Commerce – Vice Chairman; and
- Spencer Stuart International – Advisory Board Member.

Present

Present Directorships/
Principal Commitments:

- Singapore Investment Development Corporation Pte. Ltd.;
- INSEAD University – ASEAN Council Member; and
- BLG Capital Advisors Asia Pte Ltd – Senior Advisor and Board Director.



INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

DR TAN BOON WAN ("DR TAN"), 70

Date of Appointment
5 October 2004

Date of last re-appointment
(if applicable)
20 April 2017

Country of principal residence
Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)

The re-election of Dr Tan as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Dr Tan's attendance, participation and contribution to the business and operations of the Company as well as Board processes.

Whether appointment is executive, and if so, the area of responsibility
No.

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee.

Professional qualifications

- Doctorate in Mathematical Physics; and
- Master's degree in Management.

Working experience and occupation(s) during the past 10 years

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 also sits on the boards of a few private companies and was an Independent Director of Hotung Investment Holdings Limited from 2012 to 2018.

Shareholding interest in the listed issuer and its subsidiaries

Nil.

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries

Nil.

Conflict of interest (including any competing business)

Nil.

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer

Yes.

Other Principal Commitments* Including Directorships#

- * "Principal Commitments" has the same meaning as defined in the Code.
- # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)

Past (for the last 5 years)

Past Directorships:

- Hotung Investment Holdings Limited; and
- Daman Quattro Ltd.

Present

Present Directorships:

- Provenance Capital Pte Ltd;
- Sebrina Holdings Pte Ltd;
- Amity Actus Group Ltd; and
- Amity Actus Asset Ltd.

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

- Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- Whether there is any unsatisfied judgment against him?
- Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving

INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

- (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

Dr Tan and Mr Colin Low have individually given a negative disclosure on each of the above items (a) to (k).

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

Not applicable for both Dr Tan and Mr Colin Low as this is a re-election of Director.



KEY MANAGEMENT



MR NICHOLAS YOONG SWIE LEONG

Chief Executive Officer

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

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

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



MR MAX TAY BOON ZHUAN

Chief Financial Officer

(Appointed on 16 August 2018)

Max is the Chief Financial Officer (“CFO”) of Intraco Limited. Reporting directly to the CEO, Max is responsible for all matters related to the financial and accounting functions including the review and implementation of corporate policies, regulatory compliance, risk management, financial planning and analysis, taxation, management accounting, budgeting, forecasting and corporate secretarial matters. Max was previously the CFO of Heatec Jietong Holdings Ltd. (“Heatec”), a market leader in piping and heat exchanger services for the marine and oil and gas industries, listed on the Singapore Exchange.

Prior to joining Heatec, Max was Head of Internal Audit for China Yuchai International Limited (“CYI”). Listed on the New York Stock Exchange, CYI is the largest diesel engine manufacturer in China and the major subsidiary of Hong Leong Asia, which is listed on the Singapore Exchange.

In addition, Max spent eleven years with PwC (including two years in Sydney) and two other leading accounting firms specialising in accounting, payroll, business advisory and assurance services.

Max attended Raffles Institution and Raffles Junior College; and graduated from Nanyang Technological University with a Bachelor in Accountancy degree (First Class Honours). He is also a qualified Chartered Accountant from both the Institute of Chartered Accountants in Australia (“ICAA”) and the Institute of Singapore Chartered Accountants (“ISCA”). He holds an ASEAN CPA certification.

KEY MANAGEMENT

**MR EDMOND LEE**

Senior Vice President
Intraco Trading Pte Ltd

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

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

At his most recent role as Director of Asia Peak Pte Ltd, the Asia Pacific sourcing and procurement arm of Pact Group (the largest manufacturer of rigid plastic packaging products in Australia & New Zealand), Edmond was responsible for leading the growth strategy for Pact Group in Asia. He also has vast management experience in managing teams of over 100 people across Australasia in his roles at GE and Asia Peak.

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

**MR SOH YONG POON**

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

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

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

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

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

KEY MANAGEMENT

**MS CAREN SOH YING SIN**

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

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

She 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. She also holds a Master of Science (Wealth Management) from Singapore Management University.

**MR DANIEL LIM KUAN JIOU**

General Manager, K.A. Group,
a subsidiary of Intraco Limited

Daniel Lim was appointed as General Manager of K.A. Group in March 2018. His role is to support growth in revenues within and outside Singapore. He has developed distribution networks in Hong Kong, Myanmar, Vietnam, Cambodia, Indonesia and continues to explore opportunities for K.A. Group's products and services.

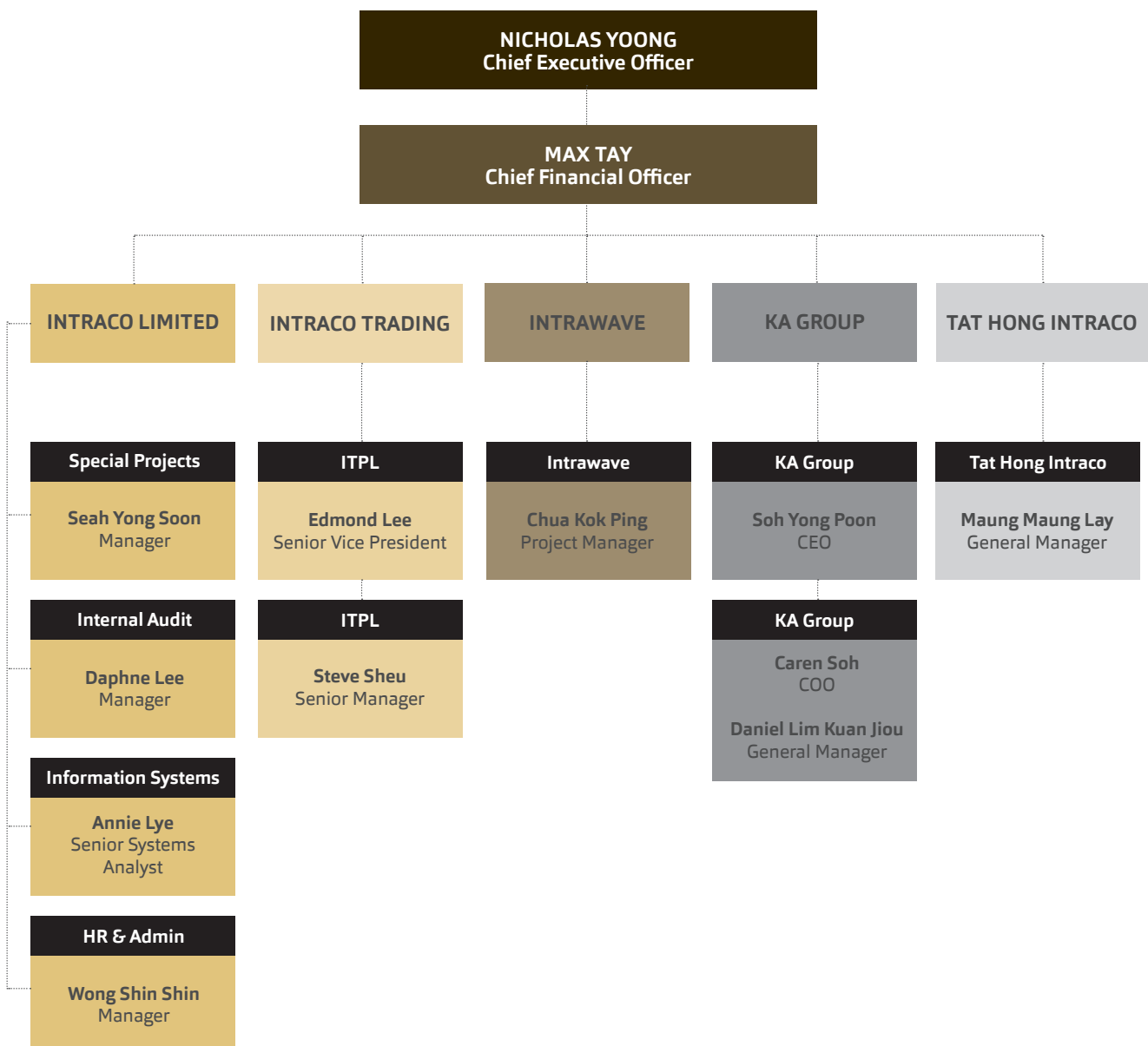
Daniel started his career with Honeywell's Regional office in Singapore. He spent more than a decade with Building Solutions and Fire & Security where he was instrumental in their geographical expansions and acquisitions in Southeast Asia. In 2007, he was nominated for Honeywell's President Star Award.

He spent the next decade of his career with Robert Bosch and United Technologies Fire & Security (formally known as GE Security). In 2014, he received two President's Star Awards for Outstanding Growth Initiatives from United Technologies.

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

KEY MANAGEMENT

INTRACO GROUP OF COMPANIES ORGANISATIONAL CHART



STRENGTHENING FINANCIALS

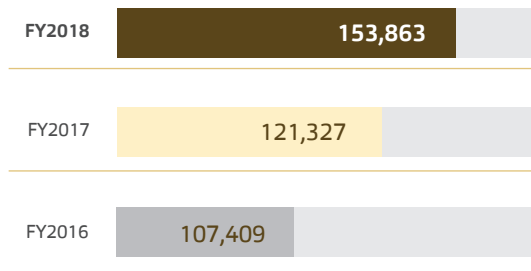
The Group has recorded its third consecutive year of growth in PAT. The immediate priority will be to drive further improvements in profitability and ensure long-term growth and sustainability.



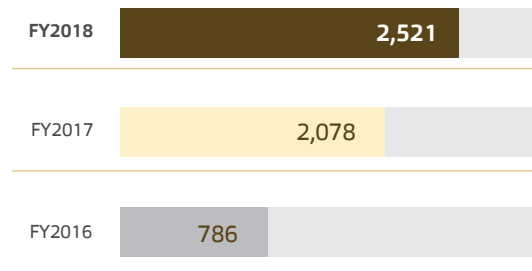


FINANCIAL HIGHLIGHTS

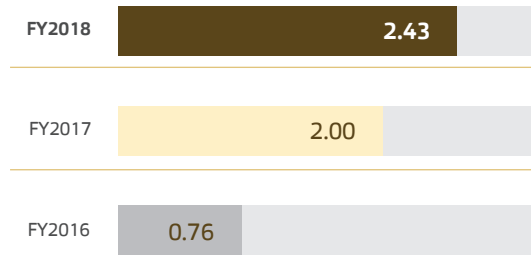
REVENUE (\$'000)



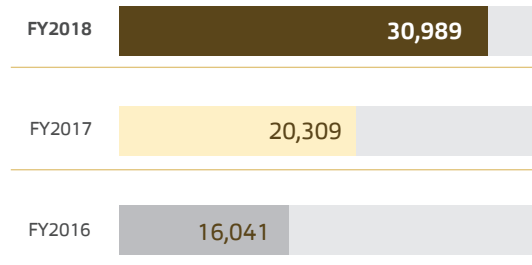
PROFIT AFTER TAX (\$'000)



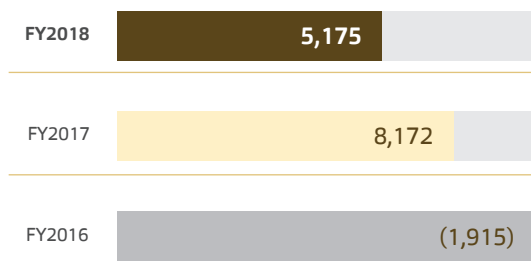
EARNINGS PER SHARE (\$ cents)



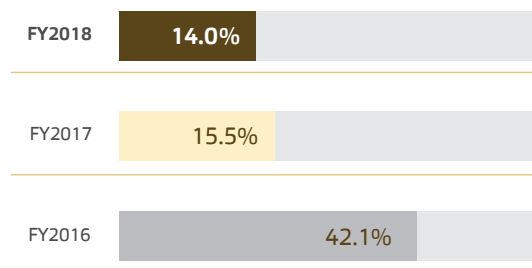
NET CASH (\$'000)



OPERATING CASH FLOW (\$'000)



GEARING (%)



OPERATIONS AND FINANCIAL REVIEW

OPERATIONS REVIEW

For the year ended 31 December 2018 ("FY2018"), the Group continued last year's effort to drive further improvements in the profitability for each of the businesses whilst identifying new growth opportunities. All five businesses generated a profit in FY2018. The initiatives introduced in FY2017 to deliver top and bottomline growth, and instil financial and cost discipline were implemented with rigour. As a result, revenues grew by 26.8% in FY2018 and corporate cost savings of 23.6% were achieved.

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

K.A. Group ("KA")

FY2018 was a challenging year for KA largely as a result of a weak carried forward order book in the year ended 31 December 2017 (FY2017) and fewer contracts secured during the financial year under review. In FY2017, KA benefited from the award of a number of landmark projects including Jewel at Changi, Amazon Data Centre and Raffles City which helped deliver a strong set of results. In comparison, there were fewer such projects in FY2018. On a brighter note, there have been signs of recovery in the Singapore construction industry since the fourth quarter of FY2018, especially in the infrastructure and residential segments although the upturn in the commercial segment where KA derives most of its businesses has been more measured. In line with this market recovery, KA kicked off FY2019 with a stronger order book as at 31 December 2018 compared to a year ago, with regional expansion continuing to be an important focus to ensure KA's longer-term growth and sustainability.

Intraco Trading ("ITPL")

Both revenue and gross profit for ITPL increased by 34.1% and 23.3% respectively in FY2018, with strong volume growth mitigating the pressure on margins throughout the year. This was achieved in spite of a tough operating environment beleaguered by the ongoing US-China trade war.

In FY2018, ITPL's international expansion plans also received funding support from Enterprise Singapore. As part of its regional growth plans, a new team has been set up with an office in Indonesia to penetrate this rapidly growing market. This will be a key area of focus for ITPL in FY2019.

Looking ahead, demand growth for polyolefin in FY2019 is expected to be hampered by geopolitical market uncertainties, incremental supplies from the United States, South East Asia, China and Korea arising from the ongoing US-China trade war and rising environmental concerns on plastic waste. To mitigate these challenges, ITPL is exploring other avenues of growth and diversification, in both its existing markets of Vietnam and Indonesia, and new markets such as China and Australia.

Intrawave ("INW")

INW delivered a solid performance in FY2018 which was primarily attributable to the successful completion of the 4G Upgrade Project of the North East MRT Line ("NEL"). During the year, INW embarked on a new NEL Extension Project which is expected to continue through to FY2022. INW is also currently in discussions with the existing mobile network operators to

undertake modification works to the existing NEL network infrastructure, in preparation of TPG's entrance as Singapore's 4th mobile network operator. This project is expected to commence in FY2019.

Tat Hong Intraco ("THI")

THI delivered profits for the second consecutive year in FY2018 with increased average utilisation rates for both the crawler and tower cranes from 63% in FY2017 to 75% in FY2018. The primary driver of this was overtime work carried out in respect of key existing projects. Generally, the construction industry in Myanmar, and particularly in Yangon where the business is concentrated, remained slow in FY2018 with stiff competition amongst key players for a limited number of projects. In spite of this, rental rates have held up in FY2018. Efforts are continuously being undertaken to position THI as a leading crane services provider in Myanmar for FY2019 and beyond.

Dynamic Colours Limited ("DCL")

DCL had a challenging year due to a combination of weak market conditions and tough business environment largely attributed to the US-China trade war. Market sentiments underpinned by uncertainties led to a disruption in overall consumer demand and some competitors sacrificing margins to gain market share. These conditions have had a material adverse impact on DCL's profit contribution to Intraco. Whilst the operating environment is expected to remain highly competitive in FY2019 amidst geopolitical uncertainties, DCL expects conditions to improve in FY2019.

OPERATIONS AND FINANCIAL REVIEW

REVENUE
S\$153.9 MILLION

GROSS PROFIT
S\$9.9 MILLION

PROFIT AFTER TAX
S\$2.5 MILLION

Going Forward (“continued from previous page”)

Despite the challenges in the operating environment, the Group has a clear strategy to expand its businesses into new markets in South East Asia, China and Australia, mainly through partnerships. The Group is constantly reviewing its investment portfolio to enhance value for shareholders and aims to achieve a successful breakthrough in terms of reconfiguring its investment portfolio in FY2019.

FINANCIAL REVIEW

Income Statement Review

Intraco Group’s revenue grew by 26.8% to S\$153.9 million in FY2018 mainly due to stronger performance from the Trading and Other Segment, which comprise revenues from ITPL and Intrawave.

The segment’s trading business (ITPL) saw strong volume growth of plastic resin as well as contributions from the development of the Indonesia market in FY2018.

In addition, the segment’s mobile radio infrastructure management services provision business (Intrawave) also delivered an improved performance following the substantial completion of the 4G Upgrade Project in Singapore’s North East MRT Line.

These improvements were partially offset by poorer performance from the Fire Protection Segment (which comprised the K.A. Group), where revenue declined by 33.7% to S\$8.4 million. This was primarily attributed to a weak project pipeline at the end of FY2017 and fewer contracts secured during the financial year under review.

Revenue contribution from the Trading and Other segment made up 94.6% of the Group’s revenue for FY2018, with the Fire Protection Segment contributing the remaining 5.4%.

Share of profits from associate and joint venture decreased from S\$1.7 million in FY2017 to S\$1.0 million in FY2018 largely as a result of a lower contribution from its associate, DCL. DCL’s results were adversely impacted by weak market conditions and intense competition.

In FY2018, the Group benefited from the full-year impact of its rigorous cost saving initiatives implemented since the second half of FY2017. Administrative expenses decreased by 14.6% from S\$10.4 million in FY2017 to S\$8.9 million in FY2018.

The combined impact of the above and a number of one-off gains resulted in a 21.3% increase in the Group’s PAT from S\$2.1 million in FY2017 to S\$2.5 million in FY2018.

Balance Sheet Review

The Group’s balance sheet remains robust with cash and cash equivalents of S\$40.6 million as at 31 December 2018, compared to S\$30.7 million as at 31 December 2017. Against total loans and borrowings of S\$9.6 million, the Group has stable net cash position of S\$31.0 million as at 31 December 2018 (compared to S\$20.3 million at 31 December 2017).

The Group’s net asset value amounted to 66.0 cents per share as at 31 December 2018, compared to 64.3 cents per share as at 31 December 2017.

Cash Flow Review

During the year, the Group generated positive operating cash flow of S\$5.2 million with gearing reduced from 15.5% in FY2017 to 14.0% in FY2018.

TOP OF THE AGENDA

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



SUSTAINABILITY REPORT

BOARD STATEMENT

The Board is pleased to present the second Sustainability Report ("the Report") of Intraco Limited and its subsidiaries ("Intraco" or "the Group"). This Report is a culmination of the Group's commitment towards incorporating sustainability into its business operations through the presentation of economic, environmental, social and governance ("ESG") performance throughout the year.

Building on last year's materiality assessment findings, the Group conducted this year's review by focusing on the most pressing ESG issues impacting the business and its stakeholders. The Group has put in place stronger controls and processes to manage the material ESG factors, which in turn demonstrate Intraco's commitment to sustainability and addressing its stakeholders' primary concerns.

Corporate governance remains an area of priority. Due to the Group's ongoing efforts to promote greater transparency, governance and integrity, Intraco has risen up the rankings in the latest publication of the Singapore Governance and Transparency Index ("SGTI") 2018 from 295 to 83. These efforts include enhancing the information available on the website, maximising transparency in its Annual Report and professionalising investor relations communications. SGTI is a leading index-survey conducted annually by NUS Business School (Centre for Governance, Institutions and Organisations, CGIO) to assess the quality of corporate governance practices for all Singapore-listed companies.

The Board oversees the sustainability efforts of the Group and determines the ESG factors material to the Group. Other responsibilities of the Board include incorporating ESG elements into the strategy formulation process and integrating them into the Group's daily business operations across all entities.

In FY2018, the Board approved the Terms of Reference ("TOR"), which sets out the Sustainability Steering Committee's ("SSC") objectives and responsibilities in relation to sustainability matters including:

- The development and regular review of the sustainability vision, mission and strategy;
- The development and review of the sustainability framework;
- The development, review and implementation of the Group's sustainability policies, practices and initiatives;
- The development of the annual Sustainability Report;
- Regular reporting to Board on sustainability-related matters; and

- Managing and escalating, if needed, any other sustainability-related matters.

The Sustainability Task Force ("STF") assists the SSC in driving the sustainability programme at Intraco.

ABOUT THIS REPORT

The Report presents Intraco's commitment, governance, sustainability policies, performance and targets in managing the ESG factors during the financial year 1 January 2018 to 31 December 2018. This Report complies with SGX Listing Rules 711A and 711B and refers to the Global Reporting Initiative ("GRI") Standards 2016. The sustainability framework adopted by the Group will be reviewed every 12 months. The Report references the following GRI disclosures:

- Disclosure 201-1 (a) from GRI 201: Economic Performance 2016;
- Disclosure 302-3 (a-d) from GRI 302: Energy 2016;
- Disclosure 307-1 (b) from GRI 307: Environmental Compliance 2016;
- Disclosure 403-2 (a) from GRI 403: Occupational Health and Safety 2016;
- Disclosure 404-1 (a) and 404-2 (a) from GRI 404: Training and Education 2016;
- Disclosure 405-1 (b) from GRI 405: Diversity and Equal Opportunity 2016;
- Disclosure 414-1 from GRI 414: Supplier Social Assessment 2016;
- Disclosure 416-2 (b) from GRI 416: Customer Health and Safety 2016; and
- Disclosure 419-1 (b) from GRI 419: Socioeconomic Compliance 2016.

This Report considers the key business activities and the associated sustainability concerns. The following entities which are based in Singapore are covered in this Report:

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

Intraco is fully committed to engaging its stakeholders and welcomes feedback on this Report and any aspects concerning its sustainability. Please send your comments and suggestions to admin@intraco.com because engaging with each of you is essential to operating Intraco's business responsibly.

SUSTAINABILITY REPORT

SUSTAINABILITY APPROACH

Intraco's sustainability approach is based on its long-term commitment to create value for its stakeholders and achieve sustainable growth. The Group continues to grow and diversify its businesses whilst consistently ingraining corporate responsibility and sustainability across every aspect of its business.

To build a sustainable business, the Board and Management make business decisions guided by its core values of integrity, trustworthiness, teamwork, performance, passion and professionalism. Sustainability is part of the Group's strategic priorities and Management works collaboratively with its stakeholders to identify their concerns and key business issues. Intraco believes that proactive management of ESG risks and opportunities can help deliver better performance and strengthen the relationship with stakeholders.

STAKEHOLDER ENGAGEMENT

The Group's stakeholders play an important role in its sustainability journey. Intraco's vision and the success of its business is closely aligned with the interests and requirements of its key stakeholders. The Group identifies and engages its various stakeholders in order to have a better understanding of their concerns relating to the business.

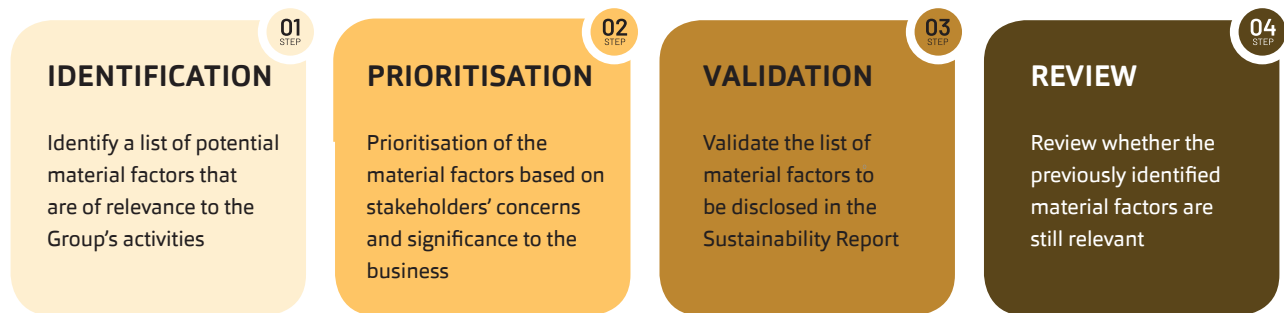
These key stakeholders include customers, suppliers, employees, investors and regulators. The Group adopts both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into its corporate strategy.

Stakeholder Group	Key Topics and Concerns	Engagement Methods	Frequency
Customers	- Customer Health and Safety - Pricing and quality of products and services	- Frontline interaction by sales managers - Email queries - Contact form on company website - Customer feedback	When applicable
Employees	- Training and Education - Personal development - Work environment - Fair compensation and benefits	- Open dialogue among teams - Training and development programmes - Employee social events - Employee feedback mechanism	Regularly
Shareholders	- Economic performance - Shareholders' returns	- Annual General Meeting - Annual Report - SGX Corporate Announcements - Company website - Press releases	Periodically
Suppliers	- Product quality requirements - Certificate of Analysis requirements	- Face-to-face meetings - Supplier assessment	Periodically
Government and Regulators	- Compliance with SGX Listing Rules - Fair market practices - Regulatory and Legal compliance	- Meetings and consultations - Regular reports	Periodically

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT AND REVIEW

The Group's materiality assessment begins with a systematic process to identify, prioritise and validate the ESG factors that balance between business perspectives with that of its stakeholders.



Intraco conducted a materiality assessment in FY2017 in a workshop involving the SSC and the Board with the help of an external consultant.

This year, a materiality review was conducted based on the results of the previous year's materiality assessment. Factors that were deemed material last year were reviewed to ensure their relevance. During the review this year, a new material factor, Acquisition, was identified in addition to the seven material factors.



SUSTAINABILITY REPORT

The material factors for this year are presented in the table below.

Category	Material Factors	Description	Detailed Information	Entities
Economic 	Economic Performance	Economic value generated by the organisation for its shareholders	Financial Review page 26 and Financial Statements, page 84 Sustainability Report, page 32	• K.A. Group • Intrawave • Intraco Trading
	Acquisition	Business growth through potential merger and acquisition activities and the due diligence process.	Sustainability Report, page 32	• K.A. Group • Intrawave • Intraco Trading
Environment 	Energy	Electricity usage for daily operations	Sustainability Report, page 32	• K.A. Group • Intrawave • Intraco Trading
Social 	Customer Health and Safety	Health & Safety considerations for customers' policies for product and service quality control	Sustainability Report, page 33	• K.A. Group • Intrawave • Intraco Trading
	Supplier Social Assessment	Procurement practices to select suppliers who maintain quality and comply with regulatory requirements	Sustainability Report, page 34	• K.A. Group • Intrawave • Intraco Trading
	Occupational Safety	Address and mitigate occupational safety risks through policies and safety trainings	Sustainability Report, page 34	• K.A. Group • Intrawave
	Employees' Well-being ¹	Employees' well-being, training and education as well as a positive and conducive workplace environment	Sustainability Report, page 36	• K.A. Group • Intrawave • Intraco Trading
Governance 	Compliance with Laws and Regulations	Compliance with local legislations	Corporate Governance Report, page 41 Sustainability Report, page 37	• K.A. Group • Intrawave • Intraco Trading

¹ Employees' Well-being is mapped to the GRI factor Training and Education

SUSTAINABILITY REPORT

ECONOMIC

Economic Performance

Intraco strives to achieve an inclusive growth for the Group, shareholders, employees and society at large and in doing so, grow in an ethical and responsible manner. Strong economic performance enables the Group to continue delivering sustainable dividends to investors, providing rewards to employees and gaining confidence from stakeholders.

Intraco believes that strategic growth plans coupled with sound financial management processes are key to delivering sustainable economic performance. In 2018, Intraco has implemented a number of initiatives that contribute to the long-term sustainability of our businesses, including:

- Embarking on a new North East MRT Line ("NEL") Extension Project;
- Setting up a representative office in Indonesia for the trading business with new hires of local employees. This initiative received the endorsement and a grant from Enterprise Singapore;
- Looking into establishing trading opportunities in China and Australia;
- Formulating plans to restart operations through its Wholly Foreign-Owned Enterprise ("WFOE") in Shanghai;
- Increasing marketing efforts for the fire-proofing products and services under the K.A. Group in the region including Vietnam, Myanmar and Malaysia;
- Improving cash and working capital management to minimise cost and maximise returns; and
- Introducing and implementing better cost control and cost management measures.

Despite the weak market conditions and tough business environment, Intraco continued its effort to drive further improvement in financial returns through proactive management of its investments across the businesses. The Group grew its revenue by 26.8%, increased its profit after tax by 21.3% and achieved 23.6% corporate cost savings in FY2018. The Group also maintained a strong balance sheet

with an increase of 32.3% in cash and cash equivalents at the end of 2018 compared to 2017. Looking ahead, the Group will continue its strategy to expand its businesses into new markets and review its investment portfolio constantly.

For more information on economic performance, please refer to the Operations and Financial Review and Financial Statements of this Annual Report.

Acquisition

Acquisition was identified as a material factor to align with the Group's business strategy, including focus on quality and business growth. Besides identifying organic growth opportunities, the Group is continuously on the lookout for new Merger and Acquisition ("M&A") and partnership opportunities. The Board and Management actively review its portfolio of investments with a view of establishing the right time to unlock maximum value for all shareholders.

Potential M&A opportunities that have been assessed by the Management and met the criteria set by the Investment Committee ("IC") are presented to the IC for evaluation and approval. The IC provides advisory support to the Management for all M&A as well as other capital investment and financial commitment matters. Due diligence is mandated and performed by an external service provider on both legal and financial aspects. Intraco recognises that the way a company handles ESG issues can affect its long-term performance and its valuation and will consider ESG assessment as part of the due diligence for any future potential targets.

ENVIRONMENT

2018 was announced as the Year of Climate Action by the Ministry of Environment and Water in Singapore. Intraco is committed to play its part in this initiative through reducing its energy consumption and carbon footprint.

Energy

The Group's primary environmental impact lies in its energy consumption in the form of electricity usage. The efforts at reducing energy consumption include enhancing its infrastructure, monitoring and reporting on energy consumption as well as increasing employees' awareness on the significance of energy reduction.

SUSTAINABILITY REPORT

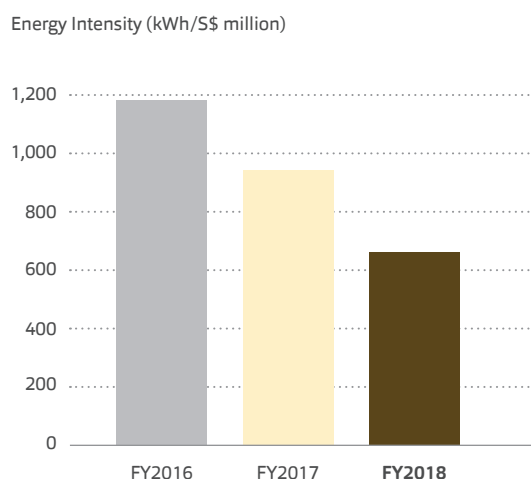
In the OG Albert Complex that houses Intraco's Singapore office, it has maintained its Building and Construction Authority ("BCA") Green Mark Gold certification. During the year, Intraco has enhanced its IT infrastructure to reduce the environmental footprint. This was achieved through regular maintenance and annual servicing of equipment and gradual phasing-out of old notebooks and desktops. Other forms of infrastructure enhancements which Intraco adopted include the practice of using more energy efficient facilities such as air-conditioners that are certified under the Singapore Energy Labelling Scheme or equivalent Certificate of Performance ("COP"). Occupancy sensors and LED lights have also been installed to reduce energy consumption.

Electricity from the local power grid is used for the operations of equipment, air-conditioning and lighting. These utilities usage are monitored and reported to management monthly.

The Group has put up reminders of energy conservation practices such as switching off lights and equipment when not in use, to encourage employees to play their part in reducing energy consumption.

Through the aforementioned energy consumption initiatives, the energy intensity in FY2018 has reduced 28% compared to the previous year as presented in the chart below:

Table 1a. Intraco Energy Intensity²



² The total energy consumption includes electricity consumption from all 3 entities – Intraco Trading, Intrawave and K.A. Group. The electricity consumption for Intrawave excludes electricity consumption at the North East MRT line Telecom Equipment Room as it is under the control of mobile operators. The electricity consumption of Intraco Trading and Intrawave is calculated based on gross floor area allocation in the shared office including the common areas.

The Group's target for the following year is to maintain a yearly reduction in energy intensity and continue to monitor energy consumption and identify initiatives to reduce electricity consumption across all operations.

SOCIAL

Product Responsibility

Customer Health and Safety

The Group places emphasis on safeguarding the health and safety of its customers. In doing so, all health and safety risks are minimised and addressed not just within the Intraco group of companies but to its supply chain as well. The Group's philosophy is to do things right the first time, and this has been implemented in relation to customers' health and safety through compliance with relevant regulations.

K.A. Group

K.A. Group ensures that it adheres to the relevant health and safety industry-specific regulations by conducting regular quality control checks on its products and services. The K.A. Fireproofing Pte Ltd's environmental management system has obtained ISO 14001:2015 certification by Certification International Singapore for the scope of supply and installation of fireproofing system to building and constructions site, along with the production and storage of fireproofing materials.

Intraco Trading

Intraco Trading ("ITPL") conducts regular quality control checks on the products and services that it provides to its customers. In addition, ITPL continues its practice of obtaining a Certificate of Analysis ("COA") from all of its suppliers.

For trades that require a more robust check, ITPL seek to obtain additional documents such as Europe ROHS Standards, REACH and US FDA for certain applications to provide the additional assurance for such products and to fulfil clients' requirements.

ITPL takes a proactive role to go beyond requirements relating to the safety of its products. Apart from renewing the required licences, ITPL also takes the onus to educate its clients on the proper use of products and also warn them of any potential health and safety risks

SUSTAINABILITY REPORT

and precautions that they should undertake to minimise potential incidents related to its customers' health and safety, through trainings and/or manuals. Additionally, ITPL engages its clients to obtain feedback on health and safety related issues. This enables us to investigate identified issues and improve upon them.

In the course of business, ITPL also makes an effort to promote recycle materials in the fast-moving consumer goods ("FMCG") market segment.

During this reporting period, there were zero incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services. The Group aims to maintain this performance the following year.

Supplier Social Assessment

Maintaining the quality and safety of its products and services is quintessential to the success of Intraco's business. Thus, the Management's efforts to ensure product and services safety extend beyond the Group and to its suppliers. The Group conducts procurement assessment on its suppliers, prioritising quality and regulatory compliance as key considerations when assessing supplier social performance.

K.A. Group

K.A. Group has in place a master list of all its suppliers. The K.A. Board approves the engagement of new suppliers that are above S\$1 million. As a means of monitoring the quality of its products, all direct materials are checked for relevant certifications upon arrival. This year, 45% of new suppliers were screened. The remaining suppliers were not assessed as they were not deemed material. K.A. Group strives to screen more suppliers in future.

Intraco Trading

As a trading company, it is imperative to maintain the quality of its products so that ITPL is deemed trustworthy by clients. This is ensured as all suppliers are required to obtain a COA for quality assurance. Intraco is currently adopting a phased approach of developing a list of social criteria to assess major suppliers.

In 2018, all ITPL suppliers have obtained a COA. ITPL aims to continue the practice of purchasing materials from major suppliers with COA.

EMPLOYEES

Occupational Safety

Employees are Intraco's most important asset and are critical in achieving success for the business. Creating a safe and conducive environment for employees to work in will allow employees to feel at ease and thus enable them to perform at their best. The nature of Intraco's businesses pose several safety risks to its employees and precautionary measures are taken to minimise these risks through policies and processes.

The Group has an Occupational Health and Safety Policy Manual as well as an Office Safety and Security Manual which are provided to all employees. These manuals are updated and revised based on any changes to the Ministry of Manpower's regulations or any associated regulations, and feedback received from employees. The Group has in place an annually reviewed Operational Risk Framework and Contingency Plan or Emergency Manuals to ensure operations can be resumed with minimal disruption in the event of unexpected and adverse events.

As a means of ensuring the safety of the workplace, regular checks are conducted to identify any areas of potential risks. Safety inspections are conducted on equipment to make sure that they are in sound condition.

Intraco has in place an incident reporting system that encourages communication and discussions about occupational safety issues. The Group believes that ensuring safety is a dynamic process and maintaining a robust and proactive incident reporting system is crucial in achieving that. In case of emergency, first aid boxes and Automated External Defibrillator and Cardiopulmonary resuscitation ("AED + CR") machines are readily available in the office. When applicable, the Group provides workplace injury compensation for work accident occurred at work.

K.A. Group

At K.A. Group ("KA"), safety is ingrained in the company's core value. The company strives to maintain a safe work environment for its employees. K.A. Group has set in place a Quality, Operational Health and Safety and Environmental ("QOHSE") policy that specifies compliance with all local health and safety requirements. Supervisors are responsible in ensuring safety equipment are in place for employee on-site. All site workers and supervisors are

SUSTAINABILITY REPORT

K.A. Group (continued from previous page)

required to attend Workplace Safety Orientation ("WSOC"), a 2-day mandatory government course, before they are allowed to work at construction sites. Additionally, safety consciousness is permeated throughout the K.A. Group through regular briefings, daily checks, safety posters and a zero-tolerance towards safety accidents. Safety equipment on site and personal equipment are checked on a daily basis.

K.A. Group continues to be certified for its safety efforts as stipulated below:

- Lloyd's Register Quality Assurance to Quality Management System Standards ISO 9001:2008 for the provision of passive fire protection application services for building and steel structures.
- SS506 Part 1:2009 and BS OHSAS 18001:2007 for the scope of supply and install of fireproofing system to building and construction, production and storage of fireproofing materials by Certification International Singapore for K.A. Fireproofing Pte Ltd's occupational safety & health management system.
- bizSAFE Level Star Certificate by the Workplace Safety and Health Council.
- Complied with BCA Contractors Registration System ("CRS") requirement for Fire Prevention and Protection Systems.

Table 2a. K.A. Group workplace injuries and fatalities



Intrawave

Intrawave specialises in the design and building of radio coverage infrastructure for telecommunication operators and hence safety is important for Intrawave. Intrawave is in compliance with all local health and safety requirements while sub-contractors are engaged to do periodic maintenance of equipment. Employees, sub-contractors and customers are provided health and safety training courses.

Due to the nature of its work with Singapore's North East MRT line ("NEL"), the Group's employees working on NEL are required to pass training courses conducted by SBST ("NEL Operator") or training refresher course conducted once every three years. SBST's approval on risks identification/assessment and control of any health and safety risk were also obtained before work commences in NEL. To enhance compliance with these regulatory requirements and attain long-term integrity from stakeholders, the Group has its own Engineering person in-charge ("EPIC") and Track Protection Officer ("TPO") qualified by SBST and will be responsible for the safe and efficient execution of engineering works in the NEL premises.

Overall, in 2018, the Group has achieved its target of maintaining zero workplace fatalities or permanent disabilities, zero workplace injuries and zero significant incidents of non-compliance resulting in regulatory breaches under the Workplace Safety and Health Act. Intrawave aims to continue to maintain the same performance next year.

Table 2b. Intrawave workplace injuries and fatalities



SUSTAINABILITY REPORT

Employees' Well-being

Intraco's employees' invaluable skills, knowledge and experience has enabled the Group to achieve the stellar results thus far. The Group believes in equipping its employees with the relevant knowledge and skill to enhance business performance. This includes building a company culture that is centred on each employee's well-being and development.

Employees' Benefits and Welfare

The Board and Management want all employees to enjoy a positive working environment by providing them with benefits and welfare initiatives that enhance their health and social wellness.

The Group initiated a policy of purchasing insurance for both personal accident insurance and group term life insurance for all employees this year. These insurance policies are reviewed and renewed annually by the Human Resource department depending on the adequacy of the coverage for employees.

The Group provides all of its employees with medical benefits and leave, including Maternity Leave and Paternity Leave as well as medical and dental insurance.

As a means of providing a healthy work-life balance for its employees, Management invites external vendors to conduct inspirational seminars on topics such as positive thinking. Emphasis on out-of-hours social activities is another initiative that the Group have set in place for all employees.

To facilitate team-building and demonstrate staff appreciation, the Group held celebrations on special occasions such as Chinese New Year, Hari Raya and Deepavali. Additionally, the various divisions organised regular team lunches to celebrate small wins or welcome new joiners. There were regular lunch gatherings meals and events organised during the year to create a positive work environment. A blood donation drive was also organised to give back to the community.

Training and Education

Knowledge is key as the Group navigates this ever-changing business landscape. Intraco's employees are provided with equal opportunities and their learning and development experiences are based on their respective strengths and needs to achieve their career goals and

reach their fullest potential. The Group encourages its employees to attend trainings and expand their exposure through job rotation and job enlargement to stay ahead of the competition.

In 2018, the Group's employees received an average of 7.18 hours of training each. Intraco's employees are provided with technical training on topics such as corporate tax planning, financial reporting, financial statements and Government and Service Tax ("GST"). Trainings on soft skills such as presentation skills, Microsoft Excel reporting skills and writing impactful business correspondence are provided for all employees. Intraco's management staff attend external seminars and conferences such as Corporate Governance Code Briefing and SID Directors' Conference 2018. In the year ahead, the Group aims to continue providing all employees with equal opportunity and access to relevant trainings according to their learning needs and career goals.

Positive Workplace Environment

The Group understands the importance of a positive workplace environment on employees' behaviour and sense of belonging. The Board and Management promotes such culture through regular engagement with all employees.

The Board and Management organised a Strategy Session in July 2018 to review the strategy and long-term direction of the Group. The Board also organised a Corporate Governance and Compliance session in May 2018 to align and reinforce organisation goals, vision and core values. There was regular staff engagement including monthly team meetings and 1-to-1 conversations, to keep employees informed on the latest updates, align goals and continuously establish ways to improve the organisation.

The Board and CEO focused on aligning performance with incentivisation and setting clear KPIs and growth targets. Data such as employee turnover and absence rate, number of training days etc. is monitored to help us better grasp employee morale. HR conducts exit interviews for all voluntary cessation of service amongst valued employees. Furthermore, the annual 360-appraisal process and regular feedback process allows Management to gain a better understanding of each employee's strengths and weaknesses as well as assess their fit with the working culture within their respective departments.

SUSTAINABILITY REPORT

GOVERNANCE

Compliance with Laws and Regulations

Intraco believes in achieving strong corporate governance whilst operating with a high level of integrity and ethics. As a responsible corporate citizen, the Group is compliant with the laws and regulations as presented below.

Employment Act

The Group abides by the requirements in the Employment Act, including the welfare of employees, CPF contributions, provision of paid annual leave and sick leave. Additionally, Intraco supports National Servicemen ("NSmen") as they devote their services to Singapore's national defence effort. Thus, the Group provides NSmen within the company flexible leave arrangement to accommodate such arrangements.

Employees are recruited solely based on their merits, such as skills, experience, ability, organisational and job fit. The Group's Human Resource department ensures equal training and development opportunities for all regardless of their ethnicity, religion, gender, marital status or age.

Intraco aims to treat all employees fairly and with utmost respect and part of this effort is to ensure all employees are issued employment contracts that clearly stipulate their employment terms and conditions. In addition to abiding by labour laws, the Group adopts Singapore's Tripartite Guidelines on Fair Employment Practices.

Anti-Child and Anti-Forced Labour

At Intraco, there is zero tolerance towards Child Labour and Forced Labour. Measures and efforts have been put in place to ensure that no unethical labour practices happen within the Group's operations. To do so, the Group complies with Singapore's Employment Act, Retirement Act, Workplace Safety and Health Act, and Factories Act.

In FY2018, there were zero incidents and grievances of child and forced labour reported. Intraco targets to continue to maintain zero incidents and grievances of child and forced labour being reported.

Diversity and Inclusiveness

The Group seeks to ensure diversity within its teams as it provides equal employment opportunities for all regardless of their ethnicity, religion, gender, marital status or age. The wealth of experience and skills that come along with a diverse team is important as it navigates the tumultuous business landscape. There was an increase in the percentage of female employees from 22% in FY2017 to 25% in FY2018. There is a recognition that there are certain sectors in the Group's businesses, such as fire protection solutions businesses, which tend to attract larger proportions of male employees, due to the job nature.

Chart 1a. Percentage of employees by age group:

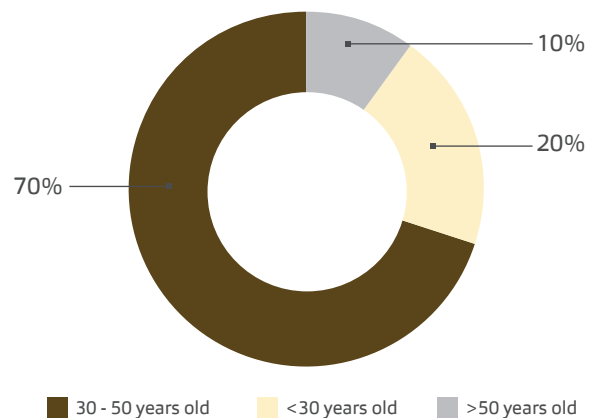


Chart 1b. Percentage of employees by gender

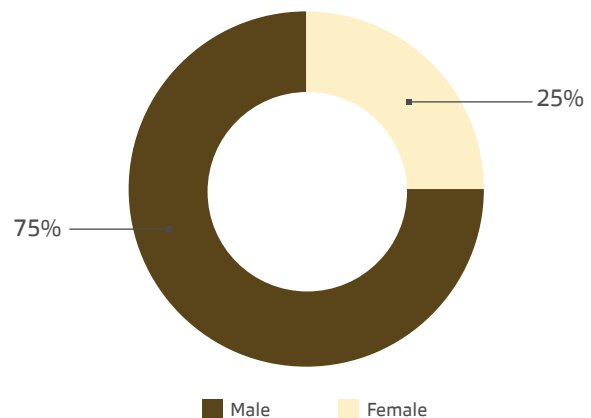
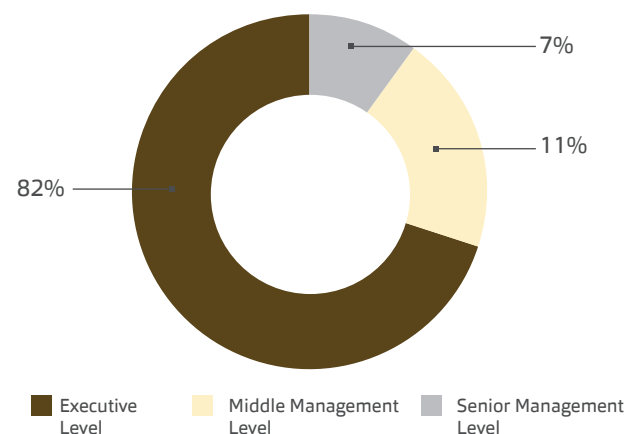
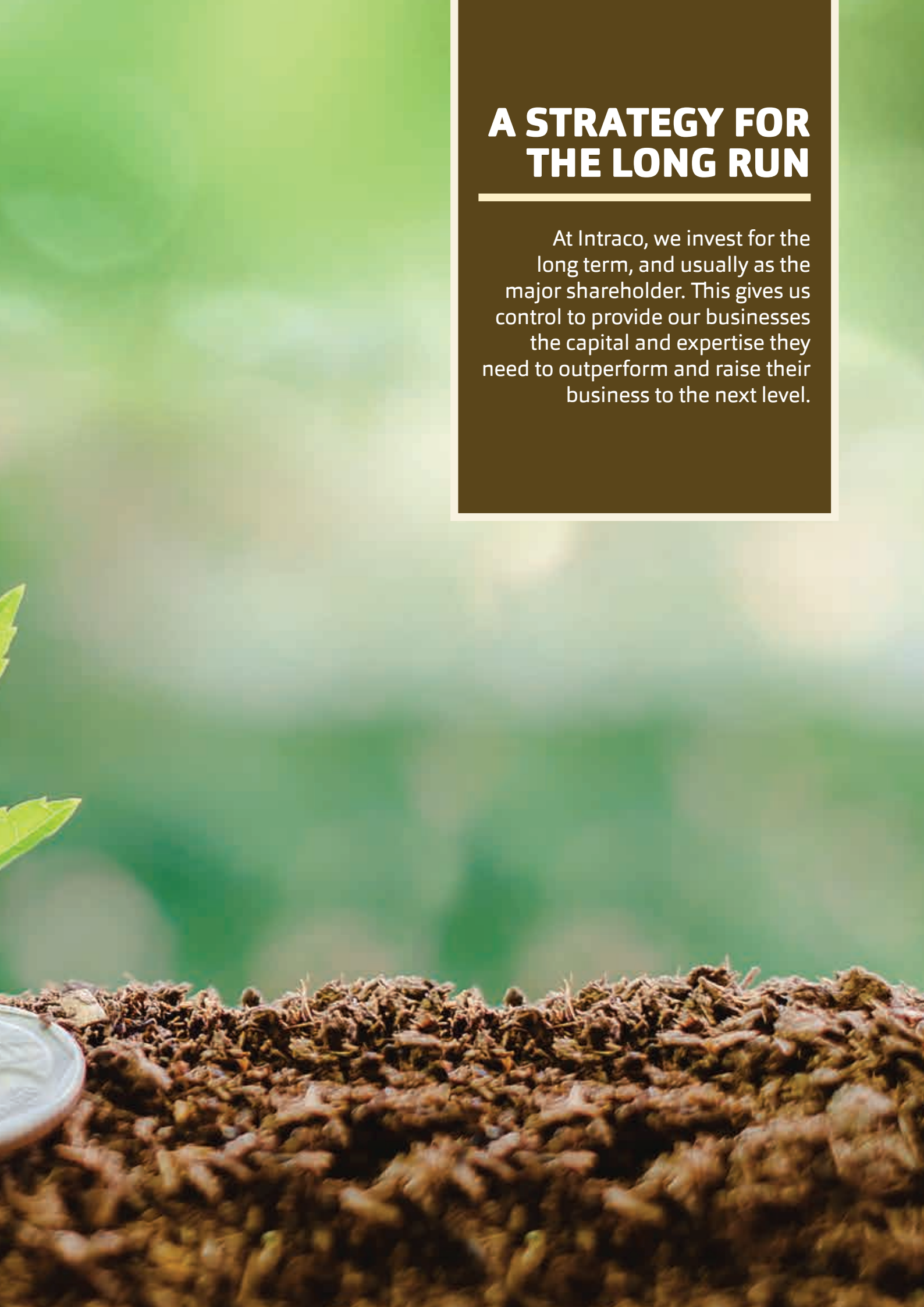


Chart 1c. Percentage of employees by employee category







A STRATEGY FOR THE LONG RUN

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

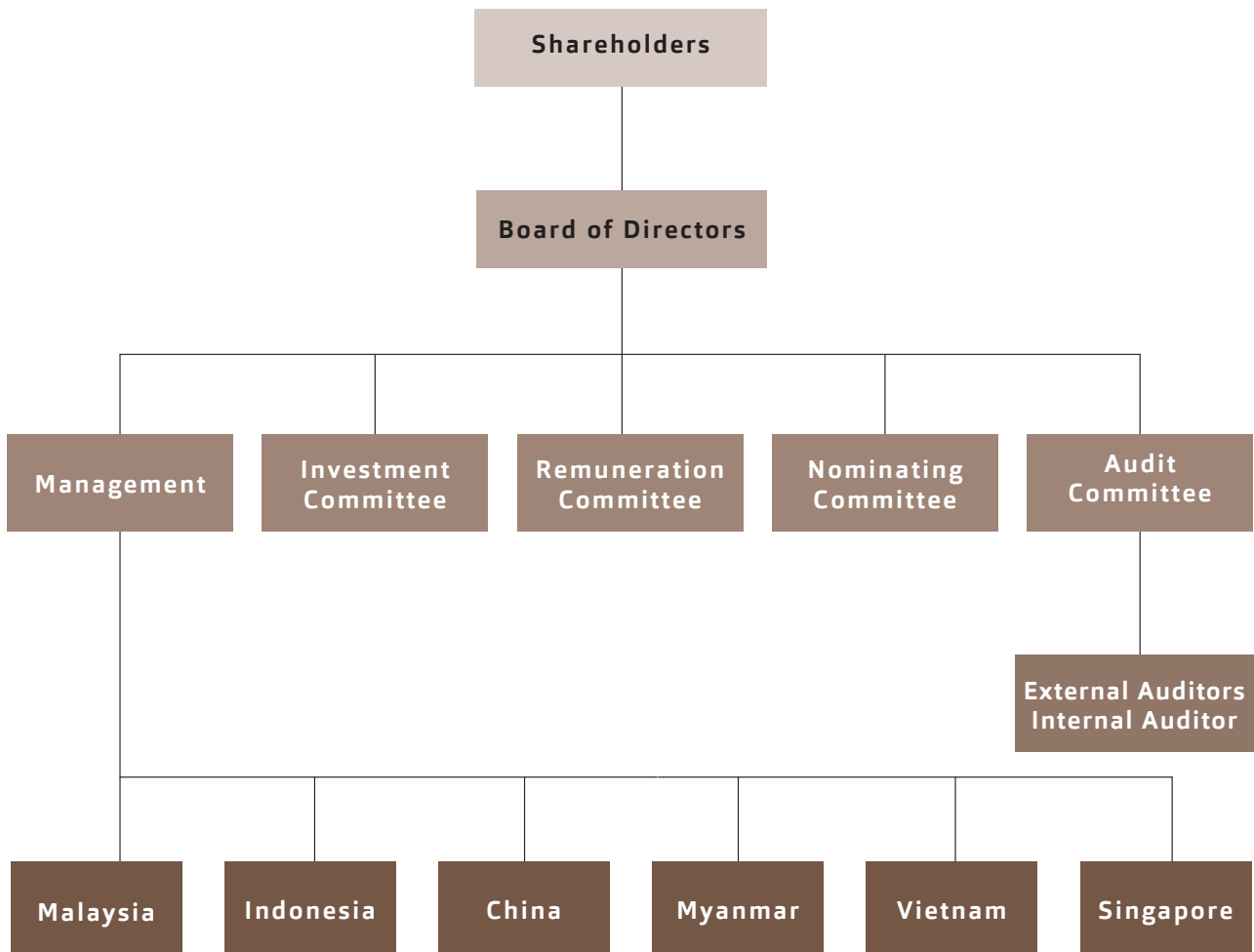
COMPLIANCE, TRANSPARENCY AND ACCOUNTABILITY

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



CORPORATE GOVERNANCE REPORT

CORPORATE REPORTING STRUCTURE



CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

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

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

This report describes the corporate governance framework and practices of the Company with specific reference made to each principle as set out in the Code. For the financial year ended 31 December 2018 (“**FY2018**”), the Company has complied in all material aspects with the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this report.

With the issuance of the revised Code of Corporate Governance (“**2018 Code**”) by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where necessary to adhere to its spirit and intent.

THE BOARD’S CONDUCT OF AFFAIRS

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

Guideline 1.1 – Role of the Board

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

Apart from its statutory responsibilities, the Board also:

1. provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial, human and operational resources are in place for the Group to meet its objectives;
2. sets objective performance criteria to evaluate the Board, individual Directors and Board Committees’ performance and succession planning process;

CORPORATE GOVERNANCE REPORT

3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Group's assets;
4. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;
5. approves all Board appointments/re-appointments and appointment of Chief Executive Officer ("CEO") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**Key Management Personnel**" or "**KMP**"), evaluates their performance and reviews their remuneration packages;
6. establishes goals and priorities for Management and reviews Management's performance by monitoring the achievement of these goals;
7. approves the nominations for the Board by the Nominating Committee;
8. reviews recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors;
9. reviews recommendations made by the Remuneration Committee and approves the remuneration packages for the Board and KMP;
10. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;
11. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
12. considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Guideline 1.2 – Disclosure on Directors discharge of duties and responsibilities

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

CORPORATE GOVERNANCE REPORT

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

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

The composition of the Board Committees for FY2018 is tabulated below:

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

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

Guideline 1.4 – Meetings of Board and Board Committees

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The number of meetings held by the Board and Board Committees and attendance records taken during FY2018 are as follows:

	Board		AC		NC	RC		IC		AGM
	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled
No. of Meetings Held in FY2018	5	2	5	1	1	2	1	4	1	1
Name of Directors	No. of Meetings attended in FY2018									
Mr Colin Low	5	2	5	1	n.a	1	1	4	1	1
Dr Tan Boon Wan	5	2	5	1	1	n.a	n.a	n.a	n.a	1
Mr Shabbir H Hassanbhai	5	2	5	1	1	1	1	n.a	n.a	1
Mr Charlie Ng How Kiat	5	2	n.a	n.a	1	1	1	4	1	1
Dr Steve Lai Mun Fook	4	2	n.a	n.a	n.a	n.a	n.a	4	1	1
Mr Tony Chew Leong Chee (Alternate Director to Charlie Ng How Kiat)	4	1	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1
Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook)	3	–	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1

* Ad-hoc meetings were held to discuss other important and strategic matters.

CORPORATE GOVERNANCE REPORT

BUSINESS PROCESSES UNDERTAKEN BY THE BOARD



Management Operating System - 2019 Business Process & Operating Mechanisms

1 st Quarter 2019	2 nd Quarter 2019	3 rd Quarter 2019	4 th Quarter 2019
January February March Board Meeting 1 Setting of Corporate Targets & Initiatives Board Meeting 2 Review of FY2018 Results	April May June Annual General meeting Board Meeting 3 HR Talent Assessment Review	July August September Board Meeting 4 Half-Year Ops Report, Offsite Strategy Forum & Planning Session	October November December Board Meeting 5 Review of 2019 Performance & Gap Review of 2020 Budget



Management Operating System - 2018 Business Process & Operating Mechanisms

1 st Quarter 2018	2 nd Quarter 2018	3 rd Quarter 2018	4 th Quarter 2018
January February March Board Meeting 1 Setting of Corporate Targets & Initiatives Board Meeting 2 Review of FY2017 Results	April May June Annual General meeting Board Meeting 3 Review of YTD 2018 Performance HR Talent Assessment Review	July August September Board Meeting 4 HY2018 Report Review Offsite Strategy Forum & Planning Session Board Meeting 5 (adhoc)	October November December Board Meeting 6 (adhoc) Board Meeting 7 Review of YTD 2018 Performance & Gap Review of 2019 Budget

The above sets out the timeline of Board processes during a calendar year. In order to show the complete cycle for FY2018 Report Review, the processes for the new calendar year, 2019 are shown.

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

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

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 (including the CEO) and Board levels.

In July, apart from the review of the Group's half year performance, a separate session for the Board and Management will also 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 and elaborate the plans and strategies for the future. Heads of business units will be invited to participate in the session. The Board together with Management will discuss the mitigation or action plans in order to achieve the agreed targets.

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

During the year, a full day offsite session was organised for the Board and Management for the above purposes. Professional consultants were engaged to give insights on strategy development by Management. As part of continuing training for the Directors and Management, external professionals were also invited to give an update of the corporate governance changes at the same time.

Guideline 1.5 – Material transactions that require Board approval

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

Guideline 1.6 – Directors to receive appropriate and relevant training

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

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

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

As part of the Board continuing professional development, the Directors had received more than 50 training hours in aggregate through attending various training seminars, courses, conferences and workshops during the year. The Company is a corporate member of the Singapore Institute of Directors ("SID"). The Directors had attended professional development programme organised by SID with collaboration with ACRA and SGX such as The AC's Role in Crisis Management, Harnessing the Full Potential of Internal Audit, Code of Corporate Governance Briefing, INSEAD Launch of Singapore Directorships Report and CG2018.

CORPORATE GOVERNANCE REPORT

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

The Directors are engaging and committed to their roles. During the year, Mr Colin Low in his capacity as Chairman of both the Company and the Investment Committee, had traveled with the Management team to review growth and merger & acquisitions ("M&A") opportunities internationally.

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

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

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

BOARD COMPOSITION AND GUIDANCE

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Name of Director	Position	Date of Initial Appointment	Date of last re-appointment/re-election
Mr Colin Low	(Chairman and Independent Director)	1 March 2014	22 April 2016
Dr Tan Boon Wan	(Independent Director)	5 October 2004	20 April 2017
Mr Shabbir H Hassanbhai	(Independent Director)	16 August 2013	12 April 2018
Mr Charlie Ng How Kiat	(Non-Executive Director)	22 November 2012	12 April 2018
Dr Steve Lai Mun Fook	(Non-Executive Director)	28 April 2015	20 April 2017

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

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

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

- he is not an executive director of the Company or any related corporation of the Company;
- he is not a 10% shareholder of the Company;
- he is not a family member of any executive director, officer or 10% shareholder of the Company;
- he is not acting as a nominee or representative of any executive director or 10% shareholder of the Company;
- he provides and enhances the necessary independence and objectivity of the Board;
- he helps to ensure effective checks and balances on the Board;
- he helps to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
- he constructively challenges and contributes to the development of business strategy of the Company; and
- he helps to ensure that adequate systems and controls are in place to safeguard the interests of the Company.

CORPORATE GOVERNANCE REPORT

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

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

Guideline 2.5 – Board to determine its appropriate size

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

Guideline 2.6 – Board Diversity

The Board has through the recommendation of the NC, approved the adoption of a Board Diversity Policy during FY2018. The Board Diversity Policy sets out the framework for promoting diversity on the Board of the Company. In the process of searching for qualified persons to serve on the Board, the NC shall strive for the inclusion of diverse groups and viewpoints. The final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

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

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

Guidelines 2.7 and 2.8 – Role of Non-Executive Directors

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

Mr Colin Low, an Independent Director, was appointed as the Chairman of the Board on 28 April 2015 and Mr Nicholas Yoong was appointed as the CEO on 1 July 2017. The Chairman and the CEO are not related.

Guideline 3.2 – Role of Chairman

The Chairman presides over the business of the Board and monitors the translation of the Board's decisions and directions into executive action. In addition, the Chairman provides close oversight, guidance, advice and leadership to the CEO and senior management. The Chairman also plays a crucial role in fostering constructive dialogue between shareholders, the Board and Management at the Company's Annual General Meeting. The Chairman leads the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Board, Management and Company Secretary.

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

1. constructively determining and approving, with the full Board, the Company's strategy;
2. ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;
3. setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;
4. ensuring that Directors receive complete, adequate and timely information;
5. fostering effective communication and constructive relations amongst the Directors, within Board Committees, between shareholders, between the Directors and Management;
6. encouraging the constructive exchange of views within the Board and between Board members and Management;
7. facilitating the effective contribution of Non-Executive Directors and Independent Directors;
8. promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and
9. establishing a relationship of trust with the CEO.

CORPORATE GOVERNANCE REPORT

Given the independence of the Chairman, separation of roles between the Chairman and CEO, and a strong balance of independent directors on the Board (3 of the 5 Directors are independent), the Board is of the view that there are adequate safeguards and checks in place to ensure the objective assessment of the Group's ongoing affairs. The current structure also facilitates a decision-making process by the Board that is based on the collective decision of all Directors, without any concentration of power or influence residing in any one individual. In view of this, the appointment of a lead independent director is not considered by the Board to be necessary.

BOARD MEMBERSHIP

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

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

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

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

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

Guideline 4.2 – Roles of the NC

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

1. identifying candidates and reviewing all nominations for the appointment or re-appointment of Directors (including Alternate Directors), the CEO of the Group, and determining the selection criteria;
2. reviewing the independence of each Independent Director annually;
3. deciding whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;
4. reviewing the Board structure, size, balance and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary;
5. reviewing Board succession plans for Directors, in particular, the Chairman, the CEO and KMP;
6. determining how the Board and Board Committees' performance may be evaluated and proposing objective performance criteria for the Board's approval;
7. reviewing the training and professional development programmes for the Board;
8. the re-election of Director(s) by shareholders under the "retirement by rotation" provisions in the Company's Constitution having due regards to the composition and progressive renewal of the Board, and the competency, performance and contribution of the Director including his attendance, preparedness and participation at Board and its Board Committees meetings. A Director's time and effort accorded to the Company's business and affairs will also be considered. Where appropriate, the NC will also consider the Director's independence.

CORPORATE GOVERNANCE REPORT

Summary of activities carried out by the NC during the year includes:

(i) **Reviewing and recommending nomination for re-appointment of Directors**

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

Mr Colin Low and Dr Tan Boon Wan are subject to retiring pursuant to Article 115 of the Company's Constitution at the forthcoming AGM of the Company. The retiring Directors, being eligible, had consented to continue in office and would seek re-election at the forthcoming AGM.

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

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

Information regarding the Directors nominated for re-election/re-appointment, including the information required under Appendix 7.4.1 of the Listing Rules is given in the "Board of Directors" section, pages 15 to 17 of this Annual Report.

(ii) **Guideline 4.3 – NC's Determination of Independent Director's Independence**

The NC is charged with determining the independence of the directors as set out under Guidelines 2.3 and 2.4 above as well as the relationships or circumstances which would deem a director not to be independent.

(iii) **Guideline 4.4 – Board representations**

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Colin Low	OSIM International Ltd (de-listed from SGX-ST's main board on 29 August 2016)	Principal Commitment – Singapore Investment Development Corporation
Dr Tan Boon Wan	Listed – Hotung Investment Holdings Ltd.	–
Mr Shabbir H Hassanbhai	–	Listed – Gateway Distriparks Limited India Snowman Logistics Limited, India and Dynamic Colours Limited, Singapore Principal Commitments – Indo Straits Trading Co Pte Ltd Hassanbhai Realty Pte Ltd Zee Chin & CO Pte Ltd Hakimuddin & Sons Pte Ltd
Mr Charlie Ng How Kiat	–	Principal Commitment – Macondray Holdings Pte Ltd
Dr Steve Lai Mun Fook	–	Listed – Yongmao Holdings Limited
Mr Tony Chew Leong Chee	Listed – Keppel Corporation Limited (retired on 1 May 2015)	Principal Commitment – Asia Resource Corporation Pte. Ltd.
Mr Roland Ng San Tiong	Listed – CSC Holdings Ltd (resigned on 4 March 2016)	Listed – Yongmao Holdings Limited Principal Commitments – Tat Hong Holdings Ltd (de-listed from SGX-ST's mainboard on 20 July 2018) Chwee Cheng & Sons Pte Ltd Tat Hong Investments Pte Ltd Tat Hong Equipment (China) Pte. Ltd. TH Investments Pte Ltd TH60 Investments Pte Ltd Tat Hong Belt Road Pte. Ltd. THAB PTP Sdn Bhd Edmund Tie & Company (SEA) Ptd. Ltd. THSC Investments Pte Ltd Tat Yang (Shanghai) Co., Ltd Singapore Chinese Chamber of Commerce & Industry

- (iv) Assessing the effectiveness of the Board, Board Committees and individual directors as described under Guidelines 5.1 to 5.3 below.
- (v) Reviewed the Board Diversity Policy as set out in Guideline 2.6.
- (vi) Reviewed the succession planning of KMP within the Group.

CORPORATE GOVERNANCE REPORT

Guideline 4.5 – Alternate Directors

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

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

Guideline 4.6 – Procedure for Selection and Appointment of New Directors

The NC recognises succession planning as an important part of the governance process and reviews succession plans annually to ensure that Board membership is refreshed progressively and in an orderly manner. The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new Directors. For FY2018, 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 appointment to Board Committees is reviewed and approved at the same time.

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

Guideline 4.7 – Key Information on Directors

The profiles of the directors are set out on pages 11 and 14 of this Annual Report.

Please refer to Guideline 4.4 on page 54 for the information on the directorships or chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director.

BOARD PERFORMANCE

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

Guidelines 5.1 to 5.3 – Assessing the effectiveness of the Board, Board Committees, Individual Director

The Board has established a set of criteria for evaluating the effectiveness of the Board and Board Committees, as well as each individual Director.

CORPORATE GOVERNANCE REPORT

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

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

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

The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed, for example to align with changes to the 2018 Code and the onus should be on the Board to justify the decision.

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

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

The results of the Board, Board Committees and Individual Director evaluation are compiled by the Company Secretary and given to the NC. In discussing the results of the performance evaluations for FY2018, the Board and Board Committee members were able to identify areas for improving their effectiveness.

The NC was generally satisfied with the FY2018 Board and Board Committees' performance evaluation results. No significant problems were identified. Board members had been engaged in more discussions and the NC together with the Board Chairman concurred that the Board had made good progress during the year. The NC had recommended that the respective Board Committee work with Management on the findings where they relate to their areas of responsibility. The NC will continue to review the evaluation process from time to time. The Board concurred with the NC's recommendation.

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

ACCESS TO INFORMATION

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

CORPORATE GOVERNANCE REPORT

Guidelines 6.1 and 6.2 – Access to Information

To assist the Board in fulfilling its responsibilities, Management provides the Board with reports containing complete, adequate and timely information prior to Board meetings, and on an on-going basis. However, sensitive matters may be tabled or discussed at Board meetings without any board papers distributed. Board and Board Committees papers are provided electronically and can be accessed via tablet devices.

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.

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

Guidelines 6.3 and 6.4 – Role of the Company Secretary

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

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

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

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

REMUNERATION MATTERS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The written key terms of reference of the RC include:

1. recommending Non-Executive Directors' fees, Executive Directors' (if any) and the CEO's remunerations 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 remunerations of the CEO and the top 5 KMP (who are not Directors) in accordance with the approved remuneration policies and processes of the Company;
5. reviewing the eligibility of the CEO, Executive Directors and KMP for benefits under any long-term incentive schemes;
6. administering the Intraco Employee Share Option Scheme (the "**2013 Scheme**") and any other share option scheme or share plan established from time to time for the Directors and KMP. More information on the 2013 Scheme is set out in the Directors' Statement on pages 75 to 76;
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 is structured so as to link rewards to corporate and individual performance.

Summary of activities carried out by the RC is described under Guidelines 7.2, 7.3, 8.1, 8.2, 8.3, 9.1 to 9.6 below.

Guideline 7.2 – Remuneration Framework

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

The RC reviews all matters concerning the remuneration of the Non-Executive Directors to ensure that remuneration is 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. When required, Directors travel to assist Management by visiting target companies to better understand their operations. This would enable the Board to make a well-informed decision in evaluating the targets. A budget of S\$40,000 as travel allowance has been recommended by the RC and it will form part of the Directors' fees to be approved by the shareholders at the Company's AGM. The annual quantum of Directors' fees to be paid is also reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

CORPORATE GOVERNANCE REPORT

The RC also reviews the remuneration packages of the CEO and KMP and submits its recommendations to the Board for endorsement. A fundamental element in the remuneration principles is the concept of pay for performance and the RC will look at the total remuneration provided which comprises annual fixed salary and variable salary component. The variable salary component is in the form of variable bonus that is linked to the performance of the Group and the individual's performance.

The RC sets the remuneration guidelines for the Group for each annual period including annual increments, total incentives for distribution to staff of all grades and structuring long-incentive plans, if applicable.

Guideline 7.3 – RC access to expert professional advice

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

For the year under review, the Company had engaged a remuneration consultant, Willis Towers Watson ("WTW"), to review the Director's Fees Framework. The remuneration consultant has no relationships with the Company. The RC had reviewed the recommendations made by WTW submitted during the year. Although there were merits to adjust the Directors' fees, the RC having considered the current position of the Group, opined that it would not be an appropriate time to revise the fees. Therefore, RC recommended the WTW Report be kept in abeyance for the time being. The RC will revisit this when the circumstances allow for it.

Guideline 7.4 – Fair and Reasonable Termination Clauses

The Company's external lawyers were engaged in 2017 to assist the RC to review the Company's obligations arising in the event of termination of the KMP's contracts of service and the RC is satisfied that the termination clauses are fair and reasonable and not overly generous.

LEVEL AND MIX OF REMUNERATION

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

Guideline 8.1 – Remuneration of Executive Directors and KMP

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

As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the KMP and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance. The RC will review the key performance indicators (KPIs) of the KMP and such KPIs will be tied to the profitability of the specific business which the individuals are managing.

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

CORPORATE GOVERNANCE REPORT

Guideline 8.2 – Long-term Incentive Scheme

The employees of the Group, including Non-Executive Directors, are eligible to participate in the 2013 Scheme. The 2013 Scheme serves as a long-term incentive scheme to better align the interest of KMP with the Company's shareholders. No options were granted under the 2013 Scheme in FY2018.

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

Guideline 8.3 – Remuneration of Non-Executive Directors

The RC has recommended to the Board a total amount up to S\$440,000 (including the \$40,000 travel allowance) as Directors' fees for the financial year ending 2019 ("FY2019"), to be paid quarterly in arrears. This would be tabled at the forthcoming AGM for shareholders' approval. The Directors' fees for FY2019 remain the same as FY2018.

The Board concurred with the RC that the proposed Directors' fees for FY2019 is appropriate and not excessive, taking into consideration the level of contributions by the Directors, their responsibilities and obligations and factors such as effort and time spent for serving on the Board and Board Committees.

Guideline 8.4 – Reclaim Incentive Components

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

DISCLOSURE ON REMUNERATION

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

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

A summary compensation table of the Directors receiving remuneration from the Company for FY2018 is appended below:

Name of Directors	Directors' Fees	Travel Allowance	Total (S\$)
Mr Colin Low	88%	12%	129,875
Mr Shabbir H Hassanbhai	100%	–	85,500
Dr Tan Boon Wan	100%	–	70,625
Mr Charlie Ng How Kiat	100%	–	68,375
Dr Steve Lai Mun Fook	100%	–	52,125

CORPORATE GOVERNANCE REPORT

A summary compensation table of the CEO and KMP receiving remuneration from the Company for FY2018 is appended below:

Remuneration Band & Name of CEO and KMP	Salary	Bonus	Other Benefits ⁽¹⁾	Total (\$\$)
S\$500,000 to S\$749,999				
Mr Nicholas Yoong Swie Leong	66.6%	22.2%	11.2%	100.0%
S\$250,000 to S\$499,999				
Mr Soh Yong Poon	78.0%	6.5%	15.5%	100.0%
Ms Caren Soh Ying Sin	77.7%	6.5%	15.8%	100.0%
Below S\$250,000				
Ms Thed Tian Jee ⁽²⁾	83.6%	–	16.4%	100.0%
Mr Max Tay Boon Zhuan ⁽³⁾	74.0%	18.5%	7.5%	100.0%
Mr Edmond Lee Teng Chye ⁽⁴⁾	69.7%	20.3%	10.0%	100.0%
Mr Daniel Lim Kuan Jiou ⁽⁵⁾	94.6%	–	5.4%	100.0%

Notes:

- (1) Other benefits refer to employer's CPF and other allowances
- (2) Ms Thed Tian Jee resigned as GFC of the Company on 29 June 2018
- (3) Mr Max Tay Boon Zhuan was appointed as CFO of the Company on 16 August 2018 and his remuneration was pro-rated in the above table
- (4) Mr Edmond Lee Teng Chye was appointed as Senior Vice President of the Company on 1 February 2018 and his remuneration was pro-rated in the above table
- (5) Mr Daniel Lim Kuan Jiou was appointed as General Manager of K.A. Group on 19 March 2018 and his remuneration was pro-rated in the above table

The disclosure of the CEO 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 as set out in the above table. Due to sensitivities and confidentiality reasons, the Company believes that disclosure of their remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between their compensation and performance. Further details are deemed to be not in the interest of the Company due to the competitiveness of the industry for key talents. The aggregate remuneration paid to the said KMP (who are not Directors or CEO of the Company) in FY2018 amounted to S\$1,257,779.

Apart from the above, no termination, retirement and post-employment benefits were granted to the Directors, CEO and the KMPs for FY2018.

Guideline 9.4 – Employees who are Immediate Family Members of a Director or the CEO

No employee of the Group was an immediate family member of a Director or the CEO in FY2018.

Guideline 9.5 – Employee Share Scheme

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

CORPORATE GOVERNANCE REPORT

Guideline 9.6 – Remuneration and Performance

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

During the year, the RC had discussed and considered the implementation of a long-term incentive plan on shares grants. However, due to the liquidity of the Company's shares, the shares grants might not be an attractive incentivisation tool at this point in time. The RC will continue to review the shares grants option when appropriate.

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

ACCOUNTABILITY AND AUDIT

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

Guideline 10.1 – Accountability for accurate information

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

The Audit Committee and the Board also meet to review and monitor the Group's performance at regular interval besides the Group's half-yearly and full year financial performance.

Guideline 10.2 – Compliance with legislative and regulatory requirements

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

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

Guideline 10.3 – Management Accounts

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guideline 11.1 – Design, implementation and monitoring of risk management and internal control systems

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

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

Guideline 11.2 – Adequacy and effectiveness of risk management and internal control systems

The Board has adopted an enterprise risk management framework. This risk framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks.

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

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

The identification and management of risks are delegated to Management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Identified risks that affect the achievement of the Group's business objectives are compiled in the Group Risks Register and are being ranked according to the likelihood and consequential impact to the Group as a whole.

Risk Management Policies and Processes

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

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

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

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

CORPORATE GOVERNANCE REPORT

Guideline 11.3 – Adequacy and effectiveness of internal controls

On half-yearly and annual basis, the CEO and CFO will provide a written confirmation (“**Management Assurance Letter**”) to the Board confirming that:

1. the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances;
2. nothing had come to Management’s attention which might render the financial results of the Group as at the end of the financial year to be false or misleading in any material aspect;
3. Management was aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company; and
4. there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Company’s financial, operational, compliance and information technology controls which could adversely affect the Company’s ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

The Board has received the Management Assurance Letter duly signed by the CEO and CFO.

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 CFO, 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 2018 to address financial, operational and compliance risks, including information technology risks, which the Company considers relevant and material to its operations.

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

Guideline 11.4 – Separate Risk Committee

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

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

Guideline 12.1 – Composition of the AC

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

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

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

Guideline 12.2 – Expertise of AC members

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

Guideline 12.3 – Authority of the AC

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

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

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

1. reviewing the audit plans of the internal and external auditors of the Company, and their reports arising from their audits including Management's response to their letter to Management;
2. reviewing the financial statements of the Company and the consolidated financial statements of the Group;
3. reviewing the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account to ensure the integrity of the financial statements and any formal announcements relating to the financial performance of the Company and of the Group; reviewing the half-year and full year results announcements of the Group before submission to the Board for approval;
4. reviewing and reporting the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls and risk management systems;

CORPORATE GOVERNANCE REPORT

5. the cost-effectiveness, independence and objectivity of the external auditors, nature and extent of non-audit services provided and approval of audit and non-audit fees payable to the external auditors. Audit and non-audit fees which comprised corporate tax compliance services paid to the external auditors, KPMG LLP, amounted to S\$240,858 and S\$64,994 respectively.

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

6. making recommendations to the Board for the appointment or re-appointment of the external auditors of the Company. The AC, with the concurrence of the Board, recommended the re-appointment of KPMG LLP, Public Accountants and Chartered Accountants, as the Company's Auditors for the ensuing year based on their performance and quality of their audit;
7. reviewing interested person transactions ("IPTs") to ensure that the current procedures for monitoring of IPTs have been complied with and that the IPTs are on normal commercial terms and not prejudicial to the interests of the Company's minority shareholders;
8. reviewing the scope and results of the internal audit procedures, and the adequacy and effectiveness of the Company's internal audit function;
9. approving the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced; and
10. directing the Management to report regularly to AC on the Company's risk profile and the status of risk mitigation action plans.

During FY2018, the AC has carried out the above duties as provided in their terms of reference. In addition, the AC has assisted the Board to review the Company's sustainability report framework. The AC also ensured that Management put in place the terms of reference for the internal Sustainability Steering Committee who oversees the development, review and implementation of the Group's sustainability policies, practices and initiatives.

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.

CORPORATE GOVERNANCE REPORT

In performing its functions, the AC also:

1. confirms that the Company has complied with Listing Rule 715 in relation to the appointment of the same auditing firm based in Singapore to audit the financial statements of the Company, all of its Singapore-incorporated subsidiaries and joint venture; and
2. confirms that the Company has complied with Listing Rule 716 in relation to the appointment of the different auditing firm based in Singapore to audit the financial statements of its associate, Dynamic Colours Limited. The AC, with the concurrence of the Board, is satisfied that such an appointment would not compromise the standard and effectiveness of the audit of the Company. The Group's subsidiaries, associate and joint venture are disclosed under Note 6 and 7 of the Notes to the Financial Statements on pages 121 to 124 of this Annual Report.

Guideline 12.5 – Meeting with external auditors and internal auditors

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

Guideline 12.6 – Review the independence of external auditors

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

Guideline 12.7 – Whistle-blowing policy

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

The policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Company and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. There was no whistle blowing report received for FY2018.

New employees are briefed on the policy.

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

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

CORPORATE GOVERNANCE REPORT

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 FY2018.

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

CORPORATE GOVERNANCE REPORT

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

INTERNAL AUDIT/INTERNAL AUDITOR ("IA")

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

Guideline 13.1 – Role of IA

The role of IA is to provide independent and objective assurance that adds value and improve the Group's operations. The IA helps the Group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes. The IA conducts regular audits of the Group's subsidiaries based on a risk based audit approach in its audit plan approved by the AC. The IA of the Company reports functionally to the AC Chairman and administratively to the CEO. The AC is responsible for the appointment, termination and remuneration of the IA.

Guideline 13.2 – Adequacy of resources

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

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

Guidelines 13.3 and 13.4 – IA function

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

Guideline 13.5 – Adequacy and effectiveness of the IA function

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

Guideline 14.1 – Communication with shareholders

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

The Company does not 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 newspapers and made available on the Group's website.

Guideline 14.2 – Participation of shareholders at general meetings

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

Guideline 14.3 – Appointment of proxies

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

COMMUNICATION WITH SHAREHOLDERS

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

Guideline 15.1 – Information to shareholders

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

Guideline 15.2 – Company to disclose information on a timely basis

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

CORPORATE GOVERNANCE REPORT

Guidelines 15.3 and 15.4 – Dialogue with shareholders

The Group's Investor Relations ("IR") Team is led by the Board Chairman, and actively supported by the CEO as well as an external Investor Relations agency, Citigate Dewe Rogerson Singapore Pte Ltd ("CDR Singapore"). The Chairman and CEO are empowered to act as spokespersons towards security holders and securities markets professionals. Enquiries are to be directed to the Group's external IR agency, CDR Singapore at (65) 6534 5122 or email huikheng.chia@citigatedewerogerson.com. To-date, given the nature of the Company's business which has not materially changed, the Company has not solicited the views of shareholders other than those expressed by them during its general meetings. The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when necessary.

Guideline 15.5 – Dividend Policy

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

The Company did not declare any dividends for FY2018. There was insufficient distributable profits available for the declaration of dividend as there was a loss at Company level despite net profits at Group level. The Company level loss was mainly due to fair value losses on the written call and put options in connection with the Company's acquisition of the remaining 30% equity interest in K.A. Group. The significant decline in the financial performance of the K.A. Group was a key contributor in the lower valuation of the above-mentioned options, resulting in the fair value losses.

CONDUCT OF SHAREHOLDER MEETINGS

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

Guideline 16.1 – Absentia voting

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

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

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

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

Guideline 16.3 – Attendance at general meetings

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

Guideline 16.4 – Minutes of general meetings

All minutes of general meetings are available to shareholders upon request.

CORPORATE GOVERNANCE REPORT

Guideline 16.5 – Voting by Poll

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

INVESTMENT COMMITTEE (“IC”)

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

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

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

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

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

1. investments, 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.

Summary of activities carried by the IC during the year include:

1. Review of the Group’s investment in associated companies and subsidiaries;
2. Review of investment of proceeds from bond divestment; and
3. Review of new investment opportunities.

CORPORATE GOVERNANCE REPORT

CONDUCT AND ETHICS POLICY

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

DEALINGS IN SECURITIES (LISTING RULE 1207(19))

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

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

The Company has in place internal procedures to ensure that all transactions with interested persons are reported to AC in a timely manner, and an IPT register is maintained by the Company's IA. The Company currently does not have an IPT mandate in place. For FY2018, there was no IPT.

MATERIAL CONTRACTS (LISTING RULE 1207(8))

Except as disclosed in Note 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 FY2018.

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 2018.

In our opinion:

- (a) the financial statements set out on pages 84 to 181 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Mr Tony Chew Leong Chee (Alternate Director to Mr Charlie Ng How Kiat)		
Intraco Limited		
– ordinary shares		
– deemed interests	28,998,400	28,998,400

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook) Intraco Limited		
– ordinary shares		
– deemed interests	29,486,148	29,486,148

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 2019.

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

SHARE OPTIONS

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

Information regarding the 2013 Scheme is set out below:

- Under the rules of the 2013 Scheme, Executive Directors, Non-Executive Directors and employees of the Company, its subsidiaries and its associated companies over which the Company has control (“Associated Companies”), who are not controlling shareholders or their associates, are eligible to participate in the 2013 Scheme.
- The 2013 Scheme is administered by the Company’s Remuneration Committee (the “Committee”), comprising three directors, Mr Shabbir H Hassanbhai (Chairman), Mr Colin Low and Mr Charlie Ng How Kiat, with powers to determine, inter alia, the following:
 - (i) persons to be granted options;
 - (ii) number of options to be offered; and
 - (iii) recommendations for modification to the 2013 Scheme.

DIRECTORS' STATEMENT

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.
- 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.

DIRECTORS' STATEMENT

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.

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
13 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Intraco Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 84 to 181.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 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 costs in the projects business

(Refer to Note 18 – Revenue)

Risk

The amount of revenue and costs recognised on the projects business is dependent on the assessment of the total project costs to be incurred to fulfil the contract and costs incurred to-date to determine the timing of satisfaction of performance obligations (using the input method). As significant judgement and uncertainty is involved in estimating the total project cost to be incurred to fulfil the contract and costs incurred to-date of each project, the Group might inappropriately account for revenue and costs recognition.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

Our response

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

We also checked the mathematical accuracy of the revenue and costs 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 costs to be balanced. We did not identify any mathematical errors in respect of revenue and costs calculation for significant projects.

Recoverability of goodwill

(Refer to Note 5 – Intangible assets)

Risk

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

Our response

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

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

Our findings

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

Valuation of contingent consideration and financial derivatives

(Refer to Note 16 – Contingent consideration of the Group and Note 8 – Financial derivatives of the Company)

Risk

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

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

Our response

We assessed the appropriateness of the valuation methodologies used by the independent external valuer against those applied by other valuers, and reasonableness of key inputs and assumptions used in determining the fair values of the contingent consideration and financial derivatives. We compared the observable inputs used against independent sources and available market data. We also tested the mathematic accuracy of the calculations. We considered the adequacy of the disclosures in the notes to financial statements in describing the inherent degree of subjectivity and key assumptions in the estimates.

Our findings

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

Valuation of joint venture

(Refer to Note 7 – Joint venture)

Risk

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

Our response

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

Our findings

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY INTRACO LIMITED AND ITS SUBSIDIARIES

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kar Yee, Linda.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

13 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Assets							
Non-current assets							
Property, plant and equipment	4	15,131	11,364	7,402	158	476	326
Intangible assets	5	6,913	6,926	7,130	–	–	–
Subsidiaries	6	–	–	–	22,037	18,836	16,920
Associate and joint venture	7	20,741	20,820	21,867	16,748	16,504	16,827
Other investments, including derivatives	8	–	9,639	9,744	–	9,639	9,744
		42,785	48,749	46,143	38,943	45,455	43,817
Current assets							
Other investments, including derivatives	8	–	–	–	2,494	5,504	1,480
Inventories	9	1,542	1,427	1,532	–	–	–
Trade and other receivables	10	16,419	12,258	12,875	12,492	15,185	21,283
Contract assets	11	1,165	2,132	2,898	–	–	–
Cash and cash equivalents	12	40,586	30,674	44,103	18,354	9,116	8,006
		59,712	46,491	61,408	33,340	29,805	30,769
Total assets		102,497	95,240	107,551	72,283	75,260	74,586
Equity							
Share capital	13	84,069	84,069	84,069	84,069	84,069	84,069
Reserves	13	(338)	(501)	702	8,403	5,203	2,937
Accumulated losses		(15,249)	(16,849)	(18,166)	(23,635)	(21,403)	(24,853)
Equity attributable to owners of the Company		68,482	66,719	66,605	68,837	67,869	62,153
Liabilities							
Non-current liabilities							
Loans and borrowings	15	777	1,742	1,935	–	–	–
Trade and other payables	16	2,208	4,594	6,340	–	–	–
Deferred tax liabilities	17	554	570	617	–	–	–
		3,539	6,906	8,892	–	–	–
Current liabilities							
Loans and borrowings	15	8,820	8,623	26,127	–	–	–
Trade and other payables	16	21,336	12,453	5,483	3,446	7,391	12,433
Current tax liabilities		320	539	444	–	–	–
		30,476	21,615	32,054	3,446	7,391	12,433
Total liabilities		34,015	28,521	40,946	3,446	7,391	12,433
Total equity and liabilities		102,497	95,240	107,551	72,283	75,260	74,586

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 S\$'000	2017 S\$'000
Revenue	18	153,863	121,327
Cost of sales		(143,966)	(110,237)
Gross profit		9,897	11,090
Other income		668	369
Distribution expenses		(51)	(71)
Administrative expenses		(8,858)	(10,369)
Other expenses		(198)	(737)
Results from operating activities		1,458	282
Finance income		643	704
Finance costs		(455)	(347)
Net finance income	19	188	357
Share of profit of equity-accounted investees (net of tax)		994	1,735
Profit before tax	20	2,640	2,374
Tax expense	21	(119)	(296)
Profit for the year		2,521	2,078
Earnings per share	22		
Basic and diluted earnings per share (cents)		2.43	2.00

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	2018 S\$'000	2017 S\$'000
Profit for the year		2,521	2,078
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets*		–	(105)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss*		–	455
Foreign currency translation differences of foreign operations*		250	(1,606)
Share of other comprehensive income of associate*	7	(87)	129
Other comprehensive income for the year, net of tax		163	(1,127)
Total comprehensive income for the year		2,684	951

* 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 2018

Group	Share capital S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance as at 1 January 2018 as previously reported	84,069	976	(1,830)	–	(16,496)	66,719
Adoption of SFRS(I) 1	–	–	353	–	(353)	–
Balance as at 1 January 2018	84,069	976	(1,477)	–	(16,849)	66,719
Total comprehensive income for the year						
Profit for the year	–	–	–	–	2,521	2,521
Other comprehensive income						
Foreign currency translation differences of foreign operations	–	–	250	–	–	250
Share of other comprehensive income of associate	–	–	(87)	–	–	(87)
Total other comprehensive income	–	–	163	–	–	163
Total comprehensive income for the year	–	–	163	–	2,521	2,684
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Liquidation of a subsidiary						
Dividends paid to selling shareholder of a subsidiary*	–	–	–	–	(590)	(590)
Dividends payable to selling shareholder of a subsidiary*	–	–	–	–	(331)	(331)
Total contributions by and distributions to owners	–	–	–	–	(921)	(921)
Total transactions with owners	–	–	–	–	(921)	(921)
Balance as at 31 December 2018	84,069	976	(1,314)	–	(15,249)	68,482

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Share capital S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance as at 1 January 2017 as previously reported	84,069	1,052	(353)	(350)	(17,813)	66,605
Adoption of SFRS(I) 1	-	-	353	-	(353)	-
Balance as at 1 January 2017	84,069	1,052	-	(350)	(18,166)	66,605
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,078	2,078
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(105)	-	(105)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	455	-	455
Foreign currency translation differences of foreign operations	-	-	(1,606)	-	-	(1,606)
Share of other comprehensive income of associate	-	-	129	-	-	129
Total other comprehensive income	-	-	(1,477)	350	-	(1,127)
Total comprehensive income for the year	-	-	(1,477)	350	2,078	951
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Liquidation of a subsidiary	-	(76)	-	-	76	-
Dividends payable to selling shareholder of a subsidiary*	-	-	-	-	(837)	(837)
Total contributions by and distributions to owners	-	(76)	-	-	(761)	(837)
Total transactions with owners	-	(76)	-	-	(761)	(837)
Balance as at 31 December 2017	84,069	976	(1,477)	-	(16,849)	66,719

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 S\$'000	2017 S\$'000
Cash flows from operating activities			
Profit for the year		2,521	2,078
Adjustments for:			
Depreciation	4	523	697
Amortisation of intangible assets	5	13	77
Reversal of impairment loss on property, plant and equipment	4	–	(119)
Impairment loss on intangible assets	5	–	127
Gain on disposals of property, plant and equipment		(108)	–
Property, plant and equipment written off		1	23
Write-back of trade payables		(28)	–
Write-back of unclaimed dividend		–	(168)
(Reversal of allowance)/Allowance made for doubtful receivables		(4)	70
Write-down/(Reversal of write-down) of inventory to net realisable value	9	1	(4)
Share of net profit of equity-accounted investees, net of tax		(994)	(1,735)
Impairment loss on available-for-sale financial assets		–	455
Impairment loss on debt investments at fair value through other comprehensive income ("FVOCI")		139	–
Change in fair value of the contingent consideration		(427)	712
Net finance income	19	(188)	(357)
Tax expense	21	119	296
		1,568	2,152
Changes in:			
– inventories		(116)	109
– trade and other receivables		(4,283)	608
– contract assets		967	766
– trade and other payables		7,393	4,785
Cash generated from operating activities		5,529	8,420
Taxes paid		(354)	(248)
Net cash flow from operating activities		5,175	8,172
Cash flows from investing activities			
Interest received		741	702
Purchase of property, plant and equipment		(4,474)	(4,564)
Dividends from an associate	7	1,300	1,300
Proceeds from redemption of debt investments at FVOCI		9,500	–
Proceeds from disposals of property, plant and equipment		291	1
Net cash flow from/(used in) investing activities		7,358	(2,561)
Cash flows from financing activities			
Proceeds from loans and borrowings	15	8,743	8,508
Repayment of loans and borrowings	15	(9,428)	(25,894)
Payment of finance lease liabilities	15	(58)	(59)
Interest paid	15	(453)	(391)
Dividends paid to selling shareholder of a subsidiary		(1,427)	(697)
Decrease/(Increase) in deposits pledged		9	(184)
Net cash flow used in financing activities		(2,614)	(18,717)
Net increase/(decrease) in cash and cash equivalents		9,919	(13,106)
Cash and cash equivalents at 1 January		30,304	43,917
Effects of exchange rate fluctuations on cash held		2	(507)
Cash and cash equivalents as at 31 December	12	40,225	30,304

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 March 2019.

1 DOMICILE AND ACTIVITIES

Intraco Limited (the “Company”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 60 Albert Street, #07-01 OG Albert Complex, Singapore 189969.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in equity-accounted investees.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”). These are the Group’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (“FRS”). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 28.

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 SFRS(I) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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.

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

- Note 5 – key assumptions underlying recoverable amount of goodwill;
- Note 7 – impairment assessment on joint venture;
- Note 18 – revenue recognition: whether revenue from fire protection solutions and services relating to wireless telecommunication related infrastructure is recognised over time or at a point in time;
- Note 24 – key assumptions for measurement of financial derivative assets;
Note 24 – impairment assessment on trade and other receivables;
- Note 16 and 24 – key assumptions for measurement of contingent consideration.

Measurement of fair values

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

Acquisitions from 1 January 2017 (Continued)

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 date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

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 date of acquisition. 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 SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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

Policy applicable from 1 January 2018

The subsidiaries are classified as equity investments at fair value through other comprehensive income ("FVOCI"). Other net gains and losses are recognised in OCI and are never 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.

Policy applicable before 1 January 2018

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.

3.2 Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

(ii) Foreign operations (Continued)

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

(i) Recognition and measurement (Continued)

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.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets – Policy applicable from 1 January 2018 (Continued)

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018 (Continued)

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (Continued)

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments and debt investments.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(vii) Derivative financial instruments

Derivative financial instruments – Policy applicable from 1 January 2018

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Derivative financial instruments – Policy applicable before 1 January 2018

The policy applied in the comparative information presented in 2017 is similar to that applied for 2018.

(viii) Share capital

Ordinary shares

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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 and comparative years are as follows:

Order backlogs	28 months
Customer relationships	64 months

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

3.6 Inventories

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

3.7 Contract assets

Policy applicable from 1 January 2018

A contract asset is recognised when the group recognises revenue (see Note 3.12(ii)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for the expected credit losses (ECL) in accordance with the policy set out in Note 3.9(i) and are reclassified to receivables when the right to consideration has become unconditional (see Note 3.4).

Policy applicable before 1 January 2018

In the comparative period, contract balances were recorded for contract assets at cost plus profits recognised to date 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.

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

3.8 Leases

(i) Leased assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

(ii) Lease payments

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

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

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

3.9 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

amount equal to lifetime ECLs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

are discounted at the effective interest rate of the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the

NOTES TO THE FINANCIAL STATEMENTS

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Group's procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Write-off (Continued)

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included 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 would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables and contract assets

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit

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or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was 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. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates 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 the requirements for non-financial assets. 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.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories, contract assets and deferred tax assets, 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. 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 CGUs.

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(iii) Non-financial assets (Continued)

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.

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, if no impairment loss had been recognised.

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions

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

(i) Onerous contracts

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

(ii) Warranties

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

3.12 Revenue

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative standalone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transacting price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

(i) Goods and services sold (Continued)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Rental income

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

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

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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

Current tax assets and liabilities are offset only if certain criteria are met.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 29.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S\$'000	Leasehold improvements S\$'000	Plant, machinery, tools and equipment S\$'000	Furniture, fittings and equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
Group Cost						
At 1 January 2017	7,120	467	41,148	1,383	328	50,446
Additions	–	238	4,228	98	–	4,564
Disposals/write-offs	–	(428)	(6)	(456)	–	(890)
At 31 December 2017	7,120	277	45,370	1,025	328	54,120
Additions	–	–	4,469	5	–	4,474
Disposals/write-offs	(320)	–	(41)	(59)	–	(420)
At 31 December 2018	6,800	277	49,798	971	328	58,174
Accumulated depreciation and impairment losses						
At 1 January 2017	626	425	40,695	1,227	71	43,044
Depreciation	166	88	278	92	73	697
Reversal of impairment loss	(119)	–	–	–	–	(119)
Disposals/write-offs	–	(421)	(5)	(440)	–	(866)
At 31 December 2017	673	92	40,968	879	144	42,756
Depreciation	167	79	124	80	73	523
Disposals/write-offs	(137)	–	(39)	(60)	–	(236)
At 31 December 2018	703	171	41,053	899	217	43,043
Carrying amounts						
At 1 January 2017	6,494	42	453	156	257	7,402
At 31 December 2017	6,447	185	4,402	146	184	11,364
At 31 December 2018	6,097	106	8,745	72	111	15,131

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment loss

During the year, the recoverable amount of certain leasehold properties was estimated as S\$6,150,000 (2017: S\$6,300,000; 1 Jan 2017: S\$6,300,000), determined based on fair value less cost to sell. The fair values of the leasehold properties as at 31 December 2018 and 2017 were appraised by an independent external valuer using the market comparison approach based on completed transactions of similar properties in the vicinity. In 2017, a reversal of impairment loss of S\$119,000 was recognised in administrative expenses as the recoverable amount was higher than the carrying amount of S\$6,140,000.

Plant and equipment under finance lease

The carrying amount of plant and equipment under finance lease amounted to S\$114,000 (2017: S\$195,000; 1 Jan 2017: S\$275,000). During the year, the Group did not acquire any plant and equipment (2017: S\$Nil) under finance leases.

Security

At 31 December 2018, leasehold properties and motor vehicles of the Group with carrying amounts of S\$1,636,000 (2017: S\$6,454,000; 1 Jan 2017: S\$6,575,000) are pledged as security to secure bank loans and finance lease liabilities (see Note 15).

	Leasehold properties S\$'000	Leasehold improvements S\$'000	Furniture, fittings and equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
Company Cost					
At 1 January 2017	320	467	1,005	50	1,842
Additions	–	238	96	–	334
Disposals/write-offs	–	(428)	(446)	–	(874)
At 31 December 2017	320	277	655	50	1,302
Additions	–	–	4	–	4
Disposals/write-offs	(320)	–	(2)	–	(322)
At 31 December 2018	–	277	657	50	984
Accumulated depreciation and impairment losses					
At 1 January 2017	127	425	914	50	1,516
Depreciation	6	87	68	–	161
Disposals/write-offs	–	(421)	(430)	–	(851)
At 31 December 2017	133	91	552	50	826
Depreciation	4	79	56	–	139
Disposals/write-offs	(137)	–	(2)	–	(139)
At 31 December 2018	–	170	606	50	826
Carrying amounts					
At 1 January 2017	193	42	91	–	326
At 31 December 2017	187	186	103	–	476
At 31 December 2018	–	107	51	–	158

NOTES TO THE FINANCIAL STATEMENTS

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5 INTANGIBLE ASSETS

	Goodwill S\$'000	Order backlogs S\$'000	Customer relationships S\$'000	Total S\$'000
Group Cost				
At 1 January 2017 and 31 December 2017 and 31 December 2018	6,899	518	411	7,828
Accumulated amortisation and impairment losses				
At 1 January 2017	–	518	180	698
Amortisation	–	–	77	77
Impairment loss	–	–	127	127
At 31 December 2017	–	518	384	902
Amortisation	–	–	13	13
At 31 December 2018	–	518	397	915
Carrying amounts				
At 1 January 2017	6,899	–	231	7,130
At 31 December 2017	6,899	–	27	6,926
At 31 December 2018	6,899	–	14	6,913

Amortisation and impairment of order backlogs and customer relationships

The amortisation of order backlogs and customer relationships is included in administrative expenses. In 2017, an impairment loss of S\$127,000 was recognised on certain customer relationships as the Group has ceased to have any ongoing business dealings with these customers. The impairment loss was included in administrative expenses.

Impairment testing for goodwill

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

	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Group			
K.A. Group	6,899	6,899	6,899

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5 INTANGIBLE ASSETS (CONTINUED)

K.A. Group

The recoverable amount of the CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU of S\$29,286,000 (2017: S\$40,363,000; 1 Jan 2017: S\$26,857,000) was determined to be higher than its carrying amount, and no impairment was required.

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

	2018 %	2017 %	1 Jan 2017 %
Group			
Terminal growth rate	2.0	2.0	Nil
Discount rate	8.3	8.7	9.0
EBIT margin (average of next five years)	21.6	21.3	20.4

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimates of the long-term annual EBIT growth rate in perpetuity, consistent with the assumptions that a market participant would make. As a result, the terminal growth rate was estimated to be 2% (2017: 2%; 1 Jan 2017: Nil%).

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

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

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately S\$13,494,000 (2017: S\$24,375,000; 1 Jan 2017: S\$10,125,000). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount		
	2018 %	2017 %	1 Jan 2017 %
Group			
Discount rate	13.8	19.0	14.3
EBIT margin (average of next five years)	11.3	9.7	14.0

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6 SUBSIDIARIES

	Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Equity investments – available-for-sale	–	18,836	16,920
Equity investments – at FVOCI	22,037	–	–

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 has occurred, in accordance with Note 3.9(i). No impairment loss was recognised in 2018 and 2017.

7 ASSOCIATE AND JOINT VENTURE

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Interest in associate	18,517	18,860	19,584	14,544	14,544	14,544
Interest in joint venture	2,224	1,960	2,283	2,516	2,516	2,516
Less: Impairment losses	–	–	–	(312)	(556)	(233)
	2,224	1,960	2,283	2,204	1,960	2,283
	20,741	20,820	21,867	16,748	16,504	16,827

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

The associate is considered significant and the Group is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST as suitable auditing firms have been appointed to meet the Group's audit obligations. In accordance to Rule 716, the Audit Committee and Board of Directors of the Company confirm that they are satisfied that the appointment of a different 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 2018 and 2017 and is equity accounted.

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7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

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% (2017: 41.27%; 1 Jan 2017: 41.27%)
Fair value of ownership interest	S\$14,729,650 (2017: S\$20,795,000; 1 Jan 2017: S\$20,795,000) ²

1 Listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

2 Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

The following table summarises the financial information of the associate based on its consolidated financial statements prepared in accordance with SFRS(I).

	2018 S\$'000	2017 S\$'000
Results		
Revenue	54,998	61,220
Profit from continuing operations	1,849	4,576
OCI	(211)	314
Total comprehensive income	1,638	4,890
Attributable to non-controlling interests	—	—
Attributable to associate's shareholders	1,638	4,890
Assets and liabilities		
Non-current assets	22,140	22,924
Current assets	28,834	33,025
Non-current liabilities	(1,350)	(1,201)
Current liabilities	(4,921)	(9,245)
Net assets	44,703	45,503
Attributable to NCI	—	—
Attributable to associate's shareholders	44,703	45,503

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7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

	2018 S\$'000	2017 S\$'000
Group's interest in net assets of associate at beginning of the year	18,860	19,584
Group's share of:		
– profit from continuing operations	763	1,889
– OCI	(87)	129
– total comprehensive income	676	2,018
Translation difference	281	(1,442)
Dividends received during the year	(1,300)	(1,300)
Carrying amount of interest in associate at end of the year	18,517	18,860

Joint venture

Tat Hong Intraco Pte Ltd is an unlisted joint arrangement in which the Group has joint control via investors' agreement and 40% (2017: 40%; 1 Jan 2017: 40%) ownership interest. It was incorporated in Singapore by the Group, Tat Hong Holdings Ltd and Aung Moe Kyaw, and principally engaged in the leasing and sales of cranes and other heavy equipments in Myanmar.

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

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

	2018 S\$'000	2017 S\$'000
Revenue	821	798
Profit/(Loss) from continuing operations ¹	572	(386)
OCI	–	–
Total comprehensive income	572	(386)
Non-current assets	4,370	4,105
Current assets ²	1,262	874
Current liabilities	(75)	(78)
Net assets	5,557	4,901

1 Includes interest expense of S\$Nil (2017: S\$61,000).

2 Includes cash and cash equivalents of S\$1,094,000 (2017: S\$695,000).

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7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Joint venture (Continued)

	2018 S\$'000	2017 S\$'000
Group's interest in net assets of joint venture at beginning of the year	1,960	2,283
Group's share of profit/(loss) from continuing operations	230	(154)
	2,190	2,129
Translation difference	34	(169)
Carrying amount of interest in joint venture at end of the year	2,224	1,960

During the year, a reversal of impairment loss of S\$244,000 was recognised in other income for the Company's investment in joint venture as the recoverable amount was higher than the carrying amount of S\$1,960,000 of the joint venture. In 2017, an impairment loss of S\$323,000 was recognised and included in administrative expenses for the Company's investment in joint venture as the recoverable amount was lower than the carrying amount of S\$2,283,000 (1 Jan 2017: S\$2,516,000) of the joint venture. The recoverable amount for the joint venture was estimated based on the value in use calculation which is derived using cash flow projections based on the most recent budgets and forecasts approved by management covering 16 years. Cash flows beyond this period is extrapolated using the estimated growth rates stated in the table below. The growth rate used reflects management's expectation of the growth rate of the business segment in Myanmar after taking into account the growth levels experienced over the past 3 years. The discount rate applied is the weighted average cost of capital of other market participants in the industry.

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

	2018 S\$'000	2017 S\$'000
Company		
Growth rate	4.2	6.8
Discount rate	11.8	10.0

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Non-current investments						
Available-for-sale financial assets	–	9,639	9,744	–	9,639	9,744
Current investments						
Financial derivative assets	–	–	–	2,494	5,504	1,480
	–	9,639	9,744	2,494	15,143	11,224

In 2017, debt investments classified as available-for-sale (1 January 2017: available-for-sale investments) of the Group and the Company have stated interest rates of 4.9% to 6.0% (1 January 2017: 4.9% to 6.0%).

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

The options on the first 10%, subsequent 10% and final 10% equity interest in K.A. Group are exercisable by the Company and/or the NCI on 4 September 2018, 4 September 2019 and 4 September 2020 respectively. The exercise dates are the dates falling immediately after the expiry of 4 years, 5 years and 6 years from date of acquisition respectively. The exercise price of the written put and call options in respect of each option shall be the amount determined based on the consideration paid by the Company to acquire the initial 70% equity interest in K.A. Group, adjusted for revised net tangible asset value of K.A. Group subsequent to initial acquisition date. During the year, the options on the first 10% ("first tranche options") were not exercised by either the Company and/or the NCI on 4 September 2018. Any tranche which was not exercised during the relevant exercise period shall be available for exercise during the subsequent exercise periods (i.e. on 4 September 2019, or 4 September 2020).

As at 31 December 2018, the fair value of the written call and put options recognised as financial derivative assets of the Company is S\$2,494,000 (2017: S\$5,504,000; 1 Jan 2017: S\$1,480,000).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9 INVENTORIES

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Trading goods	243	204	344	–	–	–
Raw materials	1,286	1,211	1,101	–	–	–
Goods-in-transit	13	12	87	–	–	–
	1,542	1,427	1,532	–	–	–

In 2018, inventories of S\$142,017,000 (2017: S\$107,318,000) were recognised as an expense during the period and included in cost of sales. Write-down of inventories to net realisable value of S\$1,000 (2017: reversal of write-down of S\$4,000) was recognised in cost of sales.

10 TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Trade receivables	20,360	16,361	17,160	–	9	12
Impairment losses	(6,360)	(6,388)	(6,347)	–	–	–
Net trade receivables	14,000	9,973	10,813	–	9	12
Deposits	296	279	319	70	70	69
Amounts due from subsidiaries (non-trade)	–	–	–	15,933	18,706	25,091
Impairment losses	–	–	–	(3,659)	(3,873)	(4,136)
Net amounts due from subsidiaries	–	–	–	12,274	14,833	20,955
Other receivables	48	405	329	4	2	225
Interest receivables	110	16	14	94	222	–
Advances to suppliers	1,763	1,374	1,214	–	–	–
	16,217	12,047	12,689	12,442	15,136	21,261
Prepayments	202	211	186	50	49	22
	16,419	12,258	12,875	12,492	15,185	21,283

At 31 December 2018, trade receivables for the Group include retentions of S\$1,250,000 (2017: S\$1,631,000; 1 Jan 2017: S\$1,193,000) relating to contract assets.

Amounts due from subsidiaries

The amounts owing by subsidiaries represent unsecured advances given and payment on behalf of 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 CONTRACT ASSETS

Note	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Contract assets	1,165	2,132	2,898	–	–	–

The contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its fire protection business. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

At 31 December 2018, the aggregated amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to S\$33,106,000 (2017: S\$36,825,000; 1 Jan 2017: S\$32,658,000) for the Group. Progress billings and advances received from customers under open construction contracts amounted to S\$31,941,000 (2017: S\$34,693,000; 1 Jan 2017: S\$29,760,000) for the Group.

Significant judgement is used to estimate these total contract costs to be incurred to fulfil the contract and cost incurred to-date. In making these estimates, management has relied on past experience of completed projects and quantity surveyors' reports to collaborate the progress of the construction.

12 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Cash at banks and in hand	13,213	17,197	18,770	1,354	2,316	1,206
Fixed deposits with banks	27,373	13,477	25,333	17,000	6,800	6,800
Cash and cash equivalents in the statements of financial position	40,586	30,674	44,103	18,354	9,116	8,006
Deposits pledged	(361)	(370)	(186)	–	–	–
Cash and cash equivalents in the statement of cash flows	40,225	30,304	43,917	18,354	9,116	8,006

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

The weighted average effective interest rates per annum relating to fixed deposits with banks at the reporting date for the Group and Company are 1.66% (2017: 1.38%; 1 Jan 2017: 0.94%) and 1.77% (2017: 1.05%; 1 Jan 2017: 0.86%) respectively. Interest rates reprice at intervals of one to six months.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

13 CAPITAL AND RESERVES

Share capital

Fully paid ordinary shares, with no par value:

In issue on 1 January and 31 December

Company	
2018 Number of shares	2017 Number of shares
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 2018 (see Note 14).

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.

Reserves

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

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Capital reserve	976	976	1,052	-	-	-
Translation reserve	(1,314)	(1,477)	-	-	-	-
Fair value reserve	-	-	(350)	8,403	5,203	2,937
	(338)	(501)	702	8,403	5,203	2,937

Capital reserve

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

Translation reserve

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

Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale financial assets); and
- the cumulative net change in fair value of debt investments at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

14 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.

15 LOANS AND BORROWINGS

		Group	
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Non-current liabilities			
Secured bank loans	739	1,650	1,784
Finance lease liabilities	38	92	151
	777	1,742	1,935
Current liabilities			
Secured bank loans	47	103	89
Finance lease liabilities	55	59	59
Unsecured bank loans	1,200	1,302	1,214
Trust receipts	7,518	7,159	24,765
	8,820	8,623	26,127

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15 LOANS AND BORROWINGS (CONTINUED)

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	Face value S\$'000	Group Carrying amount S\$'000
31 December 2018				
SGD secured bank loans	2.02%	2019 – 2033	786	786
SGD finance lease liabilities	1.58% – 2.99%	2019 – 2021	93	93
USD unsecured bank loans	3.46%	2019	1,200	1,200
USD trust receipts	3.10% – 3.51%	2019	7,518	7,518
			9,597	9,597
31 December 2017				
SGD secured bank loans	1.52% – 4.12%	2018 – 2033	1,753	1,753
SGD finance lease liabilities	1.58% – 2.99%	2018 – 2021	151	151
USD unsecured bank loans	2.69% – 2.74%	2018	1,302	1,302
USD trust receipts	2.41% – 3.04%	2018	7,159	7,159
			10,365	10,365
1 January 2017				
SGD secured bank loans	1.18% – 3.41%	2017 – 2033	1,873	1,873
SGD finance lease liabilities	1.58% – 2.99%	2017 – 2021	210	210
USD unsecured bank loans	1.93%	2017	1,214	1,214
USD trust receipts	1.60% – 2.80%	2017	24,765	24,765
			28,062	28,062

The secured bank loans and finance lease liabilities of the Group are secured over the leasehold properties and motor vehicles of the Group with carrying amounts of S\$1,636,000 (2017: S\$6,454,000; 1 Jan 2017: S\$6,575,000) (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15 LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments S\$'000	Interest S\$'000	Present value of minimum lease payments S\$'000
31 December 2018			
Within one year	60	5	55
Between one and five years	41	3	38
	<u>101</u>	<u>8</u>	<u>93</u>
31 December 2017			
Within one year	65	6	59
Between one and five years	101	9	92
	<u>166</u>	<u>15</u>	<u>151</u>
1 January 2017			
Within one year	65	6	59
Between one and five years	165	14	151
	<u>230</u>	<u>20</u>	<u>210</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15 LOANS AND BORROWINGS (CONTINUED)

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

	Liabilities		
	Other loans and borrowings S\$'000	Finance lease liabilities S\$'000	Total S\$'000
Balance at 1 January 2017	27,852	210	28,062
Changes from financing cash flows			
Proceeds from loans and borrowings	8,508	–	8,508
Repayment of loans and borrowings	(25,894)	–	(25,894)
Payment of finance lease liabilities	–	(59)	(59)
Interest paid	(385)	(6)	(391)
Total changes from financing cash flows	(17,771)	(65)	(17,836)
The effect of changes in foreign exchange rates	(252)	–	(252)
Other changes			
Liability-related			
Interest payable	44	–	44
Interest expense	341	6	347
Total liability-related other changes	385	6	391
Balance at 31 December 2017	10,214	151	10,365
Balance at 1 January 2018	10,214	151	10,365
Changes from financing cash flows			
Proceeds from loans and borrowings	8,743	–	8,743
Repayment of loans and borrowings	(9,428)	–	(9,428)
Payment of finance lease liabilities	–	(58)	(58)
Interest paid	(447)	(6)	(453)
Total changes from financing cash flows	(1,132)	(64)	(1,196)
The effect of changes in foreign exchange rates	(25)	–	(25)
Other changes			
Liability-related			
Interest payable	(2)	–	(2)
Interest expense	449	6	455
Total liability-related other changes	447	6	453
Balance at 31 December 2018	9,504	93	9,597

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16 TRADE AND OTHER PAYABLES

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Current						
Trade payables	6,723	3,410	2,642	1	32	32
Advances from customers	8,662	4,292	311	–	–	–
Accrued expenses	970	1,187	1,452	558	549	863
Amounts due to subsidiaries (non-trade)	–	–	–	2,810	6,661	11,300
Interest payable	16	14	58	–	–	–
Other payables	217	255	323	77	149	238
Dividends payable	331	837	697	–	–	–
Contingent consideration	4,417	2,458	–	–	–	–
	21,336	12,453	5,483	3,446	7,391	12,433
Non-current						
Contingent consideration	2,208	4,594	6,340	–	–	–
	23,544	17,047	11,823	3,446	7,391	12,433

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

Contingent consideration pertains to the put option granted by the Group to the selling shareholders of K.A. Group in connection with the Company's acquisition of the remaining 30% equity interest in K.A. Group. At the reporting date, the contingent consideration is measured at the present value of the aggregate exercise price for each of the three tranches of 10% equity interest which may be exercised on 4 September 2018, 2019 and 2020 respectively. During the year, the put options on the first 10% ("first tranche options") were not exercised on 4 September 2018. Any tranche which was not exercised during the relevant exercise period shall be available for exercise during the subsequent exercise periods (i.e. 4 September 2019 or 4 September 2020).

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

	2018	2017	1 Jan 2017
Group			
Discount rate	5.3%	5.0%	5.0%
Exercise price:	S\$'000	S\$'000	S\$'000
– 4 September 2018	–	2,541	2,398
– 4 September 2019	5,153	2,549	2,407
– 4 September 2020	2,576	2,558	2,415

The discount rate is estimated based on the Group's borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16 TRADE AND OTHER PAYABLES (CONTINUED)

The exercise price for each tranche is estimated based on the revalued net tangible assets as at the reporting date and adjusted for projected profit or loss of the K.A. Group. For the estimation of the present value of the contingent consideration at reporting date, assumptions have been made that the entire 30% tranche will only be exercised on 4 September 2020.

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.

17 DEFERRED TAX LIABILITIES

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

Group

	Balance as at 1 January 2017 S\$'000	Recognised in profit or loss (Note 21) S\$'000	Balance as at 31 December 2017 S\$'000	Recognised in profit or loss (Note 21) S\$'000	Balance as at 31 December 2018 S\$'000
Deferred tax liabilities					
Property, plant and equipment	578	(13)	565	(14)	551
Intangible assets	39	(34)	5	(2)	3
	617	(47)	570	(16)	554

Unrecognised deferred tax assets

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

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Deductible temporary differences	12,294	11,914	11,138	617	295	(403)
Tax losses	26,700	27,716	28,537	7,995	9,035	8,958
	38,994	39,630	39,675	8,612	9,330	8,555

The tax losses are subject to agreement by the tax authorities. Tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

18 REVENUE

	Group	
	2018 S\$'000	2017 S\$'000
Trading sales	143,578	107,043
Revenue from construction contracts	8,073	12,393
Service income	2,194	1,717
Rental income	18	174
	153,863	121,327

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Trading sales

Nature of goods or services	The trading segment of the Group principally generates revenue from trading plastics products.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Payment is due when goods are delivered to the customers.

Construction contracts

Nature of goods or services	The fire protection segment of the Group manufactures and installs products for its customers. These products are constructed based on specifically negotiated contracts with customers.
When revenue is recognised	The Group has assessed that these construction contracts qualify for over time revenue recognition as the fire protection products have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

18 REVENUE (CONTINUED)

Rental income

Nature of goods or services	The Group generates revenue from the rental of machinery and equipment in the provision of radio coverage system management, operation and mobile service.
When revenue is recognised	Revenue is recognised in profit or loss on a straight-line basis over the term of the lease.
Significant payment terms	Payment is due based on the facilities supply agreement in the contract over the lease period.

Service income

Nature of goods or services	The Group generates revenue from the provision of radio coverage system management, operation and mobile service and to supply communication equipment to other service providers.
When revenue is recognised	Revenue is recognised when the relevant services are rendered.
Significant payment terms	Billings to the customer are based on a schedule in the contract that is dependent on the achievement of specified service milestones.

19 NET FINANCE INCOME

	Group	
	2018 S\$'000	2017 S\$'000
Interest income under the effective interest method on:		
– cash and cash equivalents	339	189
– available-for-sale financial assets	–	515
– debt investments at FVOCI	304	–
Finance income	643	704
Financial liabilities measured at amortised cost – interest expense on:		
– secured bank loans	(56)	(72)
– unsecured bank loans and trust receipts	(393)	(269)
– finance lease liabilities	(6)	(6)
Finance costs	(455)	(347)
Net finance income recognised in profit or loss	188	357

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

20 PROFIT BEFORE TAX

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

	Group	
	2018 S\$'000	2017 S\$'000
Government grants	(58)	(162)
Gain on disposals of property, plant and equipment	(108)	–
Write-back of trade payables	(28)	–
Write-back of unclaimed dividend	–	(168)
Write-down/(Reversal of write-down) of inventory to net realisable value	1	(4)
(Reversal of allowance)/Allowance made for doubtful receivables	(4)	70
Foreign exchange loss	57	211
Impairment loss on available-for-sale financial assets	–	455
Impairment loss on debt investments at FVOCI	139	–
Audit fees paid to:		
– auditors of the Company	241	265
– other auditors	2	2
Non-audit fees paid to:		
– auditors of the Company	65	54
Cost of inventories recognised in cost of sales	142,017	107,318
Depreciation of property, plant and equipment	523	697
Reversal of impairment of property, plant and equipment	–	(119)
Property, plant and equipment written off	1	23
Amortisation of intangible assets	13	77
Impairment loss on intangible assets	–	127
Change in fair value of contingent consideration	(427)	712
Operating lease expenses	382	628
Employee benefits expense		
Salaries, bonuses and other costs	5,079	5,598
Contributions to defined contribution plans	340	382
	5,419	5,980

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21 TAX EXPENSE

	Group	
	2018 S\$'000	2017 S\$'000
Tax recognised in profit or loss		
Current tax expense		
Current year	176	422
Over provided in prior years	(41)	(79)
	135	343
Deferred tax expense		
Origination and reversal of temporary differences	(16)	(47)
	(16)	(47)
Tax expense	119	296
Reconciliation of effective tax rate		
Profit before tax	2,640	2,374
Tax using the Singapore tax rate of 17%	449	404
Tax-exempt income	(199)	(196)
Non-deductible expenses	187	470
Effects of results of equity-accounted investees presented net of tax	(169)	(295)
Change in unrecognised temporary differences	(108)	(8)
Over provided in prior years	(41)	(79)
	119	296

22 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of S\$2,521,000 (2017: S\$2,078,000; 1 Jan 2017: S\$786,000) and a weighted average number of ordinary shares in issue and on a fully diluted basis of 103,725,879 (2017: 103,725,879; 1 Jan 2017: 103,725,879), calculated as follows:

	2018 Number of shares	2017 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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:

- *Fire Protection* Manufacturing, sales and installation of passive fire protection products.
- *Trading and others* Trading in industrial materials which include plastics and petrochemicals, provision of commercial wireless services and investment holding.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Geographical information

The Group's business is managed in three principal geographical areas, namely, Singapore, rest of ASEAN and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

NOTES TO THE FINANCIAL STATEMENTS

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23 OPERATING SEGMENTS (CONTINUED)

Operating segments

31 December 2018

External revenue

Interest income

Interest expense

Depreciation and amortisation

Reportable segment profit before tax

Reportable segment assets

Other material non-cash items:

– Gain on disposal of property, plant and equipment

– Property, plant and equipment written off

– Reversal of allowance made for doubtful debts

– Write-down of inventory to net realisable value

– Foreign exchange loss

– Over provision of tax in prior years

Capital expenditure

Reportable segment liabilities

Fire protection S\$'000	Trading and others S\$'000	Consolidated S\$'000
8,376	145,487	153,863
15	71	86
(61)	(394)	(455)
(365)	(18)	(383)
1,111	1,137	2,248
17,083	36,836	53,919
10	–	10
(1)	–	(1)
4	–	4
–	(1)	(1)
–	(51)	(51)
41	–	41
(62)	(4,408)	(4,470)
2,177	23,877	26,054

31 December 2017

External revenue

Interest income

Interest expense

Depreciation and amortisation

Reportable segment profit before tax

Reportable segment assets

Other material non-cash items:

– Reversal of impairment loss on property, plant and equipment

– Impairment loss on intangible assets

– Allowance made for doubtful debts

– Reversal of write-down of inventory to net realisable value

– Change in fair value of contingent consideration

– Foreign exchange loss

– Over provision of tax in prior years

Capital expenditure

Reportable segment liabilities

12,627	108,700	121,327
50	29	79
(78)	(269)	(347)
(438)	(174)	(612)
2,259	35	2,294
22,618	25,252	47,870
119	–	119
(127)	–	(127)
(70)	–	(70)
4	–	4
(712)	–	(712)
(1)	(172)	(173)
79	–	79
(63)	(4,167)	(4,230)
4,641	15,533	20,174

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 OPERATING SEGMENTS (CONTINUED)

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

	2018 S\$'000	2017 S\$'000
Revenue		
Total revenue for reporting segments and consolidated revenue	153,863	121,327
Profit or loss		
Total profit for reportable segments	2,248	2,294
Unallocated amounts:		
– Other corporate expenses, net of income	(602)	(1,655)
Share of profit of equity-accounted investees, net of tax	994	1,735
Consolidated profit before tax	2,640	2,374
Assets		
Total assets for reportable segments	53,919	47,870
Other unallocated amounts	27,837	26,550
	81,756	74,420
Investments in equity-accounted investees	20,741	20,820
Consolidated total assets	102,497	95,240
Liabilities		
Total liabilities for reportable segments	26,054	20,174
Other unallocated amounts	7,961	8,347
Consolidated total liabilities	34,015	28,521

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 OPERATING SEGMENTS (CONTINUED)

Other material items

	Reportable segments S\$'000	Adjustments S\$'000	Consolidated S\$'000
31 December 2018			
Interest income	86	557	643
Interest expense	(455)	–	(455)
Depreciation and amortisation	(383)	(153)	(536)
Gain on disposal of property, plant and equipment	10	98	108
Property, plant and equipment written off	(1)	–	(1)
Reversal of allowance made for doubtful receivables	4	–	4
Write-down of inventory to net realisable value	(1)	–	(1)
Write-back of trade payables	–	28	28
Impairment loss on debt investments at FVOCI	–	(139)	(139)
Change in fair value of contingent consideration	–	427	427
Foreign exchange loss	(51)	(6)	(57)
Over provision of tax in prior years	41	–	41
Capital expenditure	(4,470)	(4)	(4,474)
31 December 2017			
Interest income	79	625	704
Interest expense	(347)	–	(347)
Depreciation and amortisation	(612)	(162)	(774)
Property, plant and equipment written off	–	(23)	(23)
Reversal of impairment loss on property, plant and equipment	119	–	119
Impairment loss on intangible assets	(127)	–	(127)
Allowance made for doubtful receivables	(70)	–	(70)
Reversal of write-down of inventory to net realisable value	4	–	4
Impairment loss on available-for-sale financial assets	–	(455)	(455)
Change in fair value of contingent consideration	(712)	–	(712)
Foreign exchange loss	(173)	(38)	(211)
Over provision of tax in prior years	79	–	79
Capital expenditure	(4,230)	(334)	(4,564)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

23 OPERATING SEGMENTS (CONTINUED)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2018 S\$'000	2017 S\$'000
Revenue		
Singapore	30,034	35,180
Vietnam	97,050	70,266
Others	26,779	15,881
Consolidated revenue	153,863	121,327
Non-current assets*		
Singapore	15,131	11,178
China	—	186
	15,131	11,364

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

Major customer

Revenue from one customer of the Group's Trading and others segment represents approximately S\$28,217,000 (2017: S\$16,004,000) of the Group's total revenue.

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; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, and policies and processes for measuring and managing risk, and the Group's management of capital.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Overview (Continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group 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 Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit 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.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2018 \$'000	2017 \$'000
Impairment loss on trade receivables and contract assets arising from contracts with customers	–	70
Impairment loss on available-for-sale financial assets	–	455
Impairment loss on debt investments at FVOCI	139	–
	139	525

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. These limits are reviewed on an ongoing basis. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for individual and corporate customers respectively.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

Exposure to credit risk

Trade and other receivables and contract assets

The Group's primary exposure to credit risk arises through its trade and other receivables* and contract assets. Concentration of credit risk relating to trade and other receivables* and contract assets 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 and other receivables* and contract assets 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 exposure to credit risk for trade and other receivables* and contract assets at the reporting date (by operating segments) was:

	Group			Company		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Fire protection	2,620	3,862	2,808	–	–	–
Trading and others	13,597	8,185	9,881	12,442	15,136	21,261
	16,217	12,047	12,689	12,442	15,136	21,261

The Group's most significant customer, a trading customer, accounts for S\$3,451,000 (2017: S\$669,000; 1 Jan 2017: S\$1,157,000) of the trade and other receivables* as at 31 December 2018. There is no concentration of customer risk at the Company level.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

The ageing of the Group's and Company's trade and other receivables* and summary of exposure to credit risk at the reporting date was as follows:

	Not credit-impaired	Credit-impaired		
	2018	2018	2017	1 Jan 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Not past due	8,569	–	8,118	7,243
Past due 0 – 30 days	6,249	–	3,142	4,340
Past due 31 – 120 days	1,221	–	544	914
More than 120 days	198	6,340	6,631	6,539
	16,237	6,340	18,435	19,036
Loss allowance	(20)	(6,340)	(6,388)	(6,347)
	16,217	–	12,047	12,689
Company				
Not past due	577	–	394	409
Past due 0 – 30 days	1	–	3	2
Past due 31 – 120 days	191	–	10	438
More than 120 days	11,673	3,659	18,602	24,548
	12,442	3,659	19,009	25,397
Loss allowance	–	(3,659)	(3,873)	(4,136)
	12,442	–	15,136	21,261

No aging analysis of contract assets is presented as the majority of outstanding balances as at 31 December is current.

The credit quality of trade and other receivables* is assessed based on credit policies established by the management. The Group monitors customer credit risk by grouping trade and other receivables based on their characteristics. Trade and other receivables* with high credit risk will be identified and monitored by the respective strategic business units. The Group assesses that no allowance for impairment loss on trade and other receivables* and contract assets is required, except for the amounts for which allowance were made as there is no reasonable expectation of recovery.

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

The movement in impairment loss in respect of trade and other receivables during the year was as follows:

	Group S\$'000	Company S\$'000
At 1 January 2017 per FRS 39	6,347	4,136
Allowance made for doubtful receivables	70	–
Allowance utilised	(29)	–
Effects of movements in exchange rates	–	(263)
At 31 December 2017 per FRS 39	6,388	3,873

	Lifetime ECL	
	Group S\$'000	Company S\$'000
At 1 January 2018 per FRS 39	6,388	3,873
Adjustment on initial application of SFRS(I) 9	–	–
At 1 January 2018 per SFRS(I) 9	6,388	3,873
Reversal of allowance made for doubtful receivables	(4)	(268)
Allowance utilised	(24)	–
Effects of movements in exchange rates	–	54
At 31 December 2018 per SFRS(I) 9	6,360	3,659

The Group assessed the collectability of its trade receivables and wrote-off doubtful receivables of S\$24,000 (2017: S\$29,000; 1 Jan 2017: S\$687,000) against the allowance set aside after considering the financial condition and the uncertainty in the recoverability of the outstanding amounts.

Based on the Group's monitoring of credit risk, the Group believes that apart from the above, no additional allowance is necessary.

Debt investments

The Group limits its exposure to credit risk on investments held by investing only in liquid debt investments and only with counterparties that have credit rating of at least A2 from Moody and A- from Fitch.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Debt investments (Continued)

The movement in impairment loss in respect of debt investments during the year was as follows:

	Group S\$'000	Company S\$'000
At 1 January 2017 per FRS 39	–	–
Allowance made for available-for-sale financial asset	454	454
Allowance utilised	–	–
At 31 December 2017 per FRS 39	454	454
	Group 12-month ECL S\$'000	Company 12-month ECL S\$'000
At 1 January 2018 per FRS 39	454	454
Adjustment on initial application of SFRS(I) 9	–	–
At 1 January 2018 per SFRS(I) 9	454	454
Allowance made for debt investments at FVOCI	139	139
Allowance utilised	(593)	(593)
At 31 December 2018 per SFRS(I) 9	–	–

The Group assessed the collectability of its debt investments at FVOCI and wrote-off S\$593,000 against the allowance set aside after considering the recoverability of the debt investments at FVOCI.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of S\$40,586,000 and S\$18,354,000 (2017: S\$30,674,000 and S\$9,116,000; 1 Jan 2017: S\$44,103,000 and S\$8,006,000) respectively as at 31 December 2018 and these amounts represent their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Ba3 to Aa1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

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:

	Carrying amounts S\$'000	Contractual cash flows S\$'000	Within 1 year S\$'000	Within 2-5 years S\$'000	More than 5 years S\$'000
Group					
31 December 2018					
Non-derivative financial liabilities					
Secured bank loans	786	(908)	(62)	(312)	(534)
Finance lease liabilities	93	(101)	(60)	(41)	–
Unsecured bank loans	1,200	(1,203)	(1,203)	–	–
Trust receipts	7,518	(7,539)	(7,539)	–	–
Trade and other payables*	14,882	(14,882)	(12,674)	(2,208)	–
	24,479	(24,633)	(21,538)	(2,561)	(534)
31 December 2017					
Non-derivative financial liabilities					
Secured bank loans	1,753	(2,115)	(152)	(760)	(1,203)
Finance lease liabilities	151	(166)	(64)	(102)	–
Unsecured bank loans	1,302	(1,306)	(1,306)	–	–
Trust receipts	7,159	(7,177)	(7,177)	–	–
Trade and other payables*	12,755	(12,755)	(8,161)	(4,594)	–
	23,120	(23,519)	(16,860)	(5,456)	(1,203)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Liquidity risk (Continued)

Risk management policy (Continued)

	Carrying amounts S\$'000	Contractual cash flows S\$'000	Within 1 year S\$'000	Within 2-5 years S\$'000	More than 5 years S\$'000
1 January 2017					
Non-derivative financial liabilities					
Secured bank loans	1,873	(2,618)	(171)	(857)	(1,590)
Finance lease liabilities	210	(230)	(65)	(165)	-
Unsecured bank loans	1,214	(1,216)	(1,216)	-	-
Trust receipts	24,765	(25,122)	(25,122)	-	-
Trade and other payables*	11,512	(11,512)	(5,172)	(6,340)	-
	39,574	(40,698)	(31,746)	(7,362)	(1,590)
Company					
31 December 2018					
Non-derivative financial liabilities					
Trade and other payables*	3,446	(3,446)	(3,446)	-	-
31 December 2017					
Non-derivative financial liabilities					
Trade and other payables*	7,391	(7,391)	(7,391)	-	-
1 January 2017					
Non-derivative financial liabilities					
Trade and other payables*	12,433	(12,433)	(12,433)	-	-

* Exclude advances from customers.

The maturity analyses show the undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to changes in interest relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. Interest rate is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group adopts a policy of constantly monitoring movements in interest rates. Presently the Group does not use derivative financial instruments to hedge its interest rate risk.

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

	Group Nominal amount			Company Nominal amount		
	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 Jan 2017 S\$'000
Fixed rate instruments						
Financial assets	27,373	23,116	35,077	17,000	16,439	16,544
Financial liabilities	(8,811)	(8,612)	(26,189)	–	–	–
	18,562	14,504	8,888	17,000	16,439	16,544
Variable rate instrument						
Financial liabilities	(786)	(1,753)	(1,873)	–	–	–

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Group		Company	
	100 bp increase S\$'000	100 bp decrease S\$'000	100 bp increase S\$'000	100 bp decrease S\$'000
31 December 2018				
Variable rate instruments	(8)	8	–	–
31 December 2017				
Variable rate instruments	(18)	18	–	–
1 January 2017				
Variable rate instruments	(19)	19	–	–

Currency risk

Risk management policy

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily the US dollar.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Market risk (Continued)

Exposure to currency risk

The Group and Company's exposures to foreign currency risk based on notional amounts were as follows:

	US dollar \$'000
Group	
31 December 2018	
Trade receivables	11,493
Cash and cash equivalents	3,904
Loans and borrowings	(8,720)
Trade and other payables	(3,437)
Net statement of financial position exposure	3,240
31 December 2017	
Trade receivables	5,117
Cash and cash equivalents	6,066
Loans and borrowings	(8,461)
Trade and other payables	(949)
Net statement of financial position exposure	1,773
1 January 2017	
Trade receivables	7,166
Cash and cash equivalents	22,509
Loans and borrowings	(25,979)
Trade and other payables	(1,608)
Net statement of financial position exposure	2,088
Company	
31 December 2018	
Cash and cash equivalents	76
Amount due from a subsidiary	8
Net statement of financial position exposure	84
31 December 2017	
Cash and cash equivalents	88
Amount due from a subsidiary	8
Net statement of financial position exposure	96
1 January 2017	
Trade receivables	34
Cash and cash equivalents	228
Net statement of financial position exposure	262

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Market risk (Continued)

Exposure to currency risk (Continued)

Sensitivity analysis

A weakening of 10% (2017: 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 2017.

	Group		Company	
	2018 Profit or loss S\$'000	2017 Profit or loss S\$'000	2018 Profit or loss S\$'000	2017 Profit or loss S\$'000
US dollar	(324)	(177)	(8)	(10)

A 10% (2017: 10%) strengthening of the above currencies against the functional currency of each of the Group entities at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Other market price risk

Risk management policy

Equity price risk arises from FVOCI and available-for-sale debt investments. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Note	Carrying amount			Fair value			
	Amortised costs S\$'000	Other financial liabilities S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group							
31 December 2018							
Financial assets not measured at fair value							
Trade and other receivables*	10	16,217	–	16,217			
Cash and cash equivalents	12	40,586	–	40,586			
		<u>56,803</u>	<u>–</u>	<u>56,803</u>			
Financial liability measured at fair value							
Contingent consideration	16	–	(6,625)	(6,625)	–	–	(6,625)
		<u>–</u>	<u>(6,625)</u>	<u>(6,625)</u>			
Financial liabilities not measured at fair value							
Secured bank loans	15	–	(786)	(786)	–	(786)	–
Finance lease liabilities	15	–	(93)	(93)	–	(93)	–
Unsecured bank loans	15	–	(1,200)	(1,200)	–	(1,200)	–
Trust receipts	15	–	(7,518)	(7,518)	–	(7,518)	–
Trade and other payables**	16	–	(8,257)	(8,257)			
		<u>–</u>	<u>(17,854)</u>	<u>(17,854)</u>			

* Exclude prepayments.

** Exclude advances from customers and contingent considerations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value			
	Note	Loans and receivables S\$'000	Available- for-sale S\$'000	Other financial liabilities S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group									
31 December 2017									
Financial asset measured at fair value									
Other investments	8	–	9,639	–	9,639	9,639	–	–	9,639
Financial assets not measured at fair value									
Trade and other receivables*	10	12,047	–	–	12,047				
Cash and cash equivalents	12	30,674	–	–	30,674				
		42,721	–	–	42,721				
Financial liability measured at fair value									
Contingent consideration	16	–	–	(7,052)	(7,052)	–	–	(7,052)	(7,052)
Financial liabilities not measured at fair value									
Secured bank loans	15	–	–	(1,753)	(1,753)	–	(1,753)	–	(1,753)
Finance lease liabilities	15	–	–	(151)	(151)	–	(151)	–	(151)
Unsecured bank loans	15	–	–	(1,302)	(1,302)	–	(1,302)	–	(1,302)
Trust receipts	15	–	–	(7,159)	(7,159)	–	(7,159)	–	(7,159)
Trade and other payables**	16	–	–	(5,703)	(5,703)				
		–	–	(16,068)	(16,068)				

* Exclude prepayments.

** Exclude advances from customers and contingent considerations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value			
	Note	Loans and receivables S\$'000	Available- for-sale S\$'000	Other financial liabilities S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group									
1 January 2017									
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	12	44,103	-	-	44,103				
		56,792	-	-	56,792				
Financial liability measured at fair value									
Contingent consideration	16	-	-	(6,340)	(6,340)	-	-	(6,340)	(6,340)
Financial liabilities not measured at fair value									
Secured bank loans	15	-	-	(1,873)	(1,873)	-	(1,873)	-	(1,873)
Finance lease liabilities	15	-	-	(210)	(210)	-	(210)	-	(210)
Unsecured bank loans	15	-	-	(1,214)	(1,214)	-	(1,214)	-	(1,214)
Trust receipts	15	-	-	(24,765)	(24,765)	-	(24,765)	-	(24,765)
Trade and other payables**	16	-	-	(5,172)	(5,172)				
		-	-	(33,234)	(33,234)				

* Exclude prepayments.

** Exclude advances from customers and contingent considerations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value				
	Note	Amortised costs S\$'000	FVTPL S\$'000	FVOCI S\$'000	Other financial liabilities S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Company 2018										
Financial assets measured at fair value										
Subsidiaries	6	–	–	22,037	–	22,037	–	–	22,037	22,037
Other investments, including derivatives	8	–	2,494	–	–	2,494	–	–	2,494	2,494
		–	2,494	22,037	–	24,531				
Financial assets not measured at fair value										
Trade and other receivables*	10	12,442	–	–	–	12,442				
Cash and cash equivalents	12	18,354	–	–	–	18,354				
		30,796	–	–	–	30,796				
Financial liability not measured at fair value										
Trade and other payables	16	–	–	–	(3,447)					

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount					Fair value			
	Note	Loans and receivables S\$'000	FVTPL S\$'000	Available- for-sale S\$'000	Other financial liabilities S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Company										
31 December 2017										
Financial assets measured at fair value										
Subsidiaries	6	–	–	18,836	–	18,836	–	–	18,836	18,836
Other investments, including derivatives	8	–	5,504	9,639	–	15,143	9,639	–	5,504	15,143
		<u>–</u>	<u>5,504</u>	<u>28,475</u>	<u>–</u>	<u>33,979</u>				
Financial assets not measured at fair value										
Trade and other receivables*	10	15,136	–	–	–	15,136				
Cash and cash equivalents	12	9,116	–	–	–	9,116				
		<u>24,252</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,252</u>				
Financial liability not measured at fair value										
Trade and other payables	16	–	–	–	(7,391)	(7,391)				

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount				Fair value				
	Note	Loans and receivables	FVTPL	Available- for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company										
1 January 2017										
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	12	8,006	-	-	-	8,006				
		29,267	-	-	-	29,267				
Financial liability not measured at fair value										
Trade and other payables	16	-	-	-	(12,433)	(12,433)				

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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	<i>Discounted cash flows:</i> The valuation model considers the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by exercise price for each tranche of the written call and put options to be paid.	Risk-adjusted discount rate at 5.3% (2017: 5.0%; 1 Jan 2017: 5.0%)	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 investments	<i>Market comparison technique:</i> The fair values are based on quoted bid prices at the reporting date	N/A	N/A
Company			
Equity investments	<i>Net asset value</i>	N/A	The estimated fair value would increase (decrease) if the net asset value was higher (lower).
Financial derivative assets	<i>Black-Scholes pricing model:</i> 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 of 1.9% (2017: 1.6% to 1.7%; 1 Jan 2017: 1.2% to 1.6%) - Volatility of 38.7% (2017: 34.6% to 40.2%; 1 Jan 2017: 40.0%)	The estimated fair value would increase (decrease) if: - The risk-free rate was higher (lower). - The volatility was higher (lower).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (Continued)

(ii) Transfers between levels 1, 2 and 3

During the financial years ended 31 December 2018 and 31 December 2017, 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	
	2018 S\$'000	2017 S\$'000
Group		
At 1 January	7,052	6,340
Total unrealised gains and losses recognised in profit or loss:		
– other income	(427)	–
– administrative expenses	–	712
At 31 December	6,625	7,052

	2018		2017	
	Equity investments at fair value S\$'000	Financial derivatives assets S\$'000	Equity investments at fair value S\$'000	Financial derivatives assets S\$'000
Company				
At 1 January	18,836	5,504	16,920	1,480
Total unrealised gains and losses recognised in profit or loss:				
– other income	–	–	–	4,024
– administrative expenses	–	(3,010)	–	–
Total gains and losses for the period included in OCI:				
– net change in fair value	3,201	–	1,916	–
At 31 December	22,037	2,494	18,836	5,504

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 FINANCIAL INSTRUMENTS (CONTINUED)

Contingent consideration

	Group Profit or loss	
	Decrease S\$'000	Increase S\$'000
31 December 2018		
Risk-adjusted discount rate (1% movement)	(107)	104
31 December 2017		
Risk-adjusted discount rate (1% movement)	(112)	109

Equity securities

	Company OCI, net of tax	
	Increase S\$'000	Decrease S\$'000
31 December 2018		
Net tangible assets (1% movement)	220	(220)
31 December 2017		
Net tangible assets (1% movement)	188	(188)

Financial derivative assets

	Company Profit or loss	
	Increase S\$'000	Decrease S\$'000
31 December 2018		
Risk-free rate (1% movement)	102	(103)
31 December 2017		
Risk-free rate (1% movement)	111	(113)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

25 OPERATING LEASES

(a) Operating leases as lessor

The Group leases out its equipment under non-cancellable operating lease agreements. The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2018 S\$'000	2017 S\$'000
Receivables:		
Not later than one year	18	18
Between one and five years	71	71
More than five years	54	72
	143	161

(b) Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Payable:				
Within 1 year	623	346	514	226
After 1 year but within 5 years	510	78	358	–
	1,133	424	872	226

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for initial period of three to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

During the year, an amount of S\$382,000 (2017: S\$628,000; 1 Jan 2017: S\$764,000) was recognised as an expense in profit or loss in respect of operating leases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

26 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Compensation payable to key management personnel comprises:

	Group	
	2018 S\$'000	2017 S\$'000
Short-term employee benefits		
Directors' fees	391	405
Director's remuneration	16	6
Key management staff	1,888	2,040
	2,295	2,451

Other related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the year:

	Group			
	Transaction value for the year ended		Balance as at 31 December	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Transaction with a director				
Advisory services rendered by a director of the Company to certain subsidiaries	–	3	–	69

NOTES TO THE FINANCIAL STATEMENTS

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27 SUBSIDIARIES

Name of Company	Principal activities	Country of incorporation	Ownership interest held by Group			Note
			2018 %	2017 %	1 Jan 2017 %	
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	100	i
Intraco Trading Pte Ltd	Trading, marketing and distribution and acting as commission agents for industrial materials, energy commodities products.	Singapore	100	100	100	i
Intraco Foods Pte Ltd	Trading and processing of agricultural and food products which include frozen seafood and fertilisers.	Singapore	100	100	100	i
Intraco International Pte Ltd	Investment holding company.	Singapore	100	100	100	i
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	100	ii, iv
K.A. Group Holdings Pte. Ltd.	Investment holding company.	Singapore	70	70	70	i

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27 SUBSIDIARIES (CONTINUED)

Name of Company	Principal activities	Country of incorporation	Ownership interest held by Group			Note
			2018 %	2017 %	1 Jan 2017 %	
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	70	i
K.A. Fireproofing Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	70	70	i
K.A. Fabric Shutters Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	70	70	i
K.A. FireLite Pte. Ltd.	Manufacturing and installation of passive fire protection products.	Singapore	70	70	70	i
K.A. Vermiculite Spray Sdn Bhd	Manufacturing and installation of passive fire protection products.	Malaysia	70	70	70	iii, iv

Notes:

- i Audited by KPMG LLP, Singapore.
- ii Audited by Shanghai Mingyu Certified Public Accountants Co., Ltd., People's Republic of China.
- iii Audited by P.S. Yap, Isma & Associates, Chartered Accountants, Malaysia.
- iv These companies are dormant during the year.

KPMG LLP Singapore is the auditors of all significant Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

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

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on the transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position

	Note	31 December 2017				1 January 2018	
		FRS	SFRS(I) 1	SFRS(I) 15	SFRS(I)	SFRS(I) 9	SFRS(I)
		framework			framework		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	framework
							S\$'000
Assets							
Non-current assets							
Property, plant and equipment		11,364	-	-	11,364	-	11,364
Intangible assets		6,926	-	-	6,926	-	6,926
Associate and joint venture		20,820	-	-	20,820	-	20,820
Other investments, including derivatives		9,639	-	-	9,639	-	9,639
		48,749	-	-	48,749	-	48,749
Current assets							
Inventories		1,427	-	-	1,427	-	1,427
Trade and other receivables		12,258	-	-	12,258	-	12,258
Contract assets		2,132	-	-	2,132	-	2,132
Cash and cash equivalents		30,674	-	-	30,674	-	30,674
		46,491	-	-	46,491	-	46,491
Total assets		95,240	-	-	95,240	-	95,240
Equity							
Share capital		84,069	-	-	84,069	-	84,069
Reserves	A(i)	(854)	353	-	(501)	-	(501)
Accumulated losses	A(i)	(16,496)	(353)	-	(16,849)	-	(16,849)
Equity attributable to owners of the Company		66,719	-	-	66,719	-	66,719
Liabilities							
Non-current liabilities							
Loans and borrowings		1,742	-	-	1,742	-	1,742
Trade and other payables		4,594	-	-	4,594	-	4,594
Deferred tax liabilities		570	-	-	570	-	570
		6,906	-	-	6,906	-	6,906
Current liabilities							
Loans and borrowings		8,623	-	-	8,623	-	8,623
Trade and other payables		12,453	-	-	12,453	-	12,453
Current tax liabilities		539	-	-	539	-	539
		21,615	-	-	21,615	-	21,615
Total equity and liabilities		95,240	-	-	95,240	-	95,240

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position

		1 January 2017			
	Note	FRS framework S\$'000	SFRS(I) 1 S\$'000	SFRS(I) 15 S\$'000	SFRS(I) framework S\$'000
Assets					
Non-current assets					
Property, plant and equipment		7,402	–	–	7,402
Intangible assets		7,130	–	–	7,130
Subsidiaries		–	–	–	–
Associate and joint venture		21,867	–	–	21,867
Other investments, including derivatives		9,744	–	–	9,744
		46,143	–	–	46,143
Current assets					
Other investments, including derivatives		–	–	–	–
Inventories		1,532	–	–	1,532
Trade and other receivables		12,875	–	–	12,875
Contract assets		2,898	–	–	2,898
Cash and cash equivalents		44,103	–	–	44,103
		61,408	–	–	61,408
Total assets		107,551	–	–	107,551
Equity					
Share capital		84,069	–	–	84,069
Reserves	A(i)	349	353	–	702
Accumulated losses	C(i), A(i)	(17,813)	(353)	–	(18,166)
Equity attributable to owners of the Company		66,605	–	–	66,605
Liabilities					
Non-current liabilities					
Loans and borrowings		1,935	–	–	1,935
Trade and other payables		6,340	–	–	6,340
Deferred tax liabilities		617	–	–	617
		8,892	–	–	8,892
Current liabilities					
Loans and borrowings		26,127	–	–	26,127
Trade and other payables		5,483	–	–	5,483
Current tax liabilities		444	–	–	444
		32,054	–	–	32,054
Total equity and liabilities		107,551	–	–	107,551

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's profit or loss

Consolidated statement of profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's total comprehensive income

Consolidated statement of comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Company's equity

Statement of financial position for the Company

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Company's equity

Statement of financial position

	Note	1 January 2017		
		FRS framework S\$'000	SFRS(I) 1 S\$'000	SFRS(I) 15 S\$'000
Assets				
Non-current assets				
Property, plant and equipment		326	–	–
Subsidiaries		16,920	–	–
Associate and joint venture		16,827	–	–
Other investments, including derivatives		9,744	–	–
		<u>43,817</u>	<u>–</u>	<u>–</u>
Current assets				
Other investments, including derivatives		1,480	–	–
Trade and other receivables		21,283	–	–
Cash and cash equivalents		8,006	–	–
		<u>30,769</u>	<u>–</u>	<u>–</u>
Total assets		<u>74,586</u>	<u>–</u>	<u>–</u>
Equity				
Share capital		84,069	–	–
Reserves		2,937	–	–
Accumulated losses		(24,853)	–	–
Equity attributable to owners of the Company		<u>62,153</u>	<u>–</u>	<u>–</u>
Liabilities				
Current liabilities				
Trade and other payables		12,433	–	–
		<u>12,433</u>	<u>–</u>	<u>–</u>
Total equity and liabilities		<u>74,586</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) *Foreign currency translation reserve (FCTR)*

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

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

By electing this optional exemption, the cumulative FCTR decreased by S\$353,000 and accumulated losses increased by the same amount as at 31 December 2017.

B. SFRS(I) 15

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

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.

The adoption of SFRS(I) 15 has not had a significant effect on the financial performance or position of the Group and the Company.

(i) *Presentation of contract assets and liabilities*

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts: a) 'Construction contract in progress' classified as 'Trade and other receivables' of S\$2,132,000 as at 31 December 2017 and S\$2,898,000 as at 1 January 2017 were reclassified to 'Contract assets'.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Company is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

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

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held;
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding;
 - The designation of an equity investment that is not held-for-trading as at FVOCI; and
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If a debt investment has low credit risk at 1 January 2018, the Company has assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9 (Continued)

(i) *Classification of financial assets and financial liabilities*

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instruments as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 3.4(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018	
				Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
				S\$'000	S\$'000
Financial assets					
Other investments, including derivatives – <i>Debt investments</i>	(a)	Available-for-sale	FVOCI – debt instrument	9,639	9,639
				9,639	9,639
Trade and other receivables*	(d)	Loans and receivables	Amortised cost	12,047	12,047
Cash and cash equivalents		Loans and receivables	Amortised cost	30,674	30,674
Total financial assets				52,360	52,360

* Exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9 (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Company	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018	
				Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
				S\$'000	S\$'000
Financial assets					
Other investments, including derivatives					
– Debt investments	(a)	Available-for-sale	FVOCI – debt instrument	9,639	9,639
– Financial derivative assets	(b)	FVTPL	Mandatorily at FVTPL	5,504	5,504
Equity investments	(c)	Available-for-sale	FVOCI – equity instrument	18,836	18,836
				33,979	33,979
Trade and other receivables*	(d)	Loans and receivables	Amortised cost	15,136	15,136
Cash and cash equivalents		Loans and receivables	Amortised cost	9,116	9,116
Total financial assets				58,231	58,231

* Exclude prepayments.

- (a) The debt investments categorised as available-for-sale under FRS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group and the Company consider that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt investments mature in more than one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets as FVOCI under SFRS(I) 9.
- (b) Under FRS 39, these financial derivatives were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9.
- (c) These equity investments categorised as available-for-sale under FRS 39 are subsidiaries held by the Company. The Company have designated these investments at 1 January 2018 as measured at FVOCI because they are not held for trading purposes. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- (d) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. The adoption of SFRS(I) 9 has not had a significant effect on the trade and other receivables of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9 (Continued)

(ii) *Impairment of financial assets*

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI, but not to equity investments.

The adoption of SFRS(I) 9 has not had a significant effect on the allowances for impairment of the Group and the Company.

29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is described below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in Note 25. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU assets of S\$1,080,000 and an increase in lease liabilities of S\$1,080,000. The Company expects an increase in ROU asset and lease liabilities of S\$834,000 as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

29 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16 (Continued)

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

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
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

STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2019

SHAREHOLDING STATISTICS

Class of shares : Ordinary shares
 Number of issued and fully paid shares : 103,725,879
 Voting rights : One vote per share

TREASURY SHARES AND SUBSIDIARY HOLDINGS

The Company does not hold any treasury shares or subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	54	1.67	1,749	0.00
100 – 1,000	738	22.86	528,530	0.51
1,001 – 10,000	1,932	59.83	7,522,511	7.25
10,001 – 1,000,000	497	15.39	23,499,257	22.66
1,000,001 and above	8	0.25	72,173,832	69.58
Total	3,229	100.00	103,725,879	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Phillip Securities Pte Ltd	29,130,906	28.08
2.	UOB Kay Hian Private Limited	29,025,650	27.98
3.	Soh Ying Sin	4,500,000	4.34
4.	Oei Hong Leong	4,272,400	4.12
5.	DBS Nominees (Private) Limited	1,925,807	1.82
6.	United Overseas Bank Nominees (Private) Limited	1,156,519	1.11
7.	Raffles Nominees (Pte.) Limited	1,084,550	1.05
8.	Morph Investments Ltd	1,078,000	1.04
9.	Citibank Nominees Singapore Pte Ltd	772,975	0.75
10.	Khong Kin Pang	751,000	0.72
11.	OCBC Nominees Singapore Private Limited	727,000	0.70
12.	Goh Choon Wei or Ceciline Goh	580,300	0.56
13.	CGS-CIMB Securities (Singapore) Pte. Ltd.	548,394	0.53
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.	Ong Meng Huat	370,000	0.36
18.	ABN Amro Clearing Bank N.V.	365,800	0.35
19.	Chan Soo Hin	357,000	0.34
20.	Sim Wee Lim	283,000	0.27
Total		78,304,301	75.49

STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2019

PUBLIC FLOAT

Disclosure pursuant to Rule 1207(9)(e) of the SGX-ST Listing Manual

As at 1 March 2019, approximately 39.14% 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.

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 38.01% interest in Asia Resource Corporation Pte. Ltd. ("ARCPL").

RPHPL owns 42.72% interest in ARCPL. ARCPL owns 84.10% 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 42.72% interest in ARCPL. ARCPL owns 84.10% 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 42.72% interest in ARCPL. ARCPL owns 84.10% 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 84.10% 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 Fiftieth Annual General Meeting (the “AGM”) of **INTRACO LIMITED** (the “Company”) will be held at The National University of Singapore Society, Guild Hall, Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 18 April 2019 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 2018 together with the Auditors’ Report thereon.

Resolution 1

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

(i) Mr Colin Low

Resolution 2

(ii) Dr Tan Boon Wan

Resolution 3

Mr Colin Low will, upon re-election as a Director of the Company, remain as Chairman of the Board and Investment Committee and a member of the Audit Committee and Remuneration Committee. Mr Colin Low will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Detailed information on Mr Colin Low required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

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 Boon Wan will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Dr Tan required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

3. To approve the payment of Directors’ fees of up to S\$440,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears (FY2018: S\$440,000).

See Explanatory Note (i) on page 188.

Resolution 4

4. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 5

5. To transact any other ordinary business which may be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (“**Shareholders**”) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below):
 - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of the issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:
 - (a) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution;
 - (b) new shares arising from the conversion or exercise of any convertible securities; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
 - (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.
- See Explanatory Note (ii) on page 188.

Resolution 6

NOTICE OF ANNUAL GENERAL MEETING

7. AUTHORITY TO ISSUE SHARES UNDER THE INTRACO EMPLOYEE SHARE OPTION SCHEME

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Intraco Employee Share Option Scheme (“**Scheme**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

See Explanatory Note (iii) on page 188.

Resolution 7

By Order of the Board

Josephine Toh
Company Secretary

Singapore
25 March 2019

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 2019. 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 2019; and travel allowance.

The Directors' fee framework remains unchanged.

- (ii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote at the AGM.
(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

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

2. A proxy need not be a member of the Company.
3. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time set for the AGM or any adjournment thereof.

Personal data privacy:

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

**INTRACO LIMITED**

(Incorporated in Singapore)

(Company Registration No. 196800526Z)

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

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the Meeting (please see note 3 for the definition of "relevant intermediary").
2. For CPF/SRS investors who have used their CPF monies to buy Intraco Limited's shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 25 March 2019.

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

of _____ (Address)

being a member/members of **Intraco Limited** (the "**Company**"), hereby appoint:

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

*and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Annual General Meeting (the "**Meeting**") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Meeting of the Company to be held at The National University of Singapore Society, Guild Hall, Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 18 April 2019 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 Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. If you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

No.	Resolutions relating to:	For	Against
Ordinary Business			
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
2.	Re-election of Mr Colin Low		
3.	Re-election of Dr Tan Boon Wan		
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 _____ 2019.

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. If any proxy other than the Chairman of the Meeting is to be appointed, please delete the words “the Chairman of the Meeting”, and insert the name and address of the proxy desired in the box provided. If the box is left blank or incomplete, the Chairman of the Meeting shall be deemed to be appointed as your proxy.
3. (a) A member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” means:

- (a) *a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;*
 - (b) *a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or*
 - (c) *the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.*
4. A proxy need not be a member of the Company.
 5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Colin Low (Chairman and Independent Director)

Dr Tan Boon Wan (Independent Director)

Mr Shabbir H Hassanbhai (Independent Director)

Mr Charlie Ng How Kiat (Non-Executive Director)

Mr Tony Chew Leong Chee (Alternate Director to Mr Charlie Ng How Kiat)

Dr Steve Lai Mun Fook (Non-Executive Director)

Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook)

AUDIT COMMITTEE

Dr Tan Boon Wan (Chairman)

Mr Colin Low

Mr Shabbir H Hassanbhai

NOMINATING COMMITTEE

Mr Shabbir H Hassanbhai (Chairman)

Dr Tan Boon Wan

Mr Charlie Ng How Kiat

REMUNERATION COMMITTEE

Mr Shabbir H Hassanbhai (Chairman)

Mr Colin Low

Mr Charlie Ng How Kiat

INVESTMENT COMMITTEE

Mr Colin Low (Chairman)

Mr Charlie Ng How Kiat

Dr Steve Lai Mun Fook

COMPANY SECRETARIES

Ms Josephine Toh Lei Mui

Mr Victor Lai Kuan Loong

AUDITORS

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60 Albert Street

#07-01 OG Albert Complex

Singapore 189969

Tel: (65) 6586 6777

Fax: (65) 6316 3128

Email: admin@intraco.com

Website: www.intraco.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory

Services Pte Ltd

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Tel: (65) 6536 5355

PRINCIPAL BANKERS

DBS Bank Ltd

United Overseas Bank Ltd

INVESTOR RELATIONS

Citigate Dewe Rogerson

105 Cecil Street

#09-01 The Octagon

Singapore 069534

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Main Contact: Ms Chia Hui Kheng



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