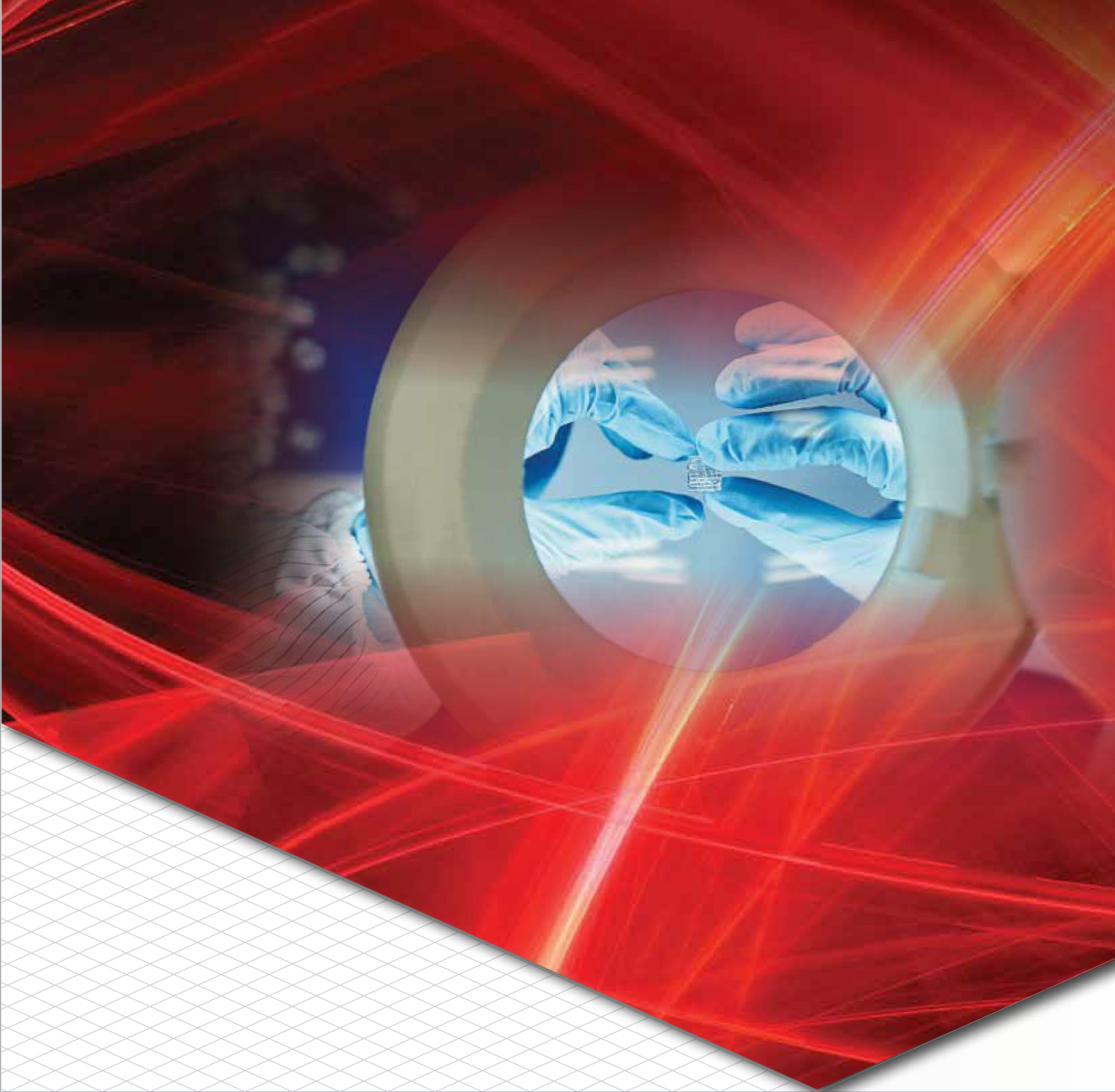


STAYING AHEAD OF THE CURVE

ANNUAL REPORT 2017

SunningdaleTech

Contents

Our Vision

World leading precision plastic solution-provider recognised for our extensive engineering expertise and experience

Values

- **Be experts**
  With an extensive global footprint, financial stability, and years of experience, we channel our expertise to deliver reliable solutions in all things plastics
- **Be problem-solvers**
  As an engineering company, problem solving is our forte, and we're geared to solving challenging projects or exploring different ways to optimise our processes in order to better meet your needs
- **Be progressive**
  We continually look to create better solutions, and explore, evaluate & apply new ideas & possibilities that are relevant to you

5 Pillars of Operational Excellence

1. Quality
2. Delivery
3. Productivity
4. Continuous Improvement
5. Teamwork

Chairman's **Message**

Over the years, we have worked closely with our customers to turn possibilities into realities by incorporating innovation into every aspect of our manufacturing process.

KOH BOON HWEE
Chairman
March 2018

DEAR SHAREHOLDERS,

Global economic sentiment was more upbeat in 2017 driven by a recovery in investment, manufacturing and trade. With the global economy demonstrating its broadest growth since 2010, we were able to capitalise on strengthening demand to grow our customer base and further diversify our product mix. Coupled with strategic business development initiatives, we achieved a new record in terms of revenue, which reached $724.5 million for FY2017.

While our resilient business model continued its steady trajectory, we faced challenges beyond our control, such as rising labour costs across our global manufacturing sites, pricing pressure from customers and foreign exchange rate volatility. Nevertheless, our core business operations remained robust while our relentless pursuit of operational excellence has translated to consistent improvements in our profitability margins.

STAYING AHEAD OF THE CURVE

Innovating to stay ahead of the pack has always been a part of Sunningdale's culture. Over the years, we have worked closely with our customers to turn possibilities into realities by incorporating innovation into every aspect of our manufacturing process. This has allowed us to ride into a new era of manufacturing commonly referred to as Industry 4.0, which sees the emergence of automation in areas such as robotics, additive manufacturing and big data combining into processes that are revolutionising manufacturing.

Our focus on innovating with our customers and evolving our manufacturing processes enhances our competitive edge as a leading one-stop precision plastic engineering company that supplies to the global market. This pursuit has equipped us with the right tools and a mindset to meet the challenges of the future.

We are extremely proud of the fact that we are among a very few Small and Medium-sized Enterprises who still have a sizeable and significant presence in manufacturing in Singapore. We are able to do this only by moving up the value chain by developing new state-of-the-art engineering capabilities. This has allowed us to take on some of the world's most challenging and complex projects in precision plastics. Looking ahead, we will continue to drive operational efficiency by investing into research and development to stay relevant in an ever-changing competitive landscape.

STRENGTHENING OUR GLOBAL FOOTPRINT

Another of Sunningdale's key competitive advantages is our global presence. Expanding our geographical reach worldwide has been pivotal in our development as we continue to bridge proximity with our customers to support their growth in key regions. Furthermore, business development initiatives continue to gain traction among our blue-chip customer base as customers are confident in our ability to handle projects on a global scale.

I am pleased to share that the construction of our 20th manufacturing facility in Penang, Malaysia has been completed. This new 15,000 square metre plant is fully-equipped with our latest machinery, staffed by highly trained personnel and adheres to the highest industry standards. More importantly, this site is strategically located near to both existing and potential customers in the Automotive, Consumer/IT and Healthcare segments. Throughout the course of the new financial year, we will progressively add capacity to the new site as we secure contract wins and continue to optimise resources across our manufacturing facilities. Already, we have received orders from key customers and expect to ramp up operations by the second half of 2018.

Building upon the successful ramp up of production at our manufacturing site in Chuzhou, China, we are continuing to optimise resource allocation within Greater China. Similarly, at our plants outside of Asia in Brazil, Latvia and Mexico, we have begun adding new machines to increase capacity and support rising demand from customers in the Automotive and Consumer/IT segments.

OUTLOOK

The economic environment continues to present challenges to our global operations amid rising competition. Foreign exchange volatility was our biggest headwind in 2017 as we were affected by the fluctuations of key currencies such as the US Dollar, Chinese Renminbi and Malaysian Ringgit. To mitigate this impact, we try to achieve a natural hedge in our operations. Additionally, we ensure that the terms and conditions of new project deals include foreign exchange fluctuation and raw material cost clauses. This allows us to renegotiate project terms during times of volatility in order to mitigate downside exposure. However there is usually a lag due to the negotiation period. While we adopt a cautious approach in view of the macroeconomic sentiment, the Group focuses on what we can control internally; boosting productivity and improving operational efficiencies in order to continue sustainable growth.

Leveraging on our world-class capabilities, our order backlog across each of our business segments: Automotive, Consumer/IT, Healthcare and Mould Fabrication remain stable. Our diversified segments are a key plus point of our business model as we can withstand slowdowns in demand from any one particular sector. As we chart steady growth, we will continue to focus our efforts on further diversifying our customer base and broadening our product offering.

Fundamentally, our business is able to generate consistent positive operating cash flows. Coupled with effective working capital management and a prudent approach to deploying capital for investment, our strong balance sheet should bode well for us as we navigate the uncertainties facing the global economy. Even in a downturn, which tends to level the playing field and increase the level of consolidation, there can be winners. We strongly believe that our scale and unique capabilities continue to differentiate ourselves from the competition.

Overall, we are confident that our overarching strategy of developing a sustainable and profitable business model for the long-term is on track.

ACKNOWLEDGMENTS

On behalf of the Board, I would first like to thank our valued shareholders for their confidence in the management team as we work to achieve long-term shareholder value through the execution of our various strategies. As we remain confident in our future and as a reward for your unwavering support, the Board has proposed a final dividend of 4.5 cents. Coupled with the Group's inaugural interim dividend of 2.5 cents which was paid out in August 2017, total dividends for FY2017 amounted to 7.0 cents (FY2016: 6.0 cents).

I would also like to thank our customers, bankers, business associates and suppliers for their continued support. Lastly, my deepest appreciation goes out to our 9,000 employees around the world for their dedication and commitment to operational excellence. Without your support, we would not have been able to achieve the success we had in 2017. I look forward to reaching new milestones together in 2018.

主席
致词

各位股东：

由于投资、制造与贸易领域均复苏，2017年的全球经济情绪较为乐观。随着全球经济取得自2010年以来的最大增长，我们能够从增强的需求中受惠，因而扩大我们的客户群，并进一步增加我们的产品组合。加上策略业务发展计划，我们的FY2017收入创下新高，达到7亿2,450万新元。

虽然我们稳健的业务模式持续稳定发展，但我们面临的挑战超出我们可控制的范围，比如我们遍布全球的制造厂的劳工成本上涨、客户的定价压力，以及汇率波动。尽管如此，我们的核心业务依然强劲，而我们不断地追求卓越的营运管理水平已令我们的利润率持续提高。

在业内保持领先地位

向阳科技集团（Sunningdale Tech Group）一直以来都以创新在业内保持领先地位。多年来，我们与客户紧密合作，透过将创新元素融入我们制造过程里的每一个层面，把可能性变为现实。有鉴于此，我们得以迈入制造业的新时代（通常称为行业4.0 （Industry 4.0），后者涵盖机器人技术、增材制造业等自动化程序，以及大数据与制造过程相结合，使制造业彻底改革。

我们专注于和客户一同创新，不断发展我们的制造工艺，从而增强了我们作为全球领先的一站式精密塑料工程企业的竞争优势。由于追求创新和改变，我们具备了适当的工具及思维方式来面对未来的挑战。

我们感到自豪，因为我们是少数在新加坡仍有颇大规模制造业务的中小企业。唯有发展最新和最先进的工程能力、提高价值链，我们才能够做到这一点。因此，我们能够承接一些全球最具挑战和复杂的精密塑料项目。展望未来，我们将继续在研究与发展方面投资，从而推动营运效力，并与这个不断变化、充满竞争的环境保持密切关联。

增强全球版图

向阳科技集团的另一个主要竞争优势是在全球占据一席之地。扩大我们在全球的地域版图已成为我们发展的关键因素，因为我们持续与客户密切合作，为它们在主要区域的发展给予支持。此外，我们的业务发展计划在我们的蓝筹客户群众中持续发挥作用，由于客户对我们有能力负责具全球规模的项目充满信心。

我很高兴地分享坐落于马来西亚槟城的集团第20座制造厂的工程已竣工。这座面积为15,000平方米的新厂房拥有设备齐全的最新机器、训练有素的人员，并且遵循最高的行业标准。更重要的是，这座厂房的位置理想，靠近汽车、消费/资讯科技及医疗保健领域的现有与潜在客户。在新的财政年，我们将在争取合约的同时逐步地为新厂房增加产能，并且持续地充分利用我们制造设施的资源。我们已经接到主要客户的订单，预计将在2018年下半年开始量产。

在我们位于中国滁州的制造厂成功提升生产能力的基础上，我们将持续地在大中华地区内充分分配资源。同样的，在我们亚洲以外的厂房（位于巴西、拉脱维亚和墨西哥），我们已开始增添新的机器，以提升产能和支援能力，从而应付来自汽车与消费/资讯科技领域的客户不断增加的需求。

前景

尽管竞争不断加剧，但经济环境持续对我们的全球业务带来挑战。汇率波动不定是我们在2017年面对的最大逆风，我们因美元、人民币及马来西亚令吉等主要货币波动而受到影响。为了减低这项冲击，我们尝试为我们的业务采取自然避险策略。此外，我们确保新项目的条款与条件包含汇率波动及原材料成本的条款。这能让我们在波动不定的时期重新商定项目的条款，以减低下行风险。然而，滞后效果一般上会因协商期而产生。虽然基于宏观经济情绪，我们采取审慎态度，集团把焦点放在我们内部所能控制的事情上；提高生产力和提升营运效率，以持续取得增长。

凭借我们具国际水平的能力，我们各项业务：汽车、消费/资讯科技、医疗保健与模具制造的订单依然保持稳定。我们多元化的业务是我们业务模式的一个关键加分点，我们可抵御任何一个领域的需求放缓所带来的影响。由于增长稳定，我们将持续专注于努力地扩大我们的客户群，以及增加我们所提供的产品。

基本上，我们的业务能够取得稳定的正面营运现金流。加上有效地管理营运资本，以及谨慎地为投资配置资本，我们强稳的财务状况应可让我们应付全球经济不明朗的情况。即使遇上经济低迷的时期（往往令营运环境达到平衡及提高整合水平），也是会有赢家出现的。我们深信我们的规模及独特的能力能够持续地把我们从竞争对手中区分开来。

整体而言，我们相信，我们为长期发展制定的可持续及有利可图的营运模式正朝着正确的轨道前进。

鸣谢

首先，我谨代表董事会，感谢我们尊贵的股东对管理团队的信心，让我们透过执行多项策略来取得长期的股东价值。随着我们依旧对我们的未来充满信心，以及为了回报你坚定不移的支持，董事局已建议派发每股0.045新元的终期股息。加上集团于2017年8月首次支付的每股0.025新元的中期股息，集团在FY2017派发的总股息为每股0.07新元（FY2016为0.06新元）。

我还要感谢我们的客户、银行、业务伙伴和供应商持续地给予支持。最后，我由衷地感激我们全球的9,000名员工为集团的营运所付出与投入的努力。没有你们的支持，我们不可能取得2017年的成功。我期待与大家共同在2018年达至新的里程碑。

BOARD OF **DIRECTORS**

1. MR KOH BOON HWEE

Is the Non-Executive Chairman of Sunningdale Tech Ltd. He is the Chairman (executive) of Credence Partners Pte Ltd.

He is currently the Non-Executive Chairman of public-listed Yeo Hiap Seng Limited, Far East Orchard Ltd, AAC Technologies Holdings Ltd and Agilent Technologies, Inc. He is also the Non-Executive Chairman of FEO Hospitality Asset Management Pte Ltd and FEO Hospitality Trust Management Pte Ltd which manage listed Far East Hospitality Trust. Mr Koh serves as a director on the board of Bank Pictet & Cie (Asia) Ltd, and is also the Chairman of the Nanyang Technological University Board of Trustees and Chairman of Rippledot Capital Advisers Pte Ltd.

Mr Koh was previously Chairman of DBS Group Holdings Ltd and DBS Bank Ltd (2005-2010), Singapore Airlines Ltd (2001-2005), SIA Engineering Company Ltd (2003-2005), Singapore Telecommunications Ltd (1986-2001), Omni Industries Ltd (1996-2001), Executive Chairman of the Wuthelam Group of Companies (1991-2000) and, before that, Managing Director of Hewlett-Packard Singapore (1985–1990), where he started his career in 1977.

He holds a Bachelor of Science (Mechanical Engineering) First Class Honours Degree from Imperial College, University of London, and a Master of Business Administration (with Distinction) from Harvard Business School.

BOARD OF DIRECTORS

2. MR KHOO BOO HOR

Is the CEO of Sunningdale Tech Ltd. Prior to this appointment, he was the Group Operations Director and was responsible for the Group's manufacturing operations. Mr Khoo played a significant role in integrating the operations of Sunningdale Precision Industries Ltd and Tech Group Asia Ltd following the merger of the two companies in July 2005.

Mr Khoo was previously the Director of Operations for Hewlett-Packard ("HP") Singapore, where he was responsible for HP's Enterprise Storage and Server manufacturing operations. He worked in HP in various capacities for over 16 years.

Mr Khoo holds a Bachelor of Science and a Bachelor of Engineering (Honours) from Monash University, as well as a Master of Business Administration from the University of Louisville, Kentucky.

3. MR WONG CHI HUNG

Is the Non-Executive Director of Sunningdale Tech Ltd. He began his moulding and tooling career by establishing Chi Wo Plastic Moulds Fty. Ltd. in Hong Kong in 1983. In 1994, he set up Shenzhen Xinlianxing Mould (Shenzhen) Co., Ltd in Shenzhen, China to start tool making activities. Two years later, another factory was set up in Zhongshan, China, called Zhongshan Zhihe Electrical Equipment Co., Ltd.

Mr Wong has successfully made Chi Wo a premium one-stop moulding supplier for computer, electronics, automotive and consumer industries through his years of directorship. He retired as Managing Director of Chi Wo Plastic Moulds Fty. Ltd, a wholly-owned subsidiary of Sunningdale Tech Ltd on 30 June 2014.

4. MR GABRIEL TEO CHEN THYE

Is an Independent Director of Sunningdale Tech Ltd. He is also an Independent Director of IFS Capital Limited, and sits on the boards of other corporates as well as non-profit organisations.

Mr Teo was previously Regional Managing Director of Bankers Trust, and Chief Executive Officer of The Chase Manhattan Bank. In his earlier career, he had also held various senior appointments at Citibank and Citicorp Investment Bank.

He holds a Bachelor of Business Administration degree from the University of Singapore and a Master of Business Administration from Cranfield School of Management. Mr Teo also attended the Executive Programme in International Management at Columbia University.

5. MR KAKA SINGH

Is an Independent Director of Sunningdale Tech Ltd. He is also the Chairman of RSM Chio Lim LLP, Singapore Chartered Accountants.

He holds memberships in various professional bodies. Mr Singh was the past president of ACCA Singapore, CIMA Singapore and SAICSA. In 2010, Mr Singh was awarded the inaugural ACCA Award in recognition of his tireless dedication and contribution to ACCA. In 1994, he was awarded the Silver Medal by ICPAS for his contributions to the community and the accounting profession in Singapore. He holds an MBA from the Cass Business School of the London City University.

6. MR STEVEN TAN CHEE CHUAN

Is an Independent Director of Sunningdale Tech Ltd. He is currently the Chairman of Steven Tan Russell Bedford PAC, Steven Tan Management Consultants Pte Ltd and Samas Management Consultants Pte Ltd.

Mr Tan is a CA (Singapore) – Public Accountant and is a fellow member of the Institute of Chartered Accountants in England and Wales. From 1969 to 1981, he was the President of the Singapore Society of Accountants, now known as the Institute of Singapore Chartered Accountants ("ISCA") for six terms, and from 1994 to April 2002, he was the Chairman of the Ethics Committees of the Institute of Certified Public Accountants of Singapore ("ICPAS") and The Public Accountants Board.

From 1994 to September 2001, he was an Independent Director and Chairman of the Audit Committee of Berger International Ltd.

Mr Tan was also a member of the Council of the Ngee Ann Polytechnic from 1980 to 1992, and Deputy Chairman from 1992 to March 2000. He was appointed as a member of the Liquor Licensing Board from 1971 to 1992 and as Vice-Chairman from 1992 to 2006.

He was a member of the National University of Singapore Advisory Committee on Acquisitions of the Lee Kong Chian museum from 1995 to 2003 and Chairman from 2003 to 2006.

Mr Tan received the Gold Medal awarded by ICPAS in 1987 and was conferred The Public Service Medal in 1988 and The Public Service Star in 1995 by the President of Singapore.

7. MR ONG SIM HO

Is an Independent Director of Sunningdale Tech Ltd. He is a practising lawyer specialising in tax laws and is currently running his own law firm, Messrs Ong Sim Ho Advocates & Solicitors. He is a member of the Board of AIA Singapore Private Limited, Emirates National Oil Company (Singapore) Pte Ltd, Bluefield Ventures Pte. Ltd. and Bluefield Renewable Energy Pte. Ltd. Mr Ong also serves as an Alumni Advisory Board Member at the Nanyang Business School, NTU and a director of Centre for Fathering Ltd. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law of Lincoln's Inn, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

8. MRS EILEEN TAY-TAN BEE KIEW

Is an Independent Director of Sunningdale Tech Ltd. She has extensive experience in areas such as accounting, auditing, taxation, public listings, due diligence, mergers and acquisitions, and business advisory. She was a partner at KPMG and had served as a director of several companies, both private and publicly listed, in Singapore and Australia.

Currently, she is the Lead Independent Director and Chairman of the Audit Committee of SGX-ST Catalist-listed Jason Marine Group Limited and also, Chairman and Independent Director of SGX-ST Catalist-listed Singapore Kitchen Equipment Limited.

She graduated from the University of Singapore in 1974 with a Bachelor of Accountancy (Honours). She is a fellow member of the Institute of Singapore Chartered Accountants ("ISCA"), the Chartered Institute of Management Accountants ("CIMA") in the United Kingdom and CPA Australia. She is also a member of the Singapore Institute of Directors.

MANAGEMENT TEAM

MS SOH HUI LING

Is the Chief Financial Officer of Sunningdale Tech Ltd. She is responsible for the Group's financial and management accountings, treasury and taxation. Prior to this appointment, she was the Group Financial Controller and she held the same post at the former Sunningdale Precision Industries Ltd.

Before joining Sunningdale Precision Industries Ltd, Ms Soh was the Finance and Administrative Manager of Dew Management Advancement Consultants Pte Ltd, in charge of the accounts and administration department.

She was also previously an Audit Supervisor at Paul Wan & Co, in charge of the audit and accounts department.

Ms Soh holds a Diploma in Business Studies from Ngee Ann Polytechnic in Singapore. She completed the Association of Chartered Certified Accountant Course in 1991 and is a Fellow member of the Association of Chartered Certified Accountants, UK, and a Fellow of the Institute of Singapore Chartered Accountants.

MR CHAN WHYE MUN

Is the General Manager for South Asia, responsible for all moulding operations in Singapore, Johor (Cemerlang and Senai), Batam and Chennai plants. Prior to joining Sunningdale Tech Ltd, he was the COO of UMS Holdings, a semiconductor precision machining and solutions company.

Mr Chan was previously a Senior Director of Product Engineering, Failure Analysis and Quality for Seagate Technology where he worked for 13 years. Before that, he was in Hewlett Packard Singapore as a Reliability Engineer for 3 years.

Mr Chan holds a Bachelor of Engineering (1st Class Hons) from University of Western Australia.

MR CHAN TUNG SING

Is the Senior Vice President – Business Development primarily focusing on Automotive business segment. Mr Chan has previously served as the General Manager for Shanghai operations for 6 years and was fully responsible for the plant performance before changing into his current role in November 2011.

Prior to joining Sunningdale Tech Ltd, Mr Chan spent over 11 years with Hewlett Packard ("HP") in various management positions. His last role was the Materials Manager, Engineering & Supply Chain, of Enterprise Storage & Servers Group, Asia Pacific Region. He was responsible for formulating and implementing material engineering strategy, materials management for various HP Global Business Units and implementing Asia Pacific Supply Chain Programmes. Mr Chan comes with vast management experience in product, test and procurement engineering, materials and supply chain.

Mr Chan holds a Bachelor degree of Electrical Engineering from the National University of Singapore.

MR TAN BAIR KION SIMON

Is the Senior Vice President – Corporate Management and the General Manager responsible for business development and operations of Omni Mold Ltd, the flagship precision tooling subsidiary of Sunningdale Tech Ltd along with four other tooling operations of the Group. He has been with the Group since 1998, first joined as Project Manager and was appointed General Manager for Tech Group Singapore in 2001. He was responsible for business development initiatives and oversaw the operations and performance of three moulding plants during that period.

Mr Tan began his career as an apprentice in 1980. He worked through the rank and file of being a mould maker, tool room supervisor and tool room manager in 1995, managing both precision mould design and manufacturing operations.

His main focus has always been in operational effectiveness and improvements in efficiency through utilizing advanced manufacturing technologies and innovations, as well as in business developments efforts.

Mr Tan holds a Bachelor of Science Degree (Hons) in Business and Management Studies from University of Bradford (UK). Advanced Diploma in Business Administration, Diploma in Business Efficiency & Productivity, and National Certificate In Supervision from National Productivity Board Institution.

MR CHEONG WAI LUEN

Is the Senior IT Director that has overall responsibility for the information technology strategy and execution for all the companies under the group. He is also responsible for the group on-going business processes re-engineering and standardisation effort.

Prior to joining Sunningdale Tech Ltd, Mr Cheong started his career in Hewlett Packard as IT specialist working on optimising supply chain and production planning. He had since held various management position in Sony Electronics Asia Pacific, Agilent Technologies and Hewlett Packard focusing on implementing regional and world-wide based information system. He comes with strong application domain expertise in manufacturing, supply chain planning, logistics and customer relationship management.

Mr Cheong holds a Bachelor degree in Computer Engineering from Nanyang Technological University. He is also a Project Management Professional from PMI and holds a certificate in Production and Inventory Management from APICS.

MS BIN BOON KIM CINDY

Is the Human Resource Director of Sunningdale Tech Ltd and is responsible for providing leadership in developing and executing human resources strategies and policies in support of the business plans and strategic directions of the Group.

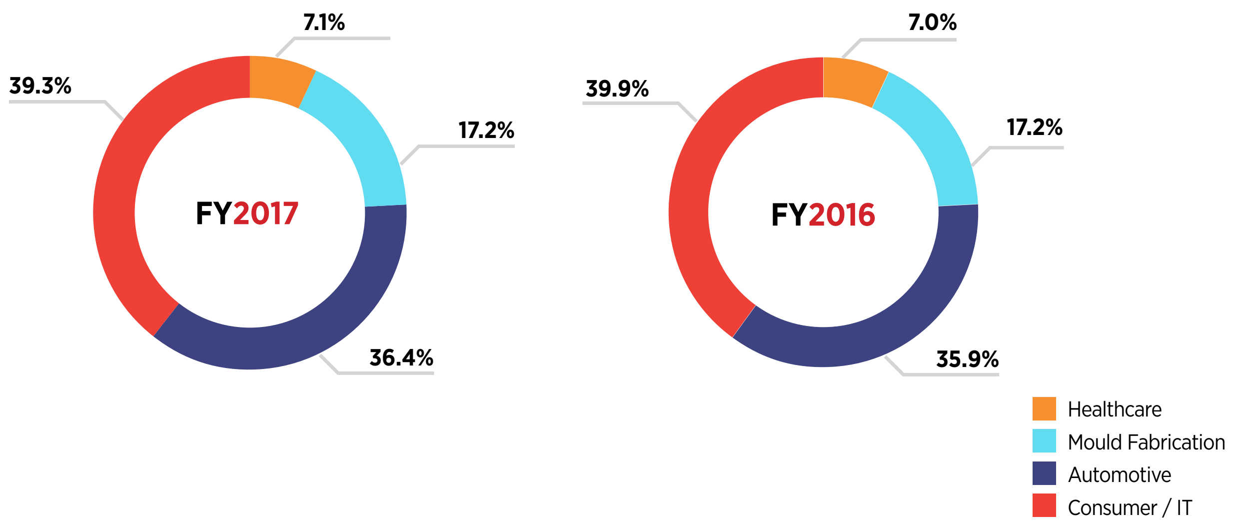
Prior to her current position, Ms Bin joined Sunningdale Precision Industries Ltd as Corporate Human Resource Manager in April 2003.

Before joining Sunningdale Precision Industries Ltd, she was the Human Resource Manager of De La Rue Currency and Security Print Pte Ltd, a subsidiary of UK-based currency printer and was responsible for the full spectrum of the human resource functions. She was also instrumental in developing and implementing the company's Quality Management System.

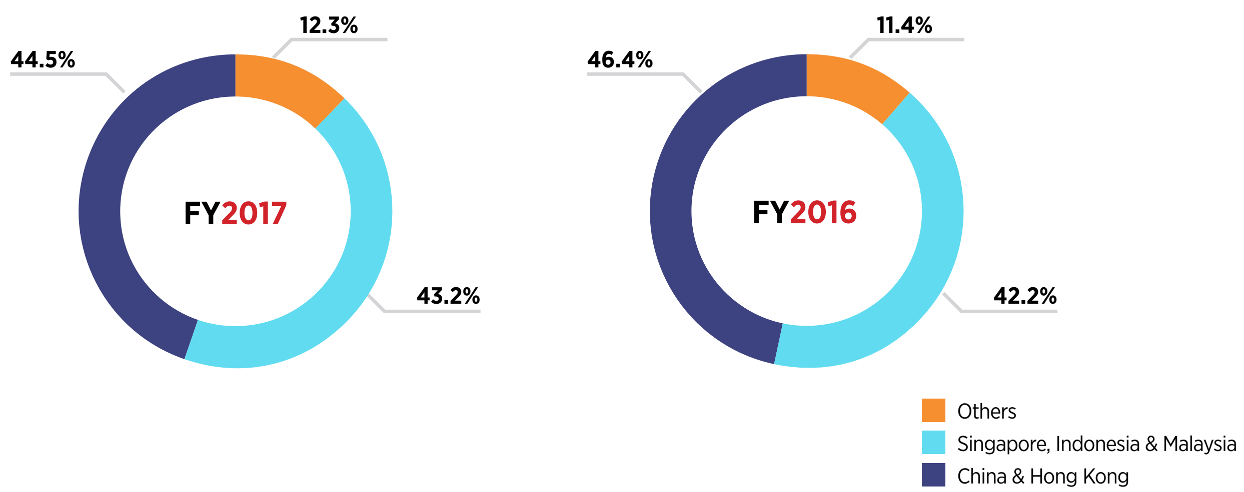
Ms Bin graduated from the University of Singapore with a Bachelor of Science degree, majoring in Chemistry. She also holds a Post Graduate Diploma in Personnel Management from the Singapore Institute of Management.

FINANCIAL **HIGHLIGHTS**

Performance by Business Segment



Performance by Geographic

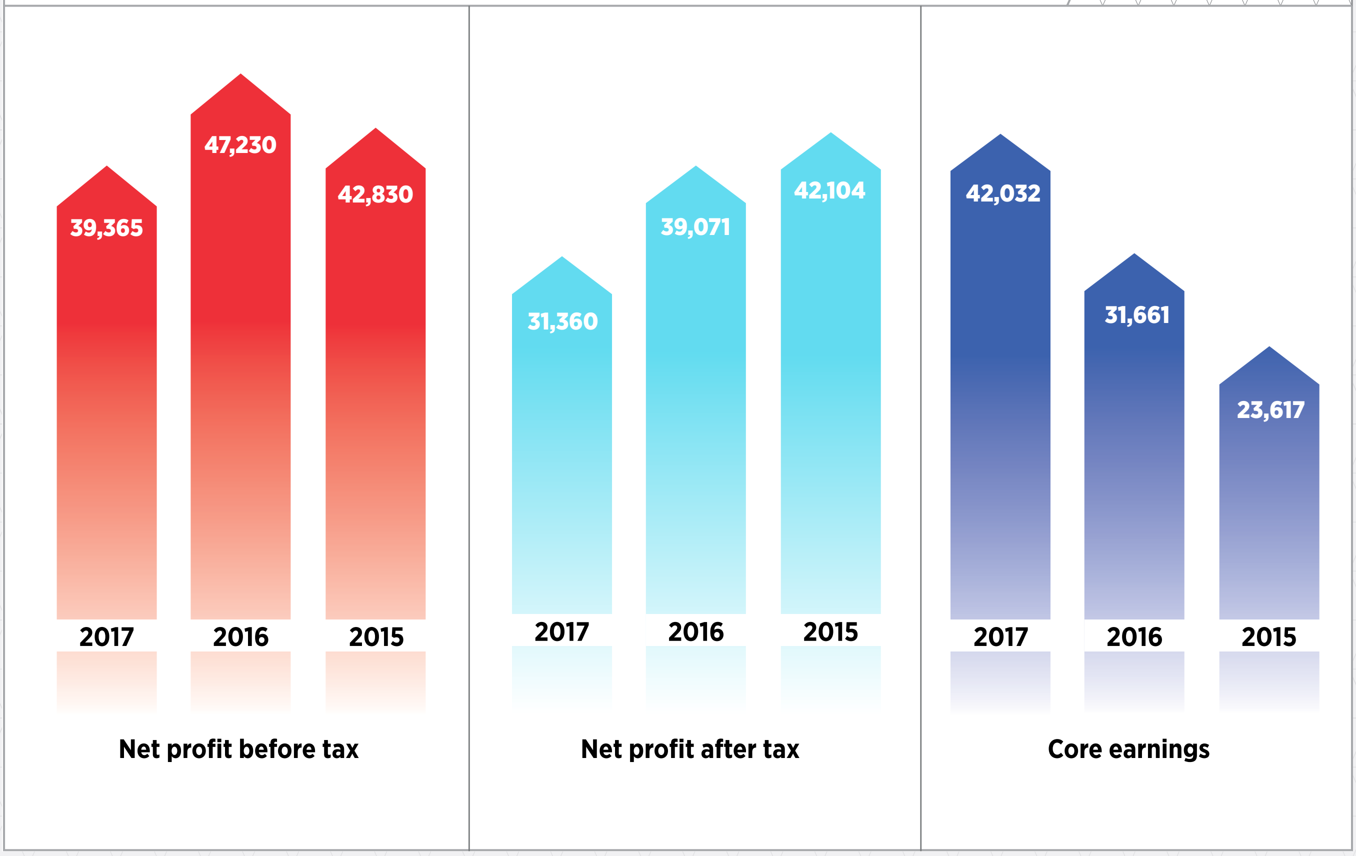


REVENUE & EBITDA ($'000)

	2017	2016	2015
REVENUE	724,545	684,457	674,464
EBITDA*	79,304	69,363	65,113

**EBITDA = Gross profit - marketing and distribution expenses and administrative expenses ("SG&A") + depreciation + one-off SG&A expenses excluding joint venture profit/loss*

PROFIT TREND ($'000)



FINANCIAL **REVIEW**

The Group's revenue increased 5.9% year-on-year ("yoy") from $684.5 million for FY2016 to $724.5 million for FY2017. The increase in revenue was driven by growth across all of the Group's segments: Automotive, Consumer/IT, Healthcare and Mould Fabrication.

The Group recorded gross profit of $105.5 million for FY2017, an increase of 12.0% yoy from $94.3 million for FY2016. Gross margin improved from 13.8% for FY2016 to 14.6% for FY2017 due to improved capacity utilisation and better product mix.

The decrease in other income was due to a gain on disposal of property, plant and equipment ("PPE") of $5.0 million for FY2016 and a foreign exchange gain of $9.0 million for FY2016, while foreign exchange losses amounting to $10.6 million was recorded in FY2017 under other expenses.

The Group achieved a net profit of $31.4 million for FY2017 compared to $39.1 million for FY2016. Excluding foreign exchange loss/(gain), gain on the disposal of PPE and retrenchment costs, net profit would have been $42.0 million for FY2017 and $31.7 million for FY2016, representing a 32.8% yoy increase in core earnings:

	FY2017	FY2016	+/(-)
	$'000	$'000	%
Profit for the period reported	31,360	39,071	(19.7)
Adjustments:			
Foreign exchange loss/(gain)	10,647	(8,952)	n.m.
Gain on disposal of PPE	(342)	(4,984)	n.m.
Retrenchment costs	367	6,526	n.m.
Core earnings	**42,032**	**31,661**	**32.8**

The Group's earnings per share amounted to 16.67 Singapore cents for FY2017 as compared to 20.91 Singapore cents for FY2016.

The Group's net asset per share increased from $1.87 as at 31 December 2016 to $1.94 as at 31 December 2017. Similarly, the Group's net tangible assets per share increased from $1.78 as at 31 December 2016 to $1.85 as at 31 December 2017.

FINANCIAL POSITION AND CASHFLOWS

The Group's property, plant and equipment amounted to $193.9 million as at 31 December 2017, compared to $191.6 million as at 31 December 2016. PPE were stated net of depreciation charges of $28.9 million (FY2016: $29.6 million), partially offset by currency realignment and the additions of $36.8 million (FY2016: $39.2 million) in capital expenditure for machineries and buildings.

The increase in inventories was due to preparation for new project launches and the building up of safety stock. The increases in trade and other receivables and trade and other payables were in line with the increase in revenue. Additionally, this increase was due to several customers delaying payments to January 2018 and for the purchase of PPE.

The Group maintained a cash balance of $105.3 million as at 31 December 2017 (31 December 2016: $115.3 million). This resulted in a net cash position of $1.6 million (31 December 2016: $15.5 million) after accounting for loans and borrowings amounting to $103.7 million (31 December 2016: $99.8 million). The decrease in the Group's net cash position was due to a foreign currency translation loss of $3.3 million on the opening balance of cash and cash at banks, payment of capital expenditure of $33.9 million (FY2016: $36.0 million), payment of dividends amounting to $16.0 million (FY2016: $9.3 million) and a $2.0 million loan to a joint venture.

BUSINESS SEGMENT PEFORMANCE

	FY2017	FY2016	+/(-)
	$'000	$'000	%
Automative	263,789	245,446	7.5
Consumer/IT	284,795	272,980	4.3
Healthcare	51,673	48,452	6.6
Mould Fabrication	124,288	117,579	5.7
	724,545	684,457	5.9

Revenue from the Automotive business segment, one of the key revenue generators, increased 7.5% yoy from $245.4 million for FY2016 to $263.8 million for FY2017. The Automotive segment's contribution to the Group's revenue was 36.4% (FY2016: 35.9%). In line with the increase in revenue, profit (excluding retrenchment costs and foreign exchange gains/losses) from the Automotive segment increased from $13.9 million for FY2016 to $18.5 million in FY2017. This was due to higher utilisation attributed to an increase in orders from current and new projects along with a change in product mix.

The Group's revenue from the Consumer/IT segment increased 4.3% yoy from $273.0 million for FY2016 to $284.8 million for FY2017. Its contribution to the Group's revenue was 39.3% (FY2016: 39.9%). The profit (excluding retrenchment costs and foreign exchange gains/losses) from the Consumer/IT segment decreased marginally from $32.1 million for FY2016 to $31.6 million for FY2017. This was due to a decline in average selling prices for certain projects due to a change in materials used in production.

Revenue from the Group's Healthcare segment increased 6.6% yoy from $48.5 million for FY2016 to $51.7 million for FY2017. This was due to an increase in orders and new projects launched. Profit (excluding retrenchment costs and foreign exchange gains/losses) from the Healthcare segment improved from $0.4 million for FY2016 to $1.2 million for FY2017.

Revenue from the Group's Mould Fabrication segment increased 5.7% yoy from $117.6 million for FY2016 to $124.3 million for FY2017. This was due to more orders billed and recognised in profit or loss. The profit (excluding retrenchment costs and foreign exchange gains/losses) increased slightly from $2.0 million for FY2016 to $2.4 million for FY2017.

GEOGRAPHIC SEGMENT PERFORMANCE

Revenue contribution from the Group's operations in China and Hong Kong increased 1.6% yoy from $317.7 million for FY2016 to $322.7 million for FY2017. This was mainly due to an increase in revenue from all business segments except for Mould Fabrication.

Revenue contributions from the Group's Singapore, Indonesia and Malaysia operations increased from 42.2% for FY2016 to 43.2% for FY2017. In absolute figures, revenue from the Group's Singapore, Indonesia and Malaysia operations increased from $288.9 million for FY2016 to $313.1 million for FY2017. The increase was mainly due to a rise in orders and new projects launched from all business segments.

The contribution in revenue from the Group's operations in other regions increased 14.2% yoy from $77.8 million for FY2016 to $88.8 million for FY2017 due to growth in revenue across all business segments.

CORPORATE
SOCIAL RESPONSIBILITY

Since it began operations, the Group has always placed emphasis on conducting its business in a responsible manner while adding value to its various stakeholder groups and this year is no exception. Furthermore, in response to the Singapore Exchange Securities Trading Limited's introducing sustainability reporting on a 'comply or explain' basis, the Group has also embarked on its formal sustainability reporting journey and will be publishing its inaugural sustainability report which has been prepared in accordance to the Global Reporting Initiative ("GRI") Standards – 'Core' reporting requirements for FY2017.

During the year, the Group has also put in place a sustainability policy. The policy states that the Group is committed to corporate social responsibility and sustainable long-term growth through the following:

- Upholding the highest standards of corporate governance and transparency with an effective risk management system to safeguard our stakeholders' interests.
- An integrated human capital strategy which promotes fair employment practices and a safe working environment while fostering strong teamwork and employee development.
- Environmentally friendly manufacturing and supply chain processes. We continuously seek new technologies and methods to conserve energy, minimise resource consumption and reduce waste generation.
- Supporting local communities by making meaningful contributions through either active participation or sponsorship.

The Group's financial and operational objectives have been aligned towards constantly improving its sustainability performance through regular monitoring and effective reporting channels.

This policy will be communicated to all its stakeholders and is also currently available on the corporate website.

As part of its sustainability reporting journey, the Group underwent a materiality assessment procedure which resulted in three material Environmental, Social and Governance ("ESG") matters, namely Occupational Health and Safety, Ethics, Bribery & Corruption, and Waste Management, being identified. Two other matters, Customer Health and Safety and Material Use have also been identified as additional matters for reporting.

For more details on the Group's ESG matters which have been selected for reporting, please refer to **our Corporate Social Responsibility segment published** on our corporate website. We will also be sharing our inaugural Sustainability Report with stakeholders once it is published.

For any queries in relation to this report or other feedback on our sustainability practices, please feel free to write in to csrs@sdaletech.com.

CORPORATE STRUCTURE

SUNNINGDALE TECH LTD (SINGAPORE)

- Omni Mold Ltd (Singapore)
  - Omni Mold Investment Holding Pte Ltd (Singapore)
    - Omni Tech (Suzhou) Co., Ltd (PRC, Suzhou)
  - SIA Skan-Tooling (Europe, Latvia)
- Plasolux Pte Ltd (Singapore)
- Sunningdale Tech Investment Holding Pte Ltd (Singapore)
  - AS Sunningdale Tech (Latvia) (Europe, Latvia)
  - SIA Sunningdale Tech (Riga) (Europe, Latvia)
- UFE Pte Ltd (Singapore)
- Sunningdale Tech (Malaysia) Sdn Bhd (Malaysia)
- Chi Wo Plastic Moulds Fty Ltd (Hong Kong)
  - Zhongshan Zhihe Electrical Equipment Co Ltd (PRC, Zhongshan)
- PT Sunningdale Tech Batam (Indonesia)
- Sunningdale Precision Industries Ltd (Singapore)
  - People's Republic of China
    - Sunningdale Precision Mold Industries (Tianjin) Co., Ltd
    - Sunningdale Innovative Technology (Tianjin) Co., Ltd
    - Sunningdale Precision Industries (Shanghai) Co., Ltd
    - Sunningdale Precision Technology (Shanghai) Co., Ltd
    - Sunningdale Precision Tech (Chuzhou) Co., Ltd
  - Malaysia
    - SDP Manufacturing Sdn Bhd
    - Sunningdale Plastic Sdn Bhd
      - Sunningdale Tech Plásticos (Brasil) Ltda (Brazil)
  - Mexico
    - Sunningdale Technologies S.A. de C.V.
- First Engineering Limited (Singapore)
  - Singapore
    - First Engineering-Erwin Quarder Pte Ltd (Joint Venture)
      - FEQ Automotive Systems (Shanghai) Co., Ltd (PRC, Shanghai)
  - Malaysia
    - First Engineering Plastics (Malaysia) Sdn Bhd
  - People's Republic of China
    - First Engineering (Guangzhou) Co., Ltd
    - First Engineering (Shanghai) Co., Ltd
    - First Engineering (Suzhou) Co., Ltd
    - First Engineering Decorative (Suzhou) Co., Ltd
  - India
    - First Engineering Plastics India Private Limited
- Sunningdale Tech (Thailand) Co., Ltd (Thailand)
- Sunningdale Tech Penang Sdn Bhd (Malaysia)
- Sunningdale Tech Inc (USA)

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Koh Boon Hwee
(Non-Executive Chairman)

Khoo Boo Hor
(Chief Executive Officer, Executive Director)

Wong Chi Hung
(Non-Executive Director)

Steven Tan Chee Chuan
(Independent Director)

Gabriel Teo Chen Thye
(Independent Director)

Kaka Singh
(Lead Independent Director)

Ong Sim Ho
(Independent Director)

Eileen Tay-Tan Bee Kiew
(Independent Director)

AUDIT AND RISK COMMITTEE

Kaka Singh
(Chairman)

Gabriel Teo Chen Thye
(Member)

Steven Tan Chee Chuan
(Member)

NOMINATING COMMITTEE

Ong Sim Ho
(Chairman)

Gabriel Teo Chen Thye
(Member)

Kaka Singh
(Member)

REMUNERATION COMMITTEE

Steven Tan Chee Chuan
(Chairman)

Ong Sim Ho
(Member)

Eileen Tay-Tan Bee Kiew
(Member)

COMPANY SECRETARY

Dorothy Ho Lai Yong

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
(a member of Boardroom Limited)

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

51 Joo Koon Circle Singapore 629069
Tel : (65) 6861 1161
Fax : (65) 6863 4173

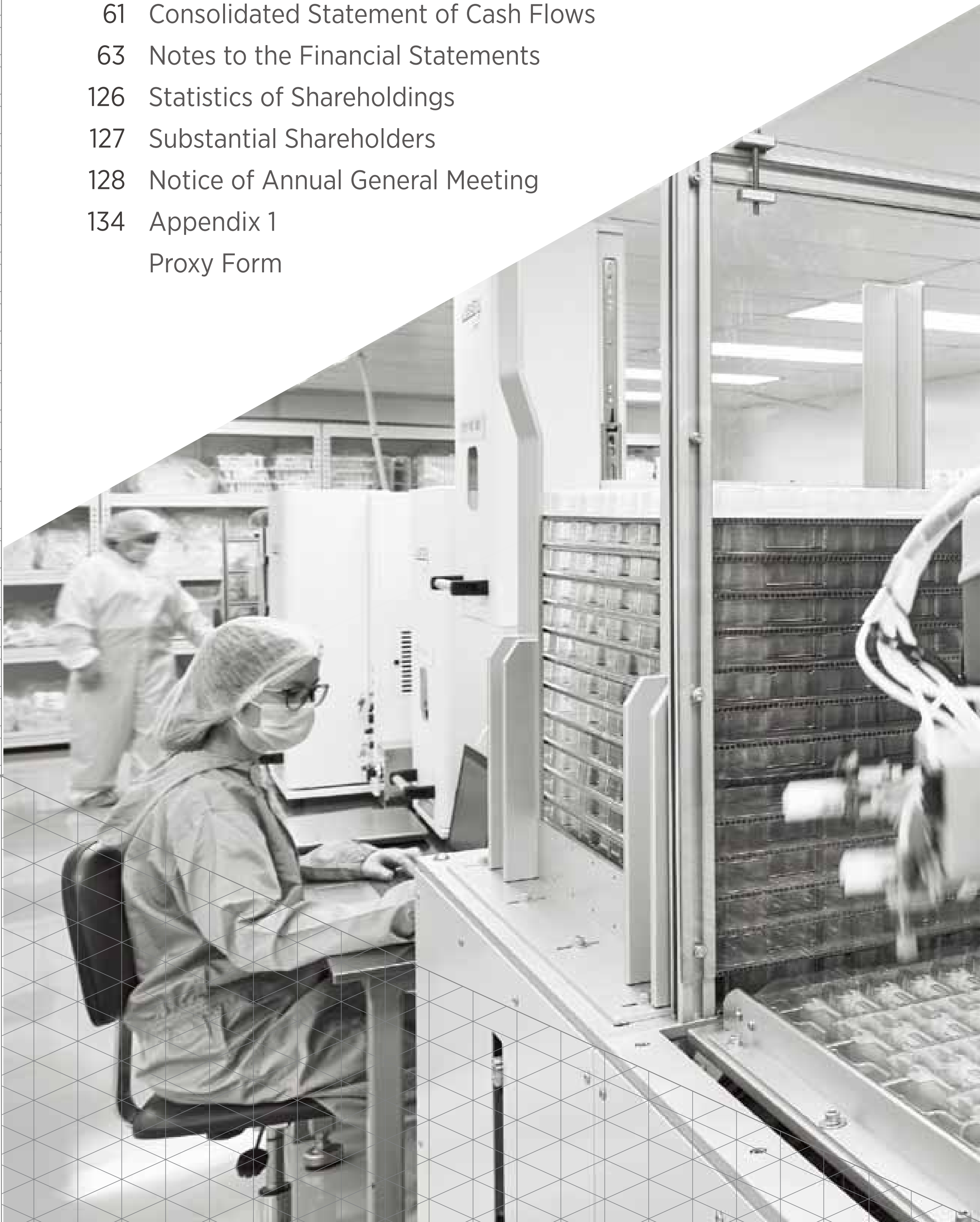
AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Audit Partner: Yee Woon Yim
(Date of appointment: since financial year ended 31 December 2013)

BANKERS

DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Financial Contents



CORPORATE GOVERNANCE REPORT

THE COMPANY'S COMPLIANCE AND DISCLOSURE SCORE-CARD ON THE CODE OF CORPORATE GOVERNANCE 2012 ISSUED BY THE MONETARY AUTHORITY OF SINGAPORE ("CODE")

The following table summarises the Company's compliance with the Code principles. The table also sets out specific disclosures stated in the Annual Report, including key departures from the Code.

Code Principles and Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Principle 1 : The Board's Conduct of Affairs **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 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters	√	24
Guideline 1.4 The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	√	25
Guideline 1.5 The type of material transactions requiring Board approval under guidelines	√	25
Guideline 1.6 The induction, orientation and training provided to new and existing directors	√	26
Principle 2 : Board Composition and Guidance **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 the company's substantial shareholders (those who own 10% or more of the company's shares). No individual or small group of individuals should be allowed to dominate the Board's decision making.**	√	
Guideline 2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board	√	27
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him/her as non-independent director, disclose the nature of the director's relationship; and the reason of considering him/her as independent	√	27
Guideline 2.4 If an Independent Director, who has served on the Board for more than 9 years from the date of his/her first appointment, is considered to be independent, the reasons for considering him as independent should be disclosed	√	27

CORPORATE GOVERNANCE REPORT

Code Principles and Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Principle 3 : Chairman and Chief Executive Officer **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 3.3 Every Company should appoint a Lead Independent Director where the Chairman is not an Independent Director	√	28
Principle 4 : Board Membership **There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.**	√	
Guideline 4.1 Names of the members of the Nominating Committee ("NC") and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	√	29
Guideline 4.4 The maximum number of listed company Board representations which Directors may hold	√	30
Guideline 4.6 Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process	√	30
Guideline 4.7 Key information regarding Directors, including which Directors are Executive, Non-Executive or considered by the NC to be independent	√	29
Principle 5 : Board Performance **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.**	√	
Guideline 5.1 Assessment of the contributions of the Board, Board Committees and individual Directors to the effectiveness of the Board has been conducted. If an external facilitator has been used, disclosure whether the external facilitator has any other connection with the company or any of its directors	√	31
Principle 6 : Access of information **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.**	√	32
Principle 7 : Procedures for Developing Remuneration Policies **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.**	√	

CORPORATE GOVERNANCE REPORT

Code Principles and Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Guideline 7.1 Names of the members of the Remuneration Committee ("RC") and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	√	34
Guideline 7.3 Names and firm of the remuneration consultants (if any), including a statement on whether the remuneration consultants have any relationships with the Company	√	34
Principle 8 : Level and Mix of Remuneration **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. Companies should avoid paying more than is necessary for this purpose.**	√	34
Principle 9 : Disclosure of Remuneration **Every company should provide clear disclosure of its remuneration policies, level and mix of 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.**	√	
Guideline 9.1 ● Remuneration of Directors, the Chief Executive Officer ("CEO") and at least the top 5 key management personnel of the company ● The aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top 5 key management personnel	√	37, 38
Guideline 9.2 Fully disclose the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives	√	37
Guideline 9.3 ● Name and disclose the remuneration of at least the top 5 key management personnel in bands of $250,000 with a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefit-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives ● In addition, the Company should disclosure in aggregate the total remuneration paid to the top 5 key management personnel	√	37, 38

CORPORATE GOVERNANCE REPORT

Code Principles and Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Guideline 9.4 Details of the remuneration of named employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds $50,000 during the year with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of $50,000	√	38
Guideline 9.5 Details and important terms of employee share schemes	√	36
Guideline 9.6 More information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	√	35
Principle 10 : Accountability **The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**	√	38
Principle 11 : Risk Management and Internal Controls **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' interest 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 11.3 ● The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems ● The Board should also comment on whether it has received assurance from the CEO and the Chief Financial Officer ("CFO"): (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	√	42
Principle 12 : Audit Committee ("AC") **The Board should establish an AC with written terms of reference which clearly set out its authority and duties.**	√	
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegate to it by the Board	√	39
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	√	41

CORPORATE GOVERNANCE REPORT

Code Principles and Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
Guideline 12.7 The existence of a whistle-blowing policy	√	41
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	√	40
Principle 13 : Internal Audit **The Company should establish an effective internal audit function that is adequately resources and independent of the activities it audits.**	√	39
Principle 14 : Shareholder Rights **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.**	√	42
Guideline 14.3 Allow corporation which provide nominee or custodial services to appoint more than 2 proxies	√	43
Principle 15 : Communication with Shareholders **Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**	√	43
Guideline 15.4 Steps taken to solicit and understand shareholders' view, e.g. through analyst briefings, investor road shows or Investors' Day briefings	√	
Guideline 15.5 ● Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders ● Where dividends are not paid, the Company must disclose its reasons	– √	
Principle 16 : Conduct of Shareholder Meetings **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.**	√	43
Guideline 16.1 Companies should allow for absentia voting at general meetings of shareholders	–	

CORPORATE GOVERNANCE REPORT

Sunningdale Tech Ltd (the "Company") and its subsidiaries (collectively, the "Group") is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s listing rule. The Group has complied with all principles and guidelines set out in the Code of Corporate Governance.

This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2017 ("FY2017"). As part of the continuous effect to improve the risk governance framework, the Risk Management Committee was established in April 2010 to oversee the adequacy and effectiveness of the Group's risk management framework and policies.

A. BOARD MATTERS

Principle 1: The Board's conduct of its affairs

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include:

- Setting the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Appointing the Group Chief Executive Officer ("CEO") and approving the remuneration policies and guidelines for the Board and senior management.
- Reviewing the performance of senior management.
- Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

<u>Independent judgement</u>

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual directors.

CORPORATE GOVERNANCE REPORT

The current members of the Board and their membership on the board committees of the Company are as follows:

Name of Director	Board appointments				Board committees as Chairman or member		
	Executive	Non-executive	Independent director	Non-independent director	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Koh Boon Hwee (Chairman)		√			–	–	–
Khoo Boo Hor (CEO)	√			√	–	–	–
Wong Chi Hung		√			–	–	–
Steven Tan Chee Chuan			√		Member	–	Chairman
Gabriel Teo Chen Thye			√		Member	Member	–
Kaka Singh			√		Chairman	Member	–
Ong Sim Ho			√		–	Chairman	Member
Eileen Tay-Tan Bee Kiew			√		–	–	Member

The present Board comprises eight members. There is a strong and independent element on the Company's Board. Of the eight Board members, two are non-executive and five are independent directors.

Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit and Risk Committee ("ARC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The dates of Board and board committee meetings as well as annual general meeting ("AGM") are scheduled one year in advance. To assist directors in planning their attendance, the Company Secretary consults every director before fixing the dates of these meetings. The Board meets at least four times a year and as warranted by particular circumstances ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board and board committee meetings are allowed under the Company's Constitution. The details of the number of Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below.

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board and board committee meeting in FY2017:

Name of Director	Board Meetings		Audit and Risk Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Koh Boon Hwee	4	4						
Khoo Boo Hor	4	4						
Wong Chi Hung	4	4						
Steven Tan Chee Chuan	4	4	4	4			1	1
Gabriel Teo Chen Thye	4	3	4	3	1	1		
Kaka Singh	4	4	4	4	1	1		
Ong Sim Ho	4	4			1	1	1	1
Eileen Tay-Tan Bee Kiew*	4	2						

* Appointed as director on 1 June 2017.

Board approval

The Group has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- Strategies and objectives of the Group;
- Annual budgets (include capital expenditure) and business plan;
- Material acquisition and disposal of assets;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment or divestments exceeding $1 million or capital expenditure exceeds 10% of initially approved capital expenditure budget;
- Commitments to terms loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

CORPORATE GOVERNANCE REPORT

Induction and training of directors

The Group conducts a comprehensive orientation programme, which is presented by the CEO and senior management, to familiarise new directors with business and governance policies. The orientation programme gives directors an understanding of the Group's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Briefings and updates provided for directors

The NC reviews and makes recommendations on the training and professional development programmes to the Board.

The Board is updated regularly on risk management, corporate governance, industry specific knowledge and the recent changes to the accounting standards and regulatory updates. On a quarterly basis, the CEO updates the Board at each meeting on business and strategic developments of the Group.

As part of the Company's continuing education for directors, the CEO or Chief Financial Officer ("CFO") circulates to the Board articles, reports and press releases relevant to the Group's business to keep directors updated on current industry trends and issues. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to directors are also circulated to the Board.

Principle 2: Board composition and guidance

Board size and board composition

The Board comprises eight directors. Excluding the CEO, five directors are independent and two are non-executive.

Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers a board size of between eight to ten members is appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient decision-making.

Directors' independence review

Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the Guidelines set forth in the Code of Corporate Governance and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

CORPORATE GOVERNANCE REPORT

The Board recognises that independent directors may over time develop significant insights into the Group's business and operations, and can continue to provide significant and valuable contributions objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr Gabriel Teo Chen Thye, Mr Steven Tan Chee Chuan, Mr Kaka Singh and Mr Ong Sim Ho have served as independent directors of the company for more than nine years since their initial appointment. The Board has subjected their independence to a particularly rigorous review.

The NC and the Board believe that Mr Gabriel Teo Chen Thye, Mr Steven Tan Chee Chuan, Mr Kaka Singh and Mr Ong Sim Ho continue to demonstrate strong independence in character and judgement in the discharge of their responsibilities as a director of the company. They have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged management. They have sought clarification and amplification as deemed required, including through direct access to the Group's employees.

The Company's precision engineering focus and geographical dispersion in countries like China, Malaysia, Latvia, Mexico and Brazil means that an in-depth understanding of the business and operating environment of the Group is important. The directors provide the Company with much needed experience and knowledge of the Industry.

After taking into account all these factors, and also having weighed the need for Board refreshment against tenure for relative benefit, the Board has determined Mr Gabriel Teo Chen Thye, Mr Steven Tan Chee Chuan, Mr Kaka Singh and Mr Ong Sim Ho to be considered independent directors, notwithstanding that they have served on the Board for more than nine years from the date of their first appointment.

The independent directors make up more than one-third of the Board, which exceeds the requirement set out in the Code. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the independent and non-executive directors

The Board and management fully appreciate that an effective and robust Board whose members engage in open and constructive debate, and challenge management on its assumptions and proposals, is fundamental to good corporate governance.

A Board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives.

For this to happen, the Board, independent directors and non-executive directors ("NEDs"), in particular, must be kept well informed of the Group's businesses and be knowledgeable about the industry the Group operates in.

To ensure that the directors are well supported by accurate, complete and timely information, directors have unrestricted access to management.

The Group has adopted initiatives to put in place processes to ensure that independent directors and NEDs have sufficient time and resources to discharge their oversight function effective. These initiatives include:

- Briefings on prospective deals and potential development at an early stage before formal board approval is sought
- Periodic circulation on the relevant information on latest market development and trends, and key business initiatives
- Made available on the Company's premises for use by the independent directors and NEDs upon request for the independent directors and NEDs to meet without the presence of management

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer

The Chairman and CEO functions in the Company are assumed by different individuals. The Chairman, Mr Koh Boon Hwee, is a Non-Executive Director, while the CEO, Mr Khoo Boo Hor, is an Executive Director.

There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at the top of the Company.

The Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.
- Takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.
- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures independent directors and NEDs are able to speak freely and contribute effectively.
- Exercises control over the quality, quantity and timeliness of information flow between the Board and management.
- Provides close oversight, guidance, advice and leadership to the CEO and management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at AGMs and other shareholder meetings.

The CEO is the highest ranking executive officer of the Group. The CEO is responsible for:

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- Ensuring implementation policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.
- Leading the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

Lead Independent director

The Board appointed Mr Kaka Singh to act as the lead independent director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. All the independent directors, including lead independent director, meet at least annually without the presence of other executive and non-independent directors to discuss matters of significance which are then reported to the Chairman accordingly.

CORPORATE GOVERNANCE REPORT

Principle 4: Board membership

NC Composition

The NC comprises the following three members, all of whom are independent or non-executive directors:

- Ong Sim Ho (NC Chairman)
- Gabriel Teo Chen Thye
- Kaka Singh (Lead Independent Director)

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable).
- Review the skills required by the Board, and the size of the Board.
- Ensure that the Company adheres to the board composition rules, including having independent directors make up 50% of the Board under certain circumstances.
- Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, when he/she has multiple board representations.
- Develop a process for evaluating the performance of the Board, its board committees and the contribution of each director.
- Formal assessment of the effectiveness of the Board as a whole and individual director.
- Review the training and professional development programmes for the Board.
- Review the Board succession plans for directors, in particular, the Chairman and the CEO.

Key information on directors

Key information on the directors is set out below:

Name of Director	Position as at Date of Report	Date of Initial Appointment	Date of Last Re-election/ Re-Appointment
Koh Boon Hwee	Non-Executive Chairman	22 April 2003	18 April 2016
Khoo Boo Hor	Chief Executive Officer	10 November 2008	27 April 2015
Wong Chi Hung	Non-Executive Director	11 May 2004	12 April 2017
Gabriel Teo Chen Thye	Independent Director	18 July 2005	18 April 2016
Steven Tan Chee Chuan	Independent Director	20 October 2003	18 April 2016
Kaka Singh	Independent Director	18 July 2005	18 April 2016
Ong Sim Ho	Independent Director	18 July 2005	12 April 2017
Eileen Tay-Tan Bee Kiew	Independent Director	1 June 2017	–

Note: The details of directors' shareholdings in the Company and its related corporations corporations (other than wholly-owned subsidiaries) are disclosed on page 46 of the Annual Report under "Directors' interest in shares and debentures" section of the Directors' Statement.

CORPORATE GOVERNANCE REPORT

Directors' independence review

The task of assessing the independence of the Independent directors is delegated to the NC. The NC reviews the independence of each director annually, and as and when circumstances require.

Annually, each director is required to complete a Director's Independence Checklist ("Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code of Corporate Governance.

Each director must also confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the Code of Corporate Governance.

Thereafter, the NC reviews the Checklist completed by each director, assess the independence of the directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that all the independent Directors are independent.

Directors' time commitments and multiple directorships

The Board has not set any internal guideline for maximum listed companies Board representation which a Director may hold. The Board's policy on the number of directorships held by each director is based on the principle of full transparency and a substantive evaluation of each director's ability to contribute effectively to the Board's business. Although the Board will be mindful of the overall commitment of each director the number of directorship is but a factor. All directors need to fully disclose their directorships so that this information is transparent and open to all parties. The NC, in reviewing an individual director for re-appointment, will take into account the director's attendance, contributions to discussions and overall understanding of the business, as well as assess the director's thoroughness and preparedness for the Board's business.

Process for selection and appointment of new director

On an on-going basis, the NC takes cognisance of both the needs for and the opportunity to invite new directors taking into account the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. Where a need to appoint directors arises, the NC may tap on the directors' contacts and recommendations of potential candidates and goes through a short-listing process. Where necessary, executive search firms may be appointed.

- The NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.

- NC recommends the most suitable candidate to the Board for appointment as director.

Adopting this selection process, the Board recommends that the shareholders approve the re-appointment of Mrs Eileen Tay-Tan Bee Kiew as a director of the Company at the forthcoming AGM.

The NC had identified Mrs Eileen Tay-Tan Bee Kiew based on her skills, judgement and diversity of experience. Eileen Tay-Tan Bee Kiew was formerly a partner of KPMG LLP and had been appointed director of several private and public listed companies in Singapore and Australia. She was the CFO of Sunningdale Tech Ltd (February 2007 to March 2008) and its Advisor from April 2008 to March 2017. She has extensive experience in the area of accounting, finance, taxation, public listing, business valuation, due diligence, mergers and acquisition and business advisory.

In principle, the Board does not encourage the appointment of alternate directors as it believes undivided continuity is important, and there are currently no alternate directors on the Board.

CORPORATE GOVERNANCE REPORT

Process for re-appointment of directors

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Regulation 91 of the Company's Constitution provides that one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM.

In addition, Regulation 97 of the Company's Constitution provides that a newly appointed director during the financial year must retire and submit himself/herself for re-appointment at the next AGM following his/her appointment. Therefore, he or she is subject to be re-appointed at least once every three years.

Pursuant to the one-third rotation role, Mr Kaka Singh and Mr Khoo Boo Hor will retire and submit themselves for re-appointment at the forthcoming AGM. The NC is satisfied that the directors retiring in accordance with the Article 91 of the Company's Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations.

Mrs Eileen Tay-Tan Bee Kiew who was newly appointed to the Board on 1 June 2017 will also submit herself for retirement and re-appointment by shareholders at the forthcoming AGM.

Mr Kaka Singh, Mr Khoo Boo Hor and Mrs Eileen Tay-Tan Bee Kiew who will submit themselves for re-appointment at the forthcoming AGM do not have any relationships with the Group, its directors, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company.

Alternate director

The Company has no alternate director.

Principle 5: Board performance

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and its board committees and the contribution by each individual director to the effectiveness of the Board on an annual basis.

Evaluation process

The NC Chairperson, in conjunction with all the Board members, conducts an annual assessment on the effectiveness of the Board as a whole, and of its board committees. The components to this assessment include the following:-

- Board Performance
- Committee Performance
- Chairman of the Board Performance

CORPORATE GOVERNANCE REPORT

Board performance criteria

The performance criteria for the board evaluation are as follows:

- Board size and composition.
- Board independence.
- Board processes.
- Board information and accountability.
- Board performance in relation to discharging its principal functions.
- Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.
- Interactive skills of the Directors (whether the director works well with other directors and participate actively).
- Knowledge of the Directors (the directors' industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director's ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration).

The assessment of the Chairman of the Board is based on his ability to lead, whether he has:

- Established proper procedures to ensure the effective functioning of the Board.
- Ensured that the time devoted to board meetings were appropriate (in terms of number of meetings held a year and duration of each board meeting) for effective discussion and decision-making by the Board.
- Ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions.
- Guided discussions effectively so that there was timely resolution of issues.
- Ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation.
- Ensured that board committees were formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

The performance of individual directors is taken into account in their re-appointment. Specific needs which arise from time to time are taken into account in any appointment of new directors.

Principle 6: Access to information

Complete, adequate and timely information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors in advance of the meeting. Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings.

To facilitate direct access to the senior management, directors are also provided with names and contact details of the management team.

In order to keep directors abreast of analysts' views on the Group's performance, the Board is updated regularly on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results announcements.

The management also provides the Board with management report. This report includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board.

On a quarterly basis, the Head of Internal Audit also provides the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan.
- Key findings arising from completed audits.
- Implementation status of outstanding management action plans (if any).

The Enterprise Risk Management Committee presents risk assessment to the Board on a quarterly basis, which includes movements in risks, risk assessment of major investment, capital expenditure, and acquisitions.

<u>Company Secretary</u>

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST's Listing Manual, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between management and directors.

The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

CORPORATE GOVERNANCE REPORT

Independent professional advice

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense.

B. REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

The RC comprises the following three members, all of whom are independent non-executive directors:

- Steven Tan Chee Chuan (RC Chairman)
- Ong Sim Ho
- Eileen Tay-Tan Bee Kiew

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, shares incentives and benefits in kind.

- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.

- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.

- Implement and administer the Company's Restricted Share plan.

- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

RC may also seek external expert advice on remuneration of directors and staff.

None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her.

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of remuneration

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating employees. The Group's compensation framework comprises fixed pay, variable bonus and share incentives. The Group subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees.

CORPORATE GOVERNANCE REPORT

Remuneration of executive director and key management personnel

In designing the compensation structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between cash versus equity incentive compensation.

Executive directors do not receive directors' fees.

The remuneration structure for executive directors and key management personnel consists of the following components:

a) Fixed remuneration
b) Variable bonus
c) Share award

a) Fixed remuneration

The fixed remuneration is established taking into account the role and responsibility of the positions within the Group. A Job Grading and Salary Structure System has been established for all functions and positions. The system reflects the value of the positions benchmarking their equivalence and market rates outside. However, while benchmarking is used, it is not solely to match the 'median' market rates but to provide a point of reference for determining the appropriate level of pay and to establish the mid-points of the salary ranges of various grades in the system.

The Group also offers other benefits such as transport allowance as part of the fixed monthly wage. This incentive which enables staff to discharge their duties and responsibilities more effectively and efficiently helps to attract and retain staff to work in the Company which is away from the city.

As a rule of thumb, the fixed remuneration accounts for about 60% to 85% of the total remuneration.

No special arrangement has been made in relation to the recruitment or termination of key management personnel. The terms and conditions of the employment agreement are in line with the relevant government legislations and industrial norm and in accordance with the job scope of the individuals.

b) Variable bonus

Variable bonus incentivises performance and rewards achievements. The variable bonus is linked to the Group and entity financial results and performance. The amount of this remuneration is subject to achieving specific quantifiable targets as follows:

- Revenue, Gross Margin, Selling and Administrative expenses of the individual entity that the key management staff are attached to;
- Sales target and new projects won by Business Development Directors of their existing or new accounts developed; and
- The current order books and global economic situations which may adversely affect the financial performance of the current year.

The CEO and his Internal Remuneration Committee established a budget each year to be set aside for the variable bonus for the approval of the RC.

CORPORATE GOVERNANCE REPORT

The amounts to be given to the individuals are based on the guidelines set in accordance with the degree of fulfilment of the individual targets set with the CEO and the contributions of the individuals. The target parameters include Revenue, gross margin, selling and administrative expenses and sales target, etc. In the case of CEO, the targets are agreed with the Chairman of the Board of Directors.

In general, the total amount of annual variable bonus is in the range of 5% to 20% of the total remunerations calculated on the basis of the latest fixed basic salary.

The variable bonus is paid out annually after the finalisation of the Group's annual performance results for the relevant financial year.

No pay out will be made if the defined minimum acceptable performance level is not achieved.

c) Restricted Share Plan ("RSP")

All employees and full-time executive directors are potentially eligible. However, participation will be determined by the CEO and the RC. All such determinations are made in accordance with the terms and conditions of the Restricted Shares Plan.

The objective of this award is primarily to recognise and reward the members of key management and staff who have contributed significantly to the growth and financial performance of the Company in the past one year. The RC may also offer such grants to attract talents to join the organisation, if necessary. This is also to partly link the remuneration of the participants to the shareholders' gain and loss in value to strengthen the common interest between the key management and the shareholders of the Company for the long-term growth of the Group.

It is also a tool for staff retention as this restricted share plan is tied to a three-year vesting period. i.e., one-third of the amount will vest on the first anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

For employees who retire, are retrenched due to company restructuring or downsizing or cease to be an employee of any Sunningdale Tech Group of Companies, except in the case of termination by such Sunningdale Tech Group of Companies with due cause or dismissal, before the 3rd anniversary of the Date of Grant, the allotted quantum may be adjusted but may still be awarded subject to the conditions set.

For each fiscal year, about 1% of the total issued share capital is set aside to be distributed to all eligible employees. The actual amount is decided on a yearly basis.

The annual review of the compensation of Directors is carried out by the RC to ensure that the remuneration of the Executive Director is commensurate with his performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.

The RC administers the Sunningdale Restricted Share Plan 2014 and Sunningdale Performance Share Plan 2014.

Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

CORPORATE GOVERNANCE REPORT

Remuneration of Independent Directors and NEDs

The RC reviews the scheme put in place by the Company for rewarding the independent directors and NEDs to ensure that the compensation is commensurate with effort, time spent and responsibilities of the independent directors and NEDs.

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation on adjustment to the fees for Independent Directors and NEDs for FY2017.

The fees for independent directors and NEDs comprise a basic retainer fee and additional fees for appointment to board committees. Any travel required out of their country or city of residence to attend board meetings and board committee meetings which did not coincide with Board meetings, the travel expenses will be paid by Company. The Chairman/Chairperson of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The directors' fees payable to independent directors and NEDs is subject to shareholders' approval at the Company's AGM.

Remuneration of Directors and the CEO

The remuneration paid to or accrued to each individual director and the CEO for FY2017 is as follows:

Remuneration Band and Name of Director	**Fee[1] (%)**	**Basic Salary (%)**	**Variable Bonus (%)**	**Share Award[2] (%)**	**Total Remuneration (%)**
Below $250,000:					
Koh Boon Hwee	100	–	–	–	100
Steven Uhlmann[3]	100	–	–	–	100
Wong Chi Hung	100	–	–	–	100
Gabriel Teo Chen Thye	100	–	–	–	100
Steven Tan Chee Chuan	100	–	–	–	100
Kaka Singh	100	–	–	–	100
Ong Sim Ho	100	–	–	–	100
Eileen Tay-Tan Bee Kiew[4]	100	–	–	–	100
Above $750,000 to $999,999:					
Khoo Boo Hor	–	62	13	25	100

CORPORATE GOVERNANCE REPORT

Remuneration to Key Management Personnel

The remuneration paid to or accrued to the key management personnel (who are not directors or the CEO) for FY2017 as follows:

Remuneration Band and Name of Key Management Personnel	Basic Salary (%)	Variable Bonus (%)	Share Awards[2] (%)	Total Remuneration (%)
$250,000 to $499,999:				
Chan Whye Mun	75	11	14	100
Chan Tung Sing	75	13	12	100
Tan Bair Kion Simon	75	10	15	100
Soh Hui Ling	77	11	12	100
Cheong Wai Luen	81	10	9	100
Below $250,000:				
Bin Boon Kim Cindy	84	8	8	100

There are no employees as at 31 December 2017 who are related to the Directors.

(1) subject to approval by shareholders as a lump sum at the annual general meeting for the financial year ended 31 December 2017;

(2) the share awards are granted under the Restricted Share Plan. The fair value of the shares award is estimated by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis. Details of the share awards are disclosed in the Directors' Statement.

(3) Resigned on 12 April 2017.

(4) Appointed on 1 June 2017.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Non-Executive Directors, Independent Directors, CEO, Executive Director and the Key Management Personnel in this Annual Report.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, the Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective decision making.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with quarterly and annual financial reports. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

CORPORATE GOVERNANCE REPORT

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

In line with the SGX-ST Listing rules, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge, that nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST.

Principle 13: Internal audit

Internal audit throughout the Group is performed by an independent in-house team that reports directly to the ARC. The scope of authority and responsibility of the internal audit function is defined in the Group Internal Audit Charter approved by the ARC. The ARC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit who reports functionally to the ARC Chairman and administratively to the CEO.

The internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the "IIA Standards") issued by Institute of Internal Auditors. The internal audit function is subject to external Quality Assurance Review once in every five years to ensure that the function continues to meet or exceed the IIA Standards in all key aspects.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group's internal audit approach is aligned with the Group's Risk Management Framework by focusing on key financial, operational, compliance and information technology risks. The ARC reviews reports submitted by the Internal Audit Function and audits completed against the annual internal audit plan established in consultation with, but independent of, management. The internal audit plan is reviewed and approved by the ARC. All internal audit findings, recommendations and status of remediation, are circulated to the ARC, the CEO, the external auditors and relevant senior management every quarter.

Training plan is in place and reviewed at least annually to update competencies of the internal auditors through conferences and seminars on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified and experienced professionals with diverse operational and financial experience. The ARC is satisfied that the internal audit function has adequate resources and the appropriate standing within the Group to perform its function effectively.

The ARC meets with the Head of Internal Audit at least once a year, without the presence of management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including the ARC.

Principle 12: Audit and Risk Committee

The ARC comprises the following three members, all of whom are independent non-executive directors:

- Kaka Singh (ARC Chairman)
- Gabriel Teo Chen Thye
- Steven Tan Chee Chuan

None of the AC members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last 12 months or hold any financial interest in the external auditor.

CORPORATE GOVERNANCE REPORT

The Chairman of the ARC, Mr Kaka Singh, is by profession a Chartered Accountant. The ARC Chairman has accounting, auditing and risk management expertise and experience. The other members of the AC have many years of experience in business investment, financial and business management spheres. The Board is of the view that the members of the ARC have recent and relevant accounting or related financial management expertise or experience to discharge ARC's functions.

The main responsibilities of the ARC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- overseeing financial reporting;
- overseeing internal control and risk management systems;
- overseeing internal and external audit processes; and
- overseeing Interested Party Transactions.

The members of the AC carried out their duties in accordance with the terms of reference which include the following:

- reviews the audit plans and scope of audit examination of the external auditors and evaluates their overall effectiveness through regular meetings with each group of auditors;
- reviews the adequacy of the internal audit function;
- determines that no restrictions are being placed by Management upon the work of the internal and external auditors;
- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the external auditors, and Management's responses and actions to correct any deficiencies;
- evaluates the adherence to the Group's administrative, operating and internal accounting controls;
- reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- ensures the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- considers other matters as requested by the Board.

The ARC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.

CORPORATE GOVERNANCE REPORT

Summary of the ARC's activities in FY2017

The ARC met four times during the year under review. Details of members and their attendance at meetings are provided in page 25. The CFO, Company Secretary, internal auditors and external auditor are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The ARC also met with the external and internal auditors separately, without the presence of the Management. These meetings enable the external auditor and internal auditors to raise issues encountered in the course of their work directly to the ARC.

The ARC and the Board have satisfied themselves that in appointing the auditing firms for the Company and its subsidiaries, Rule 712 and 716 of the Listing Manual have been complied with.

The ARC also reviewed the non-audit services provided by the external auditors, which comprise tax services, and was satisfied that the independence of the external auditors would not be impaired. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for the past two years is disclosed in Note 9 to the financial statements.

Whistle blowing

The Group has put in place a "whistle blowing" process whereby staff and business partners of the Group can raise concerns about possible improprieties in matters of financial reporting or other matters through a well-defined and accessible channel within the Group. The objective of the policy is to encourage the reporting of such matters in good faith, while providing the assurance that person making such reports will be fairly treated. Procedures are also established to ensure that such matters are promptly investigated, appropriate follow-up actions taken by management and results reported to the Board of Directors.

ARC's comment on the independent auditor's report

The ARC met with the external auditor to discuss the audit findings as well as their audit.

The external auditor included the following matters as key audit matters ("KAMs") in their auditor's report for the financial year ended 31 December 2017. The matters included (a) revenue recognition from mould fabrication work, (b) impairment assessment of goodwill, and (c) the recoverability of trade receivables.

The ARC reviewed management's approach to the timing of recognition of revenue and the contract arrangements with the customers relating to the mould fabrication work. Management received detailed reports from the operation managers and reviewed the budgeted and actual costs to ensure that operation managers consider the stage of completion to be appropriate. The ARC reviewed the judgements made by management and after due evaluation, the ARC considers the policy and practice appropriate.

For goodwill, the ARC considered the approach and methodology applied to the valuation model in goodwill impairment assessment. The ARC reviewed the reasonableness of earnings forecasts, and the appropriateness of the market multiples considered for EBITDA. After due evaluation, the ARC was satisfied with the assumptions and the judgements applied by management.

For the adequacy of the impairment allowance on trade receivables, management observed the detailed policies setting out the key assumptions and judgements in this area. The ARC has reviewed the judgements made by management relating to impairment allowance on trade receivables and, after due evaluation, the ARC is contented with the assumptions made and the judgements applied.

CORPORATE GOVERNANCE REPORT

Principle 11: Risk management and internal controls

The Board, with the assistance from the ARC, acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

In assessing the effectiveness of internal controls, the ARC, through the assistance of its internal and external auditors, ensures primary key objectives are met, material assets safeguarded and financial information prepared in compliance with applicable internal policies, laws and regulations.

An Enterprise Risk Management ("ERM") Policy is in place to formalise the reporting, assessment, treating and monitoring of each significant risk that the Group faces in achieving its business objectives. Such risks, including mitigating actions, are reported to the Board through the ARC on an-annual basis, and are followed-up by the in-house internal audit team as part of its annual audit plan. Further in support of the ERM Policy, a Control Self-Assessment ("CSA") framework is also in place for Management to self-assess internal controls in accordance with the Group's requirements and specifically address any significant weaknesses and/or risks identified. The ARC, on behalf of the Board, has also reviewed the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations.

For the financial year under review, the CEO and the CFO have provided assurance to the Board that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risk and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

The Board believes that, in the absence of any evidence to the contrary, the Group's system of internal controls, ERM and CSA (covering operational, financial, compliance information technology and risk management system) are adequate for the Group's business operations. These provide reasonable, but not absolute, assurance that the Group will not be adversely affected by event that can be reasonably foreseen as it strives to achieve the business objectives. The Board also notes that no system of internal controls, ERM and CSA can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the existing policies described above and the work performed by both the internal and external auditors, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls, maintained by the Management addressing the financial, operational, compliance and information technology risks, is adequate and effective in meeting the needs of the Group's current business operations.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters.

CORPORATE GOVERNANCE REPORT

Shareholders are entitled to attend the general meetings and are accorded the opportunity to participate effectively in and vote at general meeting. Shareholders are also informed of the rules, including the voting procedures that govern the general meeting.

The Company's Constitution allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund ("CPF") Board which purchases shares on behalf of the CPF investors.

Principle 15: Communication with shareholders

Disclosure of information on a timely basis

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET, press release and corporate website. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group's corporate website (www.sdaletech.com) is the key resource of information for shareholders. In addition to the quarterly financial results materials, it contains a wealth of investor related information on the Group, including annual reports, upcoming events, shares and dividend information and factsheets.

The Group has a dedicated investor relations team ("IR team") which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns.

Dividend policy

The Group does not have a formal dividend policy. However, in each year, in considering the level of dividend payments, the Board takes into account various factors including:

- The level of our available cash;
- Our projected levels of capital expenditure and other investment plans; and
- The return on equity and retained earnings.

Principle 16: Conduct of shareholders meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website.

CORPORATE GOVERNANCE REPORT

Shareholders and their appointed proxies are given the opportunity to vote at the general meeting of shareholders.

All resolutions passed at the general meetings are conducted by electronic poll for greater transparency in the voting process. An independent external party is also appointed as scrutineers for the electronic poll voting process. Votes cast for, or, against, each resolution will be tallied and displayed live-on-screen to shareholders or their proxies immediately after each poll conducted at the meeting. The total numbers and percentage of votes cast for and against the resolution are announced after the general meeting via SGXNet. Each share is entitled to one vote.

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

All directors, including the Chairman of each of the ARC, NC and RC, external auditor and senior management, are present at the general meetings to address shareholders' queries.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the Annual Report.

The Company Secretary prepares minutes of the general meetings, which capture the essence of the comments or queries from shareholders and responses from the Board and management. These minutes are available to Shareholders upon request.

DEALING IN SECURITIES

In compliance with Listing Rule 1207 (19), the Group has adopted and implemented an internal code in relation to the dealing of shares of the Company. The Group has procedures in place, including prohibition on insider trading, which restricts the dealing in the Company's shares during the periods commencing one month (for the Group's half yearly and full year results) and two weeks (for the Group's quarterly results) prior to the announcement of the Group's results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group.

In addition, the Group also prohibits its directors, key officers and executives from dealing in the Company's securities at any time they are in possession of unpublished price sensitive information, or on short-term consideration. The Group confirms that, to the best of its knowledge, the directors, key officers and executives do not deal in the Company's securities on a short-term consideration.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval if such transactions do occur.

There was no interested person transaction where, in aggregate, the amount involved more than $100,000 during the year under review.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder during the year under review.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sunningdale Tech Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

Koh Boon Hwee	(Non-Executive Chairman, Non-Executive Director)
Khoo Boo Hor	(Chief Executive Officer, Executive Director)
Wong Chi Hung	(Non-Executive Director)
Steven Tan Chee Chuan	(Independent Director)
Gabriel Teo Chen Thye	(Independent Director)
Kaka Singh	(Lead Independent Director)
Ong Sim Ho	(Independent Director)
Eileen Tay-Tan Bee Kiew	(Independent Director) (Appointed on 1 June 2017)

In accordance with Regulation 91 of the Company's Constitution, Kaka Singh, Khoo Boo Hor and Eileen Tay-Tan Bee Kiew retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed below under "Share plans", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		**Deemed interest**	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Koh Boon Hwee	15,949,058	29,947,401	22,008	22,008
Khoo Boo Hor	3,357,882	3,617,882	–	–
Wong Chi Hung	110,000	110,000	1,330,936	1,330,936
Steven Tan Chee Chuan	2,000,000	500,000	–	–
Gabriel Teo Chen Thye	427,932	427,932	–	–
Kaka Singh	79,254	79,254	–	–
Ong Sim Ho	150,000	450,000	–	–
Eileen Tay-Tan Bee Kiew	770,000	770,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

Share plans

Restricted Share Plan and Performance Share Plan

The Sunningdale Tech Ltd Restricted Share Plan (the "RSP") and Sunningdale Tech Ltd Performance Share Plan (the "PSP") were approved by the members of the Company at an Extraordinary General Meeting held on 29 April 2014 for the Circular dated 11 April 2014 ("Circular"). Details of the RSP and the PSP were set out in the Circular.

The Remuneration Committee ("RC") administering the RSP and the PSP comprise three directors, Steven Tan Chee Chuan (Chairman), Eileen Tay-Tan Bee Kiew and Ong Sim Ho. The RC administers the RSP and the PSP in accordance with its objectives and rules thereof and to determine participation eligibility, grant of share awards and any other matters as may be required.

No share awards have been granted under the PSP during the financial year under review and as at the date of this statement.

DIRECTORS' STATEMENT

Share plans (cont'd)

Restricted Share Plan and Performance Share Plan (cont'd)

The following share awards were granted to employees of the Company and the Group under the RSP:

No. of participants	Date of grant	Market price of share awards at date of grant ($)	Share awards granted during financial year	Aggregate share awards granted since commencement of the RSP to end of financial year	Aggregate share awards forfeited since date of grant to end of financial year	Aggregate share awards released since date of grant to end of financial year	Aggregate share awards outstanding as at end of financial year
32	19 December 2014	0.845	–	1,334,000	(184,000)	(1,150,000)	–
32	13 October 2015	0.850	–	1,441,500	–	–	1,441,500
34	9 December 2016	1.100	–	1,350,000	–	–	1,350,000
34	22 November 2017	1.950	710,000	–	–	–	710,000

Share awards granted under RSP

Details of the share awards granted to directors of the Company under the RSP are as follows:

Name of director	At the beginning of financial year	Share awards granted during the financial year	Share awards released during the financial year	At the end of financial year
Khoo Boo Hor	860,000	200,000	(260,000)	800,000

There were no share awards granted to participants who received five percent or more of the total number of share awards under the RSP during the financial year under review.

The share awards granted from 2014 to 2017 were subject to the following conditions:

(i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant;

(iii) in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular;

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;

DIRECTORS' STATEMENT

Share plans (cont'd)

Shares granted under RSP (cont'd)

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided that the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor; and

(vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any group of companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

Any waiver to these conditions would need the RC's final decision.

Since commencement of the RSP and the PSP plans till the end of the financial year:

- No awards have been granted to the controlling shareholders of the Company and their associates;
- No participants other than mentioned above have received 5% or more of the total awards available under the plans;
- No awards other than mentioned above have been granted to directors and employees of the Company and its subsidiaries;
- No awards that entitle the holder, to participate, by virtue of the awards, in any share issue of any other corporation have been granted; and
- No awards have been granted at a discount.

The ordinary shares if issued are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The market price of each share as at 31 December 2017 under the above share award is $1.93 (2016: $1.10).

Audit and Risk Committee

The Audit and Risk Committee ("ARC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans and scope of audit examination of the external and internal auditors;
- Reviewed with the external auditors their report on the financial statements and the assistance given by the Company's management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited).

DIRECTORS' STATEMENT

Audit and Risk Committee (cont'd)

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

The ARC has recommended to the board of directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as auditor at the next annual general meeting of the Company.

Further details regarding the ARC are disclosed in the Corporate Governance Report.

Auditor

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

On behalf of the board of directors,

Koh Boon Hwee
Non-Executive Chairman & Non-Executive Director

Khoo Boo Hor
Chief Executive Officer & Executive Director

Singapore
15 March 2018

INDEPENDENT AUDITOR'S REPORT

For the Financial Year Ended 31 December 2017

Independent Auditor's Report to the Members of Sunningdale Tech Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sunningdale Tech Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income 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.

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

Basis for opinion

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

Key audit matters

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

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

Revenue recognition - Mould fabrication contracts

The Group recognises revenue from mould fabrication work by reference to the stage of completion at the reporting date, when the outcome of the contract can be estimated reliably. For the financial year ended 31 December 2017, the Group had recognised revenue amounting to $124.3 million for mould fabrication work. Management exercises judgement to determine the stage of completion and subjectivity is involved in assessing the stage of completion. The percentage of completion calculations may have a significant impact on the results of the Group. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the Financial Year Ended 31 December 2017

Independent Auditor's Report to the Members of Sunningdale Tech Ltd. (cont'd)

Key audit matters (cont'd)

Revenue recognition - Mould fabrication contracts (cont'd)

As part of our audit procedures, we selected a sample of the ongoing projects, examined the project documentation and discussed the status of these projects with the management, finance and project managers. We tested the actual project costs incurred by tracing them to supporting documentation and comparing the actual costs incurred to date and the remaining costs to be incurred against the projects' budgeted cost.

For a sample of ongoing projects, we discussed with management and assessed whether any foreseeable losses might be required to be recognised and evaluated management's assumptions relating to the future profitability of those contracts by considering management's plans. We also held discussions with project managers and reviewed the Group's correspondence with customers where applicable.

We also considered the disclosures and presentation for mould fabrication contracts as disclosed in Notes 2.22(b) and 19.

Impairment assessment of goodwill

As at 31 December 2017, the carrying amount of the Group's goodwill is $12.7 million. The goodwill impairment assessment process requires management to exercise significant judgement and making assumptions relating to expected future market and economic conditions. Hence, we have determined this to be a key audit matter.

The Group's goodwill is allocated to three cash generating units ("CGU"). Management determines the recoverable amount of each CGU based on its fair value less costs of disposal which is determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation ("EBITDA").

As part of our audit procedures, we examined management's methodology used to determine the recoverable amounts of the Group's CGUs. We involved our internal valuation specialist to review the key assumptions, methodology and estimates used in management's impairment assessment by comparing inputs such as EBITDA multiples and control premium applied in the impairment assessment to analyst reports and comparable data for peer companies. We also considered the adequacy of disclosures relating to impairment of goodwill in Note 14.

Recoverability of trade receivables

As at 31 December 2017, the carrying amount of the Group's gross trade receivables is $180.9 million with an allowance of doubtful debts of $2.3 million. Trade receivables impairment assessment required significant management judgement to identify trade receivables that may be impaired as well as to determine the amount of impairment loss allowance required for debtors identified by management where recoverability is in doubt. As such, we determined that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and internal controls relating to the monitoring of trade receivables and considered ageing to identify collection risks. We also performed other audit procedures that included requesting confirmation of trade receivable balances and reviewing for collectability by way of obtaining evidence of receipts subsequent to the year-end. We also discussed with management on the recoverability of long outstanding debts and analysed the Group's past trend of collections for long outstanding and material trade receivables.

We assessed the adequacy of the Group's disclosures on the impairment of trade receivables and the related risks such as credit risk and liquidity risk in Notes 32(c) and 32(d).

INDEPENDENT AUDITOR’S REPORT

For the Financial Year Ended 31 December 2017

Independent Auditor’s Report to the Members of Sunningdale Tech Ltd. (cont’d)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the Financial Year Ended 31 December 2017

Independent Auditor's Report to the Members of Sunningdale Tech Ltd. (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2018

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	724,545	684,457
Cost of sales		(619,012)	(590,122)
Gross profit		105,533	94,335
Other items of income			
Interest income	5	435	498
Other income	6	5,043	19,190
Other items of expense			
Marketing and distribution expenses		(14,827)	(14,295)
Administrative expenses		(40,285)	(40,240)
Other operating expenses	7	(14,411)	(9,675)
Finance costs	8	(3,346)	(3,525)
Share of results of joint venture		1,223	942
Profit before tax	9	39,365	47,230
Income tax expense	10	(8,005)	(8,159)
Profit for the year attributable to owners of the Company		31,360	39,071
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	16.67	20.91
Diluted	11	16.32	20.49

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Group	
	2017	**2016**
	$'000	$'000
Profit for the year	31,360	39,071
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(1,400)	(9,802)
Share of other comprehensive income of a joint venture	(276)	(133)
Other comprehensive income for the year, net of tax	(1,676)	(9,935)
Total comprehensive income for the year attributable to owners of the Company	29,684	29,136

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	193,865	191,608	10,038	9,841
Intangible assets	14	15,583	17,444	–	–
Other investments	15	1,428	8	–	–
Investment in subsidiaries	16	–	–	338,254	335,950
Investment in a joint venture	17	6,077	5,269	–	–
Investment in an associate	18	–	–	–	–
Prepayments		260	301	260	301
Other receivables	20	–	–	30,661	–
Deferred tax assets	25	2,471	1,598	–	–
		219,684	216,228	379,213	346,092
Current assets					
Inventories	19	141,009	114,937	4,483	3,661
Prepayments		5,476	4,947	664	455
Trade and other receivables	20	212,381	197,145	46,899	84,192
Cash and short-term deposits	21	105,281	115,255	7,654	7,824
		464,147	432,284	59,700	96,132
Total assets		683,831	648,512	438,913	442,224

BALANCE SHEETS
As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	22	119,812	109,069	53,383	70,443
Excess of progress billings over work-in-progress	19	22,479	14,410	4,585	4,013
Other liabilities	23	58,934	60,392	4,123	6,122
Loans and borrowings	24	60,819	64,564	30,197	35,262
Income tax payable		3,064	3,933	–	–
		265,108	252,368	92,288	115,840
Net current assets/(liabilities)		199,039	179,916	(32,588)	(19,708)
Non-current liabilities					
Other liabilities	23	2,164	1,571	–	–
Loans and borrowings	24	42,861	35,194	26,787	29,827
Deferred tax liabilities	25	7,574	8,062	–	–
		52,599	44,827	26,787	29,827
Total liabilities		317,707	297,195	119,075	145,667
Net assets		366,124	351,317	319,838	296,557
Equity attributable to owners of the Company					
Share capital	26	301,015	300,146	301,015	300,146
Retained earnings/(accumulated losses)		76,149	61,927	17,522	(4,651)
Other reserves	27	(11,040)	(10,756)	1,301	1,062
Total equity		366,124	351,317	319,838	296,557
Total equity and liabilities		683,831	648,512	438,913	442,224

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

		Attributable to owners of the Company							
2017 Group	**Note**	**Share capital**	**Retained earnings**	**Total other reserves**	**Foreign currency translation reserve**	**Statutory reserves**	**Restricted Share Plan reserve**	**Reserve on consolidation**	**Total equity**
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2017		300,146	61,927	(10,756)	(23,488)	11,628	1,062	42	351,317
Profit for the year		–	31,360	–	–	–	–	–	31,360
Other comprehensive income									
Foreign currency translation		–	–	(1,400)	(1,356)	(44)	–	–	(1,400)
Share of other comprehensive income of a joint venture		–	–	(276)	(276)	–	–	–	(276)
Other comprehensive income for the year, net of tax		–	–	(1,676)	(1,632)	(44)	–	–	(1,676)
Total comprehensive income for the year		–	31,360	(1,676)	(1,632)	(44)	–	–	29,684
Contributions by and distributions to owners									
Grant of equity-settled share awards to employees	30	–	–	1,108	–	–	1,108	–	1,108
Issue of ordinary shares under share awards	26	869	–	(869)	–	–	(869)	–	–
Dividends on ordinary shares	12	–	(15,985)	–	–	–	–	–	(15,985)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		869	(15,985)	239	–	–	239	–	(14,877)
Others									
Transfer to statutory reserve		–	(1,153)	1,153	–	1,153	–	–	–
Closing balance at 31 December 2017		301,015	76,149	(11,040)	(25,120)	12,737	1,301	42	366,124

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

		Attributable to owners of the Company							
2016 Group	**Note**	**Share capital**	**Retained earnings**	**Total other reserves**	**Foreign currency translation reserve**	**Statutory reserves**	**Restricted Share Plan reserve**	**Reserve on consolidation**	**Total equity**
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2016		299,350	33,423	(2,167)	(14,138)	10,981	948	42	330,606
Profit for the year		–	39,071	–	–	–	–	–	39,071
Other comprehensive income									
Foreign currency translation		–	–	(9,802)	(9,217)	(585)	–	–	(9,802)
Share of other comprehensive income of a joint venture		–	–	(133)	(133)	–	–	–	(133)
Other comprehensive income for the year, net of tax		–	–	(9,935)	(9,350)	(585)	–	–	(9,935)
Total comprehensive income for the year		–	39,071	(9,935)	(9,350)	(585)	–	–	29,136
Contributions by and distributions to owners									
Grant of equity-settled share awards to employees	30	–	–	910	–	–	910	–	910
Issue of ordinary shares under share awards	26	796	–	(796)	–	–	(796)	–	–
Dividends on ordinary shares	12	–	(9,335)	–	–	–	–	–	(9,335)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		796	(9,335)	114	–	–	114	–	(8,425)
Others									
Transfer to statutory reserve		–	(1,232)	1,232	–	1,232	–	–	–
Closing balance at 31 December 2016		300,146	61,927	(10,756)	(23,488)	11,628	1,062	42	351,317

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Note	Share capital	(Accumulated losses)/ retained earnings	Restricted Share Plan reserve	Total equity
		$'000	$'000	$'000	$'000
2017					
Company					
Opening balance at 1 January 2017		300,146	(4,651)	1,062	296,557
Profit for the year, representing total comprehensive income for the year		–	38,158	–	38,158
Contributions by and distributions to owners					
Grant of equity-settled share awards to employees	30	–	–	1,108	1,108
Issue of ordinary shares under share awards	26	869	–	(869)	–
Dividends on ordinary shares	12	–	(15,985)	–	(15,985)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		869	(15,985)	239	(14,877)
Closing balance at 31 December 2017		301,015	17,522	1,301	319,838
2016					
Company					
Opening balance at 1 January 2016		299,350	(9,451)	948	290,847
Profit for the year, representing total comprehensive income for the year		–	14,135	–	14,135
Contributions by and distributions to owners					
Grant of equity-settled share awards to employees	30	–	–	910	910
Issue of ordinary shares under share awards	26	796	–	(796)	–
Dividends on ordinary shares	12	–	(9,335)	–	(9,335)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		796	(9,335)	114	(8,425)
Closing balance at 31 December 2016		300,146	(4,651)	1,062	296,557

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Operating activities			
Profit before tax		39,365	47,230
Adjustments for:			
Depreciation of property, plant and equipment	13	28,883	29,563
Reversal for impairment loss on property, plant and equipment	13	(99)	–
Property, plant and equipment written off	7	265	106
Net gain on disposal of property, plant and equipment	6	(342)	(4,984)
Amortisation of intangible assets	14	1,542	1,553
Reversal of provision for onerous contract	23	(330)	(333)
Provision for retrenchment costs, net	23	367	6,526
Allowance for doubtful debts, net	20	226	1,256
Bad debts written off	9	1	588
Allowance for inventories obsolescence/foreseeable loss, net	19	780	746
Grant of equity-settled share awards to employees	30	1,108	910
Share of results of joint venture		(1,223)	(942)
Interest expense	8	3,346	3,525
Interest income	5	(435)	(498)
Exchange differences		2,830	(5,877)
Operating cash flows before changes in working capital		76,284	79,369
Changes in working capital:			
Increase in trade and other receivables		(13,452)	(30,849)
Increase in prepayments		(488)	(509)
Increase in inventories		(26,852)	(9,468)
Increase in trade and other payables		17,380	18,158
(Decrease)/increase in other liabilities		(1,521)	10,100
Retrenchment costs paid	23	(813)	(4,766)
Cash flows from operations		50,538	62,035
Interest paid		(3,346)	(3,525)
Interest received		435	498
Income tax paid		(9,336)	(6,184)
Net cash flows from operating activities		38,291	52,824

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Investing activities			
Purchase of property, plant and equipment		(33,871)	(36,031)
Net proceeds from disposal of property, plant and equipment		2,892	7,272
Purchase of other investments		(1,421)	–
Net proceeds from disposal of other investment		1	–
Dividend income from a joint venture		140	1,075
Loans to a joint venture		(2,011)	–
Net cash flows used in investing activities		(34,270)	(27,684)
Financing activities			
Proceeds from loans and borrowings		40,808	9,639
Repayment of loans and borrowings		(35,662)	(30,817)
Decrease in bank balance pledged		–	4,381
Dividends paid on ordinary shares	12	(15,985)	(9,335)
Net cash flows used in financing activities		(10,839)	(26,132)
Net decrease in cash and cash equivalents		(6,818)	(992)
Cash and cash equivalents at 1 January		113,024	114,811
Effects of exchange rate changes on cash and cash equivalents		(3,255)	(795)
Cash and cash equivalents at 31 December	21	102,951	113,024

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

1. Corporate Information

Sunningdale Tech Ltd. (the "Company") is a limited liability company, domiciled and incorporated in the Republic of Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 51 Joo Koon Circle, Singapore 629069.

The principal activities of the Company consist of manufacturing and sale of dies, tools, jigs, fixtures, high precision steel moulds and plastic products. The principal activities of the subsidiaries, associate and joint venture are disclosed in Notes 16 to 18. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

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

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $23,488,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017, which will decrease its retained earnings.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I) 15 and SFRS(I) 9, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure initiative*. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Translations and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

<u>SFRS(I) 15 *Revenue from Contracts with Customers*</u>

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

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

SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

The Group plans to apply the changes in accounting policies retrospective to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts on 1 January 2017; and

- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group is in a business of manufacturing and sales of moulds and plastic products. The Group expects the following impact upon adoption of SFRS(I) 15:

(a) Variable consideration

For sale of plastic products, some contracts with customers provide for volume rebates. Such contractual provision gives rise to variable consideration under SFRS(I) 15. The Group currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable net of volume rebates. If the revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under SFRS(I) 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

On the adoption of SFRS(I) 15, the Group does not expect any significant impact arising from this change. The Group is currently recognising volume rebates based on the most likely outcome of customers achieving the rebates. The Group has determined that it has significant experience with the sale of the plastic products and purchasing pattern of their customers. Thus, the Group is of the view that the most likely amount under SFRS(I) 15 is an appropriate method of estimate of the amount of variable consideration, that is consistent with the Group's current approach to estimating the rebates. However, the Group recognises that historical experience of the purchasing pattern of their customers may change over time and hence would continue to reassess the applicability of the estimation methods allowed under SFRS(I) 15.

(b) Manufacturing and sale of moulds

The Group is in the business of manufacturing and sale of moulds. The Group currently recognises revenue from the sale of moulds using percentage of completion method for contracts where the legal terms were such that the production represented the continuous transfer of work-in-progress to the customer. For certain contracts, where the customer requires the mould revenue to be amortised over the quantity of parts delivered, revenue on such moulds is recognised when significant risks and rewards of the parts is transferred to the customer, which coincides with delivery of parts to the customer.

Under SFRS(I) 15, manufacture of moulds is considered a separate performance obligation and hence, the transaction price will be allocated between the mould manufacturing and parts on a relative stand-alone selling price basis and recognised separately. Revenue from manufacturing of moulds are satisfied over time where the Group is restricted contractually from redirecting the moulds for another use as they are being produced and the Group has an enforceable right to payment for performance completed to date. Accordingly, some of the revenue from manufacturing of moulds, currently recognised over the quantity of parts delivered will be adjusted upon adoption of SFRS(I) 15 and recognised over the period of manufacture of the moulds. The Group does not expect any significant impact arising from this change on the adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

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

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the SFRS(I) 1-39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

(a) Classification and measurement

For equity securities, the Group currently measures its investments in unquoted equity securities at cost of $1,428,000. Under SFRS(I) 9, the Group will be required to measure the investments at fair value. The difference between the current carrying amount and the fair value as at 31 December 2017 would be recognised in the opening retained earnings with the corresponding tax impact when the Group applies SFRS(I) 9.

(b) Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all its loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expect credit loss model, the Group does not expect significant impact to arise from this change.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets, total liabilities and gearing ratio.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 *Foreign currency*

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency (cont'd)*

(a) ***Transactions and balances (cont'd)***

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land and buildings	-	Over the term of the lease of 20 to 60 years
Leasehold improvements	-	1 to 30 years
Motor vehicles	-	3 to 10 years
Machinery and equipment	-	1 to 10 years
Office equipment and furniture	-	2 to 10 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Customer relationships

Customer relationships were acquired in business combinations and is amortised on a straight-line basis over its finite useful life of 5 years.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 *Joint arrangement*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operations or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint venture

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2.11 *Joint venture and associate*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.11 *Joint venture and associate (cont'd)*

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

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

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

2.12 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

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

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(b) ***Financial liabilities (cont'd)***

Derecognition

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

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.14 *Cash and cash equivalents*

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

2.15 *Inventories*

(a) ***Plastic products***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials – purchase costs on a first-in first-out basis;

– Finished goods – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.15 *Inventories (cont'd)*

(b) ***Mould fabrication contracts***

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the "percentage of completion method"), when the outcome of a mould fabrication contract can be estimated reliably.

When the outcome of a mould fabrication contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the mould fabrication contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the stages of mould manufacturing processes surveyed by project engineers.

Work-in-progress from mould fabrication contracts are stated at cost plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

Excess of progress billings over work-in-progress from mould fabrication contracts are stated at cost plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which for progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.16 *Provisions*

General

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

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

Restructuring provision

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The Group has to raise a valid expectation in those affected that the restructuring is being carried out or announcing its main features to those affected by it.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.16 *Provisions (cont'd)*

Provision for onerous contract

Provision for onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.17 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.18 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised as a liability initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 *Borrowing costs*

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

2.20 *Employee benefits*

(a) ***Defined contribution plans***

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.20 *Employee benefits (cont'd)*

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to end of the reporting period.

(c) ***Employee share plans – Restricted Share Plan and Performance Share Plan***

Employees (including senior executives) of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value at the date on which the share awards are granted which takes into account market conditions and non-vesting conditions. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable. This cost is recognised in profit or loss, with a corresponding increase in the restricted share plan reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of share awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The restricted share plan reserve is transferred to retained earnings upon expiry of the share award.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an employee share plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and new award is treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

(d) ***Termination benefits***

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.21 *Leases*

(a) ***As lessee***

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

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) ***Sale of goods***

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Revenue from mould fabrication work***

Revenue from mould fabrication work is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to the stages of mould manufacturing processes surveyed by project engineers. Where the outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

(e) ***Rental income***

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes*

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associate and interests in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associate and interests in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.23 ***Taxes (cont'd)***

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

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

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

(c) ***Sales tax***

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.24 ***Share capital and share issuance expenses***

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

2.25 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

3. Significant accounting judgements and estimates

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

3.1 *Judgements made in applying accounting policies*

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

(a) ***Mould fabrication work***

The Group recognises revenue from mould fabrication work by reference to the stage of completion at the end of the reporting period, when the outcome of a mould fabrication contract can be estimated reliably. The stage of completion is measured by reference to the stages of mould manufacturing processes surveyed by project engineers. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from mould fabrication contracts at the end of the reporting period are disclosed in Note 19.

(b) ***Impairment of property, plant and equipment***

The carrying values of property, plant and equipment are tested for impairment when there are indicators of impairment. Management estimates the recoverable amount based on the value in use. This requires management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of the cash flows. There are no indications of impairment as at 31 December 2017 and 2016.

3.2 *Key sources of estimation uncertainty*

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

(a) ***Impairment of goodwill***

Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Recoverable amount of the cash-generating units is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill as at 31 December 2017 is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

3. Significant accounting judgements and estimates (cont'd)

3.2 ***Key sources of estimation uncertainty (cont'd)***

(b) ***Depreciation of property, plant and equipment***

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated useful lives. Management estimates the useful lives of these property, plant and equipment as discussed in Note 2.6. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 is disclosed in Note 13.

(c) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 20.

(d) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Management recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax, deferred tax assets and deferred tax liabilities in the period in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2017 were $3,064,000 (2016: $3,933,000), $2,471,000 (2016: $1,598,000) and $7,574,000 (2016: $8,062,000) respectively.

4. Revenue

Revenue represents net invoiced value of goods supplied and percentage of work completed for sale of moulds, and it is shown net of related sales taxes, estimated returns, discounts and volume rebates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

5. Interest income

	Group	
	2017	**2016**
	$'000	$'000
Interest income from loans and receivables	435	498

6. Other income

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Gain from disposal of scrap materials		875	1,208
Government grants		235	342
Net gain on disposal of property, plant and equipment		342	4,984
Reversal of impairment loss on property, plant and equipment	13	99	–
Net foreign exchange gain		–	8,952
Reimbursement from customers and suppliers		1,149	1,423
Rental income		1,234	944
Commission income from a joint venture		174	172
Miscellaneous income		935	1,165
		5,043	19,190

7. Other operating expenses

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Property, plant and equipment written off		(265)	(106)
Amortisation of intangible assets	14	(1,542)	(1,553)
Retrenchment costs	23	(367)	(6,526)
Net foreign exchange loss		(10,647)	–
Miscellaneous expenses		(1,590)	(1,490)
		(14,411)	(9,675)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

8. Finance costs

	Group	
	2017	**2016**
	$'000	$'000
Interest expense on:		
– Bank overdrafts	(90)	(28)
– Bank loans	(3,212)	(3,493)
– Bills payable	(44)	(4)
	(3,346)	(3,525)

9. Profit before tax

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

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Inventories recognised as an expense in cost of sales	19	(619,012)	(590,122)
Depreciation of property, plant and equipment	13	(28,883)	(29,563)
Amortisation of intangible assets	14	(1,542)	(1,553)
Allowance for doubtful debts, net	20	(226)	(1,256)
Bad debt written off		(1)	(588)
Audit fees:			
– Auditor of the Company		(358)	(280)
– Other auditors		(840)	(843)
Non-audit fees:			
– Auditor of the Company		(14)	(6)
– Other auditors		(127)	(106)
Employee benefits expense	30	(154,263)	(153,677)
Operating lease expense	28(b)	(10,640)	(10,945)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Note	Group 2017 $'000	Group 2016 $'000
Consolidated income statement			
Current income tax			
Current income taxation		(9,221)	(8,311)
Over provision in respect of previous years		696	1,065
		(8,525)	(7,246)
Withholding tax		(400)	(702)
Deferred income tax			
Origination and reversal of temporary differences		(422)	(2,147)
Over provision in respect of previous years		1,342	1,936
	25	920	(211)
Income tax expense recognised in profit or loss		(8,005)	(8,159)

Relationship between income tax expense and accounting profit

A reconciliation between the income tax expenses and accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group 2017 $'000	Group 2016 $'000
Profit before tax	39,365	47,230
Tax at the domestic rates applicable to profits in the countries where the Group operates	(8,174)	(11,253)
Adjustments:		
Non-deductible expenses	(2,800)	(2,345)
Income not subject to taxation	408	1,802
Benefits from previously unrecognised deferred tax assets	2,496	1,888
Deferred tax assets not recognised	(1,206)	(1,837)
Effect of tax relief and tax incentive	1,046	1,285
Over provision in respect of previous years	2,039	3,001
Effect of undistributed earnings of subsidiaries	(1,472)	–
Withholding tax	400	(702)
Others	58	2
Income tax expense recognised in profit or loss	(8,005)	(8,159)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

10. Income tax expense (cont'd)

Relationship between income tax expense and accounting profit (cont'd)

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

The overseas subsidiaries are taxed at the domestic corporate tax rate of each respective country except for one subsidiary in the People's Republic of China ("PRC"), which is entitled to concessionary rate of 15% in accordance with the "Income Tax Law of the PRC for high-tech enterprises".

11. Earnings per share

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

Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares for diluted earnings per share computation respectively.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2017 and 2016:

	Group	
	2017	**2016**
	$'000	$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	31,360	39,071

	Group	
	2017	**2016**
	Number of shares	**Number of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	188,096	186,864
Effect of dilution:		
– Restricted share plan	3,993	3,810
Weighted average number of ordinary for diluted earnings per share computation	192,089	190,674

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

12. Dividends

		Group and Company	
		2017	**2016**
		$'000	$'000
(a)	Declared and paid during the financial year:		
	Dividends on ordinary shares:		
	Final exempt (one-tier) dividend for 2016: $0.06 (2015: $0.05) per share	11,283	9,335
	Interim exempt (one-tier) dividend for 2017: $0.025 (2016: $Nil) per share	4,702	–
		15,985	9,335
(b)	Proposed but not recognised as a liability as at 31 December:		
	Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
	Final exempt (one-tier) dividend for 2017: $0.045 (2016: $0.06) per share	8,514	11,283

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

13. Property, plant and equipment

2017 Group	Freehold land	Leasehold land	Buildings	Leasehold improve-ments	Motor vehicles	Machinery and equipment	Office equipment and furniture	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2017	2,412	20,399	80,564	56,476	3,932	444,295	36,438	20,105	664,621
Additions	–	12	4,345	2,861	247	20,846	1,522	7,003	36,836
Reclassification	–	–	17,393	936	–	1,667	286	(20,282)	–
Disposals	–	–	–	–	(37)	(15,327)	(430)	–	(15,794)
Written off	–	–	(263)	(1,107)	–	(4,502)	(1,797)	–	(7,669)
Currency realignment	47	(1,297)	(546)	(456)	(25)	(4,443)	(479)	(385)	(7,584)
At 31 December 2017	2,459	19,114	101,493	58,710	4,117	442,536	35,540	6,441	670,410
Accumulated depreciation and impairment loss									
At 1 January 2017	–	308	32,797	46,345	3,039	363,329	27,165	30	473,013
Charge for the year	–	55	3,844	3,846	287	17,422	3,429	–	28,883
Reversal of impairment loss	–	–	–	–	–	(99)	–	–	(99)
Reclassification	–	–	–	–	–	(163)	163	–	–
Disposals	–	–	–	–	(34)	(12,823)	(387)	–	(13,244)
Written off	–	–	(263)	(1,103)	–	(4,306)	(1,732)	–	(7,404)
Currency realignment	–	(5)	(320)	(321)	(4)	(3,556)	(398)	–	(4,604)
At 31 December 2017	–	358	36,058	48,767	3,288	359,804	28,240	30	476,545
Net carrying amount									
At 31 December 2017	2,459	18,756	65,435	9,943	829	82,732	7,300	6,411	193,865

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

13. Property, plant and equipment (cont'd)

2016 Group	Freehold land	Leasehold land	Buildings	Leasehold improve-ments	Motor vehicles	Machinery and equipment	Office equipment and furniture	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2016	3,553	19,796	85,608	57,932	4,043	452,112	40,569	779	664,392
Additions	–	190	29	1,487	205	12,057	3,857	21,360	39,185
Reclassification	(1,085)	–	2,035	(624)	–	1,577	69	(1,972)	–
Disposals	–	–	(5,222)	(660)	(245)	(5,975)	(475)	–	(12,577)
Written off	–	–	–	(659)	–	(8,046)	(6,778)	–	(15,483)
Currency realignment	(56)	413	(1,886)	(1,000)	(71)	(7,430)	(804)	(62)	(10,896)
At 31 December 2016	2,412	20,399	80,564	56,476	3,932	444,295	36,438	20,105	664,621
Accumulated depreciation and impairment loss									
At 1 January 2016	369	262	32,721	45,236	3,039	363,855	32,020	30	477,532
Charge for the year	–	55	3,819	3,698	274	18,796	2,921	–	29,563
Reclassification	(364)	–	1,021	(657)	–	–	–	–	–
Disposals	–	–	(3,966)	(459)	(201)	(5,237)	(426)	–	(10,289)
Written off	–	–	–	(625)	–	(8,004)	(6,748)	–	(15,377)
Currency realignment	(5)	(9)	(798)	(848)	(73)	(6,081)	(602)	–	(8,416)
At 31 December 2016	–	308	32,797	46,345	3,039	363,329	27,165	30	473,013
Net carrying amount									
At 31 December 2016	2,412	20,091	47,767	10,131	893	80,966	9,273	20,075	191,608

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

13. Property, plant and equipment (cont'd)

Company	Buildings	Leasehold improvements	Machinery and equipment	Office equipment and furniture	Motor Vehicle	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2016	4,732	5,953	12,903	4,397	15	28	28,028
Additions	–	390	1,387	2,487	30	9	4,303
Written off	–	(315)	(4,918)	(695)	–	–	(5,928)
At 31 December 2016 and 1 January 2017	4,732	6,028	9,372	6,189	45	37	26,403
Additions	–	723	1,172	489	14	12	2,410
Disposals	–	–	(35)	–	–	–	(35)
Written off	–	–	–	(420)	–	–	(420)
At 31 December 2017	4,732	6,751	10,509	6,258	59	49	28,358
Accumulated depreciation and impairment loss							
At 1 January 2016	1,525	5,168	11,437	2,744	6	26	20,906
Charge for the year	79	271	335	891	8	–	1,584
Written off	–	(315)	(4,918)	(695)	–	–	(5,928)
At 31 December 2016 and 1 January 2017	1,604	5,124	6,854	2,940	14	26	16,562
Charge for the year	79	257	412	1,422	10	–	2,180
Disposals	–	–	(2)	–	–	–	(2)
Written off	–	–	–	(420)	–	–	(420)
At 31 December 2017	1,683	5,381	7,264	3,942	24	26	18,320
Net carrying amount							
At 31 December 2016	3,128	904	2,518	3,249	31	11	9,841
At 31 December 2017	3,049	1,370	3,245	2,316	35	23	10,038

Assets pledged as security

As at 31 December 2017, the Group's property, plant and equipment amounting to $5,705 (2016: $7,434) were pledged to secure the bank loans (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

14. Intangible assets

Group	Goodwill	Customer relationships	Club membership	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2016	19,704	9,435	71	29,210
Currency realignment	–	245	–	245
At 31 December 2016 and 1 January 2017	19,704	9,680	71	29,455
Currency realignment	–	(617)	–	(617)
At 31 December 2017	19,704	9,063	71	28,838
Accumulated amortisation and impairment				
At 1 January 2016	7,000	3,262	71	10,333
Amortisation	–	1,553	–	1,553
Currency realignment	–	125	–	125
At 31 December 2016 and 1 January 2017	7,000	4,940	71	12,011
Amortisation	–	1,542		1,542
Currency realignment	–	(298)	–	(298)
At 31 December 2017	7,000	6,184	71	13,255
Net carrying amount				
At 31 December 2016	12,704	4,740	–	17,444
At 31 December 2017	12,704	2,879	–	15,583

Customer relationships

Customer relationships were amortised on a straight-line basis over the remaining useful life of 2 years (2016: 3 years).

Amortisation expense

The amortisation for customer relationships is included in the "Other operating expenses" line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

14. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("CGUs") identified according to the Group's business units, for impairment testing as follows:

- Sunningdale Tech Ltd. ("STL"), Omni Mold Ltd. ("Omni"), Sunningdale Tech (Malaysia) Sdn Bhd ("STM") Group, PT Sunningdale Tech Batam ("STB") and Plasolux Pte Ltd CGUs ("CGU 1");
- AS Sunningdale Tech (Latvia) ("ST Latvia") and SIA Sunningdale Tech (Riga) ("ST Riga") CGUs ("CGU 6"); and
- SIA Skan-Tooling ("Skan") CGU ("CGU 8").

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2017	**2016**
	$'000	$'000
CGU 1	6,808	6,808
CGU 6	5,870	5,870
CGU 8	26	26
Total	12,704	12,704

Key assumptions used in the calculations of fair value less costs of disposal

The recoverable amounts of CGU 1 and CGU 6 are determined based on fair value less costs of disposal ("FVLCOD") of the CGUs. To calculate these values, an appropriate multiple was applied to the maintainable operating earnings of the CGUs. The FVLCOD of the CGUs are determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation ("EBITDA"), which management believes is sustainable in view of the current and anticipated business conditions.

The FVLCOD of CGU 1 and CGU 6 are estimated based on current EBITDA and market multiple of 4.84 (2016: 3.50) and 6.54 (2016: 4.50) respectively. The market multiples are calculated based on the median of comparable companies' indications, after adjustments for differences in risk and growth. The fair value derived is categorised under Level 3 of the fair value hierarchy.

Sensitivity to changes in assumptions

With regards to the assessment of fair value less costs of disposal for CGU 1 and CGU 6, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

15. Other investments

	Group	
	2017	**2016**
	$'000	$'000
Available-for-sale financial assets		
Equity securities (Quoted)	–	1
Equity securities (Unquoted), at cost	1,428	7
Total available-for-sale financial assets	1,428	8

16. Investment in subsidiaries

	Company	
	2017	**2016**
	$'000	$'000
Unquoted shares, at cost	518,270	515,966
Impairment losses	(180,016)	(180,016)
Carrying amount of investments	338,254	335,950

During the financial year, two wholly-owned subsidiaries of the Company, Sunningdale Tech Investment Holding Pte. Ltd. and Sunningdale Tech (Penang) Sdn. Bhd., increased the issued and paid-up capital by $1,671,000 (2016: $Nil) and $633,000 (2016: $Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16. Investment in subsidiaries (cont'd)

The Group has the following significant investment in subsidiaries.

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by the Company			
Chi Wo Plastic Moulds Fty. Limited (2) (Hong Kong)	Manufacturing and sale of mould and plastic injection products, trading of car audio equipment and investment holding	100	100
Omni Mold Ltd. (1) (Singapore)	Design, manufacturing, marketing and export of high precision steel moulds	100	100
Sunningdale Tech (Malaysia) Sdn Bhd (2) (Malaysia)	Manufacturer of plastic products in video front panels, office automation products and sub-assembly of paper feeders for printers and computer components	100	100
Sunningdale Precision Industries Ltd (1) (Singapore)	Precision mould making, injection moulding of precision engineering plastic components, as well as contract manufacturing of assembled plastic products	100	100
Sunningdale Tech Investment Holding Pte. Ltd. (1) (Singapore)	Investment holding	100	100
Sunningdale Technologies S.A. de C.V. (2) (Mexico)	Manufacturing and sale of precision plastic injection moulding products	100*	100*
UFE Pte Ltd (1) (Singapore)	Designing and manufacturing of moulds and plastic injection moulding plastics products	100	100
PT Sunningdale Tech Batam (2) (Indonesia)	Manufacturing of precision plastic injection moulding products	100**	100**
First Engineering Limited (1) (Singapore)	Design, fabrication, manufacture and sale of high precision moulds for plastic gears and investment holding	100	100
Sunningdale Tech (Thailand) Co., Ltd (4) (Thailand)	Manufacturing and sale of precision plastic injection moulding products	100***	100***

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest	
		2017	2016
		%	%
Held by the Company (cont'd)			
Sunningdale Tech (Penang) Sdn. Bhd. (2) (Malaysia)	Manufacturing of precision plastic injection moulding products	100	100
Sunningdale Tech Inc (5) (United States of America)	Support office	100	100
Held through Chi Wo Plastic Moulds Fty. Limited			
Zhongshan Zhihe Electrical Equipment Co., Ltd (2) (People's Republic of China)	Manufacturing and sale of mould and plastic injection products	100	100
Held through Sunningdale Precision Industries Ltd			
SDP Manufacturing Sdn Bhd (2) (Malaysia)	Manufacturing of plastic and metal parts of machinery and equipment	100	100
Sunningdale Precision Industries (Shanghai) Co., Ltd (2) (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
Sunningdale Precision Mold Industries (Tianjin) Co., Ltd (2) (People's Republic of China)	Manufacturing of precision moulds and provision of technical consulting services	100	100
Sunningdale Technologies S.A. de C. V. (2) (Mexico)	Manufacturing of precision plastic injection moulding products	100*	100*
Sunningdale Plastic Technology (Tianjin) Co., Ltd (3) (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
Sunningdale Precision Technology (Shanghai) Co., Ltd (2) (People's Republic of China)	Designing and manufacturing of precision moulds and precision engineering plastic components	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held through Sunningdale Precision Industries Ltd (cont'd)			
Sunningdale Innovative Technology (Tianjin) Co., Ltd (2) (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
PT Sunningdale Tech Batam (2) (Indonesia)	Manufacturing of precision plastic injection moulding products	100**	100**
Sunningdale Precision Tech (Chuzhou) Co., Ltd (2) (People's Republic of China)	Manufacturing of precision plastic injection moulding products	100	100
Held through Sunningdale Plastics Sdn Bhd			
Sunningdale Tech Plásticos (Brasil) Ltda (5) (Brazil)	Manufacturing of precision plastic injection moulding products	100****	100****
Held through Omni Mold Ltd.			
SIA Skan-Tooling (2) (Latvia)	Designing manufacturing, marketing and export of high precision steel moulds	100	100
Held through Omni Mold Investment Holding Pte Ltd			
Omni Tech (Suzhou) Co., Ltd (2) (People's Republic of China)	Product design and development, tooling and moulding	100	100
Held through Sunningdale Tech Investment Holding Pte. Ltd.			
AS Sunningdale Tech (Latvia) (2) (Latvia)	Manufacture, production and sale of plastic products	100	100
SIA Sunningdale Tech (Riga) (2) (Latvia)	Manufacture, production and sale of plastic products	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16. Investment in subsidiaries (cont'd)

Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held through First Engineering Limited			
First Engineering (Guangzhou) Co., Ltd. (6) (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering (Shanghai) Co., Ltd (2) (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering (Suzhou) Co., Ltd (2) (People's Republic of China)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Plastics (Malaysia) Sdn Bhd (2) (Malaysia)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Plastics India Private Limited (2) (India)	Manufacturing and sale of precision moulds and precision engineering components	100	100
First Engineering Decorative (Suzhou) Co., Ltd (2) (People's Republic of China)	Manufacturing and sale of painted and laser etched plastic parts	100	100

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of EY Global in the respective countries

(3) Audited by Tianjin Jinhua Certified Public Accountants Ltd

(4) Audited by P.J. Accounting & Consultant Co., Ltd.

(5) Not required to be audited under the law in the country of incorporation

(6) Audited by GD Zhong Qian Certified Public Accountants

* 17.0% of equity held by the Company and 83.0% of equity held by Sunningdale Precision Industries Ltd

** 70.0% of equity held by the Company and 30.0% of equity held by Sunningdale Precision Industries Ltd

*** 99.9% of equity held by the Company and the remaining equity is equally held by Sunningdale Precision Industries Ltd and Omni Mold Ltd.

**** 98.0% of equity held by the Sunningdale Plastics Sdn Bhd and 2.0% of equity held by Sunningdale Technologies S.A. de C. V.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

17. Investment in a joint venture

The Group's investment in a joint venture is summarised below:

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2017	2016
		%	%
Held through a subsidiary			
First Engineering-Erwin Quarder Pte. Ltd. [1] (Singapore)	Design, fabrication, manufacturing, assembly and sale of moulded plastic products and investment holding	50	50

[1] Audited by Ernst & Young LLP, Singapore

Information about the Group's investment in a joint venture that is not material is as follows:

	2017	2016
	$'000	$'000
Profit after tax	2,446	2,444
Other comprehensive income	552	266
Total comprehensive income	2,998	2,710

18. Investment in an associate

The Group's investment in an associate is as follows:

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2017	2016
		%	%
Held through a subsidiary			
Synergy MFG Pte Ltd * (Singapore)	Moulding	20	20

* Synergy MFG Pte Ltd is dormant as at 31 December 2017 and 2016 and the financial statements are not required to be audited.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

19. Inventories

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance sheet				
Raw materials	34,332	27,905	909	490
Finished goods	46,423	49,014	1,168	2,630
Mould fabrication:				
– Work-in-progress	60,254	38,018	2,406	541
	141,009	114,937	4,483	3,661
Income statement				
Inventories recognised as an expense in cost of sales	619,012	590,122	68,188	55,411
Inclusive of the following charge/(credit):				
– Inventories written down	4,020	4,386	40	514
– Reversal of write-down of inventories	(3,240)	(3,640)	(476)	(100)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amount in 2017 and 2016.

Analysis of mould fabrication contracts is as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	111,180	79,091	9,500	6,992
Less: Progress billings	(73,405)	(55,483)	(11,679)	(10,464)
	37,775	23,608	(2,179)	(3,472)
Presented as:				
Work-in-progress	60,254	38,018	2,406	541
Excess of progress billings over work-in-progress	(22,479)	(14,410)	(4,585)	(4,013)
	37,775	23,608	(2,179)	(3,472)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

20. Trade and other receivables

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current					
Other receivables					
Loans to subsidiaries		–	–	30,661	–
Current					
Trade and other receivables					
Trade receivables		178,574	172,351	16,280	13,425
Amounts due from subsidiaries					
- trade		–	–	3,278	1,114
- non-trade		–	–	20,366	23,715
- loans		–	–	509	34,410
- dividends		–	–	3,018	10,000
Amounts due from a joint venture					
- trade		6	588	–	–
- non-trade		461	87	–	–
- loans		3,811	1,671	2,011	–
Other receivables		7,567	8,142	366	527
Notes receivables		711	1,180	–	–
Staff advances		250	159	–	–
Refundable deposits		2,639	1,856	–	88
Sales tax receivables		18,362	11,111	1,071	913
		212,381	197,145	46,899	84,192
Total trade and other receivables (non-current and current)		212,381	197,145	77,560	84,192
Add: Cash and short-term deposits	21	105,281	115,255	7,654	7,824
Less: Sales tax receivables		(18,362)	(11,111)	(1,071)	(913)
Less: Tax recoverable		(1,630)	(2,408)	–	–
Total loans and receivables		297,670	298,881	84,143	91,103

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

20. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
United States Dollar	70,040	82,157	11,944	10,312
Euro	10,093	10,969	562	143
Hong Kong Dollar	72	196	–	–

Amounts due from subsidiaries and a joint venture

All amounts due from subsidiaries are unsecured, non-interest bearing and are to be settled in cash. Current amounts due from subsidiaries are repayable on demand while non-current loans to subsidiaries are not expected to be repaid within the next 12 months.

Trade and non-trade amounts due from a joint venture are unsecured, non-interest bearing and repayable on demand. The loans to joint venture are unsecured, repayable on demand and bear an interest at 4.35% (2016: 4.35%) per annum. All amounts due from a joint venture are to be settled in cash.

Notes receivables and staff advances

Note receivables are bill of exchange issued by drawer and the payer entrusts the payer to confirm the payment at unconditional payment on the appointed day of the amount to the payee or bearer's bill, stipulated by Article 19 of the "Notes Law" in People's Republic of China.

Staff advances are unsecured and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

20. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $41,184,000 (2016: $38,227,000) and $3,769,000 (2016: $2,578,000) respectively, that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Less than 30 days	28,318	25,671	2,963	1,847
30 to 60 days	8,628	7,234	723	602
61 to 90 days	2,273	2,219	83	129
91 to 150 days	908	2,078	–	–
More than 150 days	1,057	1,025	–	–
	41,184	38,227	3,769	2,578

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Trade receivables – Nominal amounts	2,545	2,393	2	19
Less: Allowance for impairment	(2,342)	(2,144)	(2)	(19)
	203	249	–	–
Movements in allowance accounts:				
At 1 January	2,144	1,174	19	–
Charge for the year	289	1,368	(17)	19
Written off	–	(293)	–	–
Written back	(63)	(112)	–	–
Currency realignment	(28)	7	–	–
At 31 December	2,342	2,144	2	19

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

21. Cash and short-term deposits

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	103,577	112,370	7,654	7,824
Short-term deposits	1,704	2,885	–	–
Cash and short-term deposits	105,281	115,255	7,654	7,824

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates, ranging from 0.30% to 4.35% (2016: 3.05% to 4.35%) per annum.

As at 31 December 2017, the Group and the Company had undrawn borrowing facilities of $151,221,000 (2016: $153,990,000) and $54,528,000 (2016: $65,716,000) respectively, in which all conditions precedent had been met.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
United States Dollar	35,574	48,521	6,058	6,259
Euro	4,063	2,564	122	305
Hong Kong Dollar	309	173	–	–

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the end of the reporting period:

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Cash and short-term deposits		105,281	115,255
Bank overdrafts	24	(693)	(562)
Pledged fixed deposits	24	(1,637)	(1,669)
Cash and cash equivalents		102,951	113,024

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

22. Trade and other payables

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Trade payables		77,883	73,240	1,408	943
Amounts due to subsidiaries					
– trade		–	–	40,960	60,081
– non-trade		–	–	4,281	2,522
– loans		–	–	1,481	3,028
Other payables		26,966	26,163	4,377	3,007
Amount due to a joint venture (non-trade)		1	–	–	–
Advances from customers		3,085	874	–	–
Sales tax payables		11,877	8,792	876	862
Total trade and other payables		119,812	109,069	53,383	70,443
Add: Other liabilities	23	53,316	54,652	4,123	6,122
Add: Loans and borrowings	24	103,680	99,758	56,984	65,089
Less: Sales tax payables		(11,877)	(8,792)	(876)	(862)
Less: Advances from customers		(3,085)	(874)	–	–
Total financial liabilities carried at amortised cost		261,846	253,813	113,614	140,792

Trade payables/other payables

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

Amounts due to subsidiaries and a joint venture

Amounts due to subsidiaries and a joint venture are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	24,365	23,592	1,138	776
Euro	1,112	752	–	35
Hong Kong Dollar	69	73	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

23. Other liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Current				
Trade accrual	13,280	12,218	153	133
Accrued other operating expenses	18,153	22,079	685	2,501
Accrued directors' fees payable	713	695	713	695
Accrued employee benefits expense	20,809	19,304	2,352	2,532
Accrued interest payable	361	356	220	261
	53,316	54,652	4,123	6,122
Accrual for other taxes	3,894	3,470	–	–
Provisions	1,608	2,108	–	–
Deferred government grant	116	162	–	–
	58,934	60,392	4,123	6,122
Non-current				
Provisions	294	668	–	–
Deferred government grant	1,870	903	–	–
	2,164	1,571	–	–

	Group		
	Onerous contract	**Retrench-ment costs**	**Total**
	$'000	$'000	$'000
Movement in provisions:			
At 1 January 2017	1,016	1,760	2,776
(Written back)/charge for the year, net	(330)	367	37
Utilised	–	(813)	(813)
Currency alignment	(70)	(28)	(98)
At 31 December 2017	616	1,286	1,902

Provision for onerous contract

Onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The onerous contract was valued using the discounted cash flow method.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

23. Other liabilities (cont'd)

Provision for retrenchment costs

In 2016, the Group carried out restructuring and relocation exercises in People's Republic of China. Accordingly, provision for retrenchment costs amounting to $6,526,000 was recognised during the financial year ended 31 December 2016. These exercises were partially completed in 2017.

24. Loans and borrowings

	Interest rates (Per annum)	Maturities	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Current						
Unsecured short-term loans [a]	1.98% – 3.52% (2016: 1.98% – 4.94%)	2018	39,507	48,835	17,015	25,555
Secured short-term loans [b]	0.00% – 4.35% (2016: 0.00%-4.35%)	2018	1,637	1,669	–	–
Unsecured bank loans [a]	2.85% – 6.01% (2016: 2.85% – 5.92%)	2018	16,372	12,426	13,040	9,640
Secured bank loans [c]	3.50% (2016: 3.42% – 3.49%)	2018	4	4	–	–
Unsecured bankers acceptance and letter of credit [a]	0.84% – 10.40% (2016: 2.79% – 2.99%)	2018	2,606	1,068	142	67
Bank overdrafts	10.55% – 11.75% (2016: 11.85%)	on demand	693	562	–	–
			60,819	64,564	30,197	35,262
Non-current						
Unsecured bank loans [a]	2.85% – 6.01% (2016: 2.85% – 5.92%)	2019 – 2020	42,861	35,190	26,787	29,827
Secured bank loans [c]	– (2016: 3.42% – 3.49%)	–	–	4	–	–
			42,861	35,194	26,787	29,827
Total loans and borrowings			103,680	99,758	56,984	65,089

[a] Included in these facilities are borrowings which are covered by corporate guarantees provided by the Company (Note 29).

[b] These loans are secured by pledged fixed deposits of subsidiaries of $1,637,000 (2016: $1,669,000) (Note 21).

[c] These loans are secured by certain property, plant and equipment of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

24. Loans and borrowings (cont'd)

Loans and borrowings denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	16,157	18,552	8,715	7,322

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Cash flows	Foreign exchange movement	2017
	$'000	$'000	$'000	$'000
Loans and borrowings				
– Current	64,564	(2,456)	(1,289)	60,819
– Non-current	35,194	7,602	65	42,861
Total	99,758	5,146	(1,224)	103,680

25. Deferred tax

Deferred income tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax assets				
Unutilised tax losses	376	170		
Provisions	1,120	702		
Unabsorbed capital allowances	975	726		
	2,471	1,598	1,131	(267)
Deferred tax liabilities				
Differences in depreciation for tax purpose	(1,783)	(1,120)		
Fair value adjustment on acquisition of a subsidiary	(3,708)	(4,664)		
Undistributed earnings of subsidiaries	(1,472)	–		
Others	(611)	(2,278)		
	(7,574)	(8,062)	(211)	56
Deferred tax credit/(expense)			920	(211)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Deferred tax (cont'd)

At the end of the reporting period, the Group has tax losses, reinvestment allowance and allowance for increased export of approximately $9,671,000 (2016: $14,815,000), $Nil (2016: $414,000) and $Nil (2016: $264,000) respectively, that are available for offset against future taxable profits of the companies in which the losses and allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these amounts is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries and joint venture

At the end of the reporting period, $1,472,000 (2016: $Nil) of deferred tax liabilities have been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint venture. The temporary differences for which no deferred tax liability has been recognised aggregate to $13,600,000 (2016: $42,900,000) as:

– The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and

– The joint venture of the Group cannot distribute its earnings until it obtains the consent of both the venturers. At the end of the reporting period, the Group does not foresee giving such consent.

Tax consequences of proposed dividends

There are no income tax consequences (2016: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 12).

26. Share capital

		Group and Company			
	Note	2017		2016	
		Number of shares '000	$'000	Number of shares '000	$'000
Issued and fully paid ordinary shares					
At 1 January		188,056	300,146	186,706	299,350
Issue of ordinary shares under share awards	30	1,150	869	1,350	796
At 31 December		189,206	301,015	188,056	300,146

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

The Company has two employee share award plans under which shares would be issued to employees of the Group upon certain conditions being met. The details of these conditions are included in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

27. Other reserves

(a) ***Foreign currency translation reserve***

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) ***Statutory reserve***

In accordance with the Foreign Enterprise Law applicable to the companies in the People's Republic of China ("PRC"), the subsidiaries and the joint venture's subsidiary in PRC are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the entity. The SRF is not available for dividend distribution to shareholders.

(c) ***Restricted Share Plan reserve***

Restricted Share Plan reserve represents the equity-settled share awards granted to employees (Note 30). The reserve is made up of cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the expiry or release of such share awards.

(d) ***Reserve on consolidation***

The reserve on consolidation was related to the acquisition of additional 13% equity interest in Plasolux Pte Ltd in 2007.

28. Commitments

(a) ***Capital commitments***

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

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	4,692	5,266	287	332

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

28. Commitments (cont'd)

(b) ***Operating lease commitments – As lessee***

The Group has entered into commercial leases on certain land, office, production floor and warehouse and equipment with lease terms of between one to 40 years. Certain leases include renewal options for additional lease period of one year to five years at rental rates to be based on negotiations. The leases do not contain any escalation clauses and do not provide for contingent rents. The Group is restricted from subleasing the leased assets to third parties, unless written consent is obtained from the lessor.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to $10,640,000 (2016: $10,945,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Not later than one year	9,258	9,258
Later than one year but not later than five years	10,582	13,740
Later than five years	559	696
	20,399	23,694

(c) ***Operating lease commitments – As lessor***

The Group has entered into commercial leases on its building. These non-cancellable leases have remaining lease terms of up to five years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Not later than one year	784	1,263
Later than one year but not later than five years	1,676	2,122
	2,460	3,385

29. Contingent liabilities

As at 31 December 2017, the Company has provided corporate guarantees to financial institutions and companies in connection with credit facilities provided to its subsidiaries, of which $35,044,000 (2016: $25,987,000) of the credit facilities have been utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

30. Employee benefits expense

	Group	
	2017	2016
	$'000	$'000
Employee benefits expense (including directors)		
Salaries and bonuses	127,935	125,911
Contributions to defined contribution plans	24,853	20,330
Share-based payments	1,108	910
Termination benefits	367	6,526
	154,263	153,677

Restricted Share Plan ("RSP")

The following table illustrates the number of, and movements in, RSP during the financial year:

	Group	
	2017	2016
	Number of RSP	Number of RSP
	'000	'000
Outstanding at 1 January	3,957	3,969
Granted	710	1,350
Cancelled	(16)	(12)
Released	(1,150)	(1,350)
Outstanding at 31 December	3,501	3,957

Terms of outstanding RSP at the end of the reporting period are as follows:

	Group	
	2017	2016
	Number of RSP	Number of RSP
	'000	'000
Grant date		
19 December 2014	–	1,166
13 October 2015	1,441	1,441
9 December 2016	1,350	1,350
22 November 2017	710	–
	3,501	3,957

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

30. Employee benefits expense (cont'd)

Restricted Share Plan ("RSP") (cont'd)

The share awards granted from 2014 to 2017 were subject to the following conditions:

(i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant;

(iii) in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular dated 11 April 2014;

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant;

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant;

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor; and

(vii) in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any group of companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

Any waiver to these conditions would need the Remuneration Committee's final decision.

The weighted average fair value of the RSP granted was estimated by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis.

The weighted average fair value of the RSP as at the dates of grant was $1.74 (2016: $0.94). The inputs to the model used are shown below.

	Group	
	2017	**2016**
Dividend yield ($)	0.072	0.055
Risk-free interest rate (%)	1.44 – 1.66	1.22 – 1.81
Expected life of RSP (months)	36	36
Last traded share price ($)		
9 December 2016	–	1.10
22 November 2017	1.95	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

30. Employee benefits expense (cont'd)

Restricted Share Plan ("RSP") (cont'd)

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share awards grant were incorporated into the measurement of fair value.

The expenses recognised for the RSP for the financial year ended 31 December 2017 amounted to $1,108,000 (2016: $910,000). The carrying amount of the Group's employee share awards reserve relating to the above equity-settled RSP as at 31 December 2017 is $1,301,000 (2016: $1,062,000).

31. Related party transactions

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017	**2016**
	$'000	$'000
Rental income from a joint venture	754	787
Interest income from a joint venture	75	71

(b) ***Compensation of key management personnel***

	Group	
	2017	**2016**
	$'000	$'000
Short-term employee benefits	3,161	3,108
Contributions to defined contribution plans	113	113
Share-based payments	490	393
	3,764	3,614
Comprise amounts paid/payable to:		
Directors of the Company	1,723	1,661
Other key management personnel	2,041	1,953
	3,764	3,614

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

31. Related party transactions (cont'd)

(b) ***Compensation of key management personnel (cont'd)***

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of each individual key management personnel and market trends.

During the financial year, 200,000 (2016: 300,000) share awards were granted to one (2016: One) executive director of the Company under the RSP but have yet to be released as at 31 December 2017. Similarly, 138,000 (2016: 288,000) share awards were granted to six (2016: Six) key management personnel, other than directors of the Company, under the RSP in 2017 but were not released as at 31 December 2017. 246,000 (2016: 270,000) share awards granted under the RSP in 2014 (2016: 2013) were released to the key management personnel in 2017.

32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the year under review, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risk. There has been no change to the Group's and the Company's exposure to above-mentioned financial risks or the manner in which the Group and the Company manage and measure these risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's short-term loans and borrowings are contracted at intervals of less than six months (2016: Less than six months) from the end of the reporting period.

The Group's policy in managing the interest cost is using floating rate debts. To manage this, the Group enters into short-term loans and borrowings for working capital purposes which allow the interest rate to be repriced at interval not more than six months.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been increased/reduced by $1,014,000 (2016: $880,000), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

32. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk*

The Group has transactional currency exposures arising mainly from sales, purchases and loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit ("MYR"), Chinese Renminbi ("RMB"), United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Mexican Pesos ("MXP") and Euro ("EUR"). The foreign currencies in which these transactions are mainly denominated are USD and EUR.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 21.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Thailand, Indonesia, India, People's Republic of China, Mexico, Brazil and Europe. The Group does not hedge its net investments in foreign operations as these are considered to be long-term in nature.

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

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

In addition to management's efforts to mitigate risk by way of natural hedging through the Group's foreign currency borrowings, the Group had also entered into forward currency contracts during the year.

Sensitivity analysis of foreign currency risk

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

		Group	
		2017	2016
		Profit before tax	Profit before tax
		$'000	$'000
USD/SGD	- strengthened 2% (2016: 2%)	624	1,378
	- weakened 2% (2016: 2%)	(624)	(1,378)
USD/RMB	- strengthened 2% (2016: 2%)	678	580
	- weakened 2% (2016: 2%)	(678)	(580)
EUR/SGD	- strengthened 2% (2016: 2%)	238	228
	- weakened 2% (2016: 2%)	(238)	(228)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

32. Financial risk management objectives and policies (cont'd)

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts are not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and the amounts as disclosed in Note 29 relating to the corporate guarantees provided by the Company for credit facilities provided to the subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of their trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	Group			
	2017		2016	
	$'000	%	$'000	%
By country				
Asia Pacific	62,749	32	62,008	34
People's Republic of China	73,773	37	79,079	43
Europe	20,876	11	21,766	12
United States of America	13,316	7	6,852	4
Other countries	26,222	13	13,757	7
	196,936	100	183,462	100
By industry sector				
Automotive	88,322	45	79,978	43
Consumer/IT	94,597	48	91,111	50
Healthcare	14,017	7	12,373	7
	196,936	100	183,462	100

At the end of the reporting period, approximately 36% (2016: 35%) of the Group's trade receivables were due from five major customers who are established multi-national companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

32. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk (cont'd)***

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 and Note 15.

(d) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and Company's objective is to maintain a balance of continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. The Group's and the Company's undrawn facilities are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

32. Financial risk management objectives and policies (cont'd)

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

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	2017			2016		
Group	**One year or less**	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Trade and other receivables	192,389	–	192,389	183,626	–	183,626
Cash and short-term deposits	105,281	–	105,281	115,255	–	115,255
Total undiscounted financial assets	297,670	–	297,670	298,881	–	298,881
Financial liabilities						
Trade and other payables	104,849	–	104,849	99,403	–	99,403
Other liabilities	53,316	–	53,316	54,652	–	54,652
Loans and borrowings	61,872	44,033	105,905	65,717	37,218	102,935
Total undiscounted financial liabilities	220,037	44,033	264,070	219,772	37,218	256,990
Total net undiscounted financial assets/(liabilities)	77,633	(44,033)	33,600	79,109	(37,218)	41,891

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

32. Financial risk management objectives and policies (cont'd)

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

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2017				2016			
Company	**One year or less**	**One to five years**	**Over five years**	**Total**	**One year or less**	**One to five years**	**Over five years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Trade and other receivables	45,828	–	30,661	76,489	83,279	–	–	83,279
Cash and short-term deposits	7,654	–	–	7,654	7,824	–	–	7,824
Total undiscounted financial assets	53,482	–	30,661	84,143	91,103	–	–	91,103
Financial liabilities								
Trade and other payables	52,507	–	–	52,507	69,581	–	–	69,581
Other liabilities	4,123	–	–	4,123	6,122	–	–	6,122
Loans and borrowings	31,000	27,893	–	58,893	36,049	31,599	–	67,648
Total undiscounted financial liabilities	87,630	27,893	–	115,523	111,752	31,599	–	143,351
Total net undiscounted financial liabilities	(34,148)	(27,893)	30,661	(31,380)	(20,649)	(31,599)	–	(52,248)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the corporate guarantees is allocated to the earliest period in which the guarantee could be called.

	2017			2016		
Company	**One year or less**	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Corporate guarantees	18,964	16,080	35,044	23,797	2,190	25,987

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

33. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are 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.

(b) ***Asset measured at fair value***

As at 31 December 2016, the Group's assets measured at fair value included available-for-sale financial assets amounted to $1,000 (Note 15) which was categorised within Level 1 of the fair value hierarchy. Fair value of these available-for-sale financial assets was determined by reference to their published market bid price at the end of the reporting period. As at 31 December 2017, the Group does not have any assets and liabilities that are measured at fair value on a recurring or non-recurring basis on the balance sheet after initial recognition.

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

Non-current other receivables are not expected to be repaid within the next 12 months. As the timing of the future cash flows arising from these amounts cannot be estimated reliably, the fair value of the amounts cannot be reliably measured.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

In order to maintain its listing on the Singapore Exchange, the Group is required to have share capital with a free float of at least 10% of the ordinary shares. As disclosed in Note 27(b), the subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. These externally imposed capital requirements have been complied with by the Group for the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

34. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 40% (2016: 40%). The Group includes within net debts, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less intangible assets.

		Group	
	Note	**2017**	**2016**
		$'000	$'000
Loans and borrowings	24	103,680	99,758
Trade and other payables	22	119,812	109,069
Less: Cash and short-term deposits	21	(105,281)	(115,255)
Net debt		118,211	93,572
Equity attributable to the owners of the Company		366,124	351,317
Less: Intangible assets	14	(15,583)	(17,444)
Total capital		350,541	333,873
Capital and net debt		468,752	427,445
Gearing ratio		25.2%	21.9%

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

i. The Automotive segment produces mainly faceplates for automotive audio systems and climate controls, speedometers/clusters, steering switches and exterior antenna covers, etc.

ii. The Healthcare segment produces mainly scoops, caps, drug delivery and diagnostic devices.

iii. The Consumer/IT segment produces mainly IT, consumer and telecommunication products including point-of-sale terminals, water filtration products, grooming products and inkjet cartridges, etc.

iv. The Mould Fabrication segment designs and manufactures the moulds used in the manufacturing of plastic injection parts.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

35. Segment information (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

	Automotive	Consumer/ IT	Healthcare	Mould fabrication	Adjustment	Notes	Per consolidated financial statements
	$'000	$'000	$'000	$'000	$'000		$'000
2017							
Revenue							
External customers	263,789	284,795	51,673	124,288	–		724,545
Results							
Depreciation and amortisation	(10,004)	(11,706)	(2,445)	(6,270)	–		(30,425)
Interest income	220	172	4	39			435
Property, plant and equipment written off	(20)	(83)	(1)	(161)	–		(265)
Retrenchment costs, net	(253)	(92)	–	(22)	–		(367)
Share of results of a joint venture	1,223	–	–	–	–		1,223
Other non-cash expenses	(691)	(488)	(60)	(876)	–	A	(2,115)
Segment profit/(loss)	17,311	25,808	366	(774)	(3,346)	B	39,365
Segment profit (excluding retrenchment costs and foreign exchange)	18,521	31,643	1,184	2,377	(3,346)		50,379

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

35. Segment information (cont'd)

	Automotive	Consumer/ IT	Healthcare	Mould fabrication	Adjustment	Notes	Per consolidated financial statements
	$'000	$'000	$'000	$'000	$'000		$'000
2016							
Revenue							
External customers	245,446	272,980	48,452	117,579	–		684,457
Results							
Depreciation and amortisation	(11,439)	(12,236)	(2,227)	(5,214)	–		(31,116)
Interest income	184	190	1	123	–		498
Property, plant and equipment written off	(38)	(43)	(7)	(18)	–		(106)
Retrenchment costs, net	(896)	(1,289)	(12)	(4,329)	–		(6,526)
Share of results of a joint venture	942	–	–	–	–		942
Other non-cash expenses	(1,914)	(244)	(61)	(1,281)	–	A	(3,500)
Segment profit/(loss)	14,120	36,495	1,019	(879)	(3,525)	B	47,230
Segment profit (excluding retrenchment costs and foreign exchange)	13,857	32,052	397	2,023	(3,525)		44,804

A. Other non-cash expenses consist of share-based payments, inventories written down, and impairment of financial assets as presented in the respective notes to the financial statements.

B. The following items are deducted from segment profit/(loss) to arrive at profit before tax presented in the consolidated income statement:

	Group	
	2017	**2016**
	$'000	$'000
Finance cost	(3,346)	(3,525)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

35. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group			
	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Singapore	97,513	85,485	32,508	34,061
Malaysia	73,726	74,235	31,259	28,347
People's Republic of China and Hong Kong	243,130	243,459	116,841	119,744
Americas	133,650	106,319	8,299	3,999
Europe	95,116	95,178	17,220	17,288
Others	81,410	79,781	9,658	11,183
	724,545	684,457	215,785	214,622

Non-current assets information presented above consist of property, plant and equipment, intangible assets, investment in a joint venture and prepayments as presented in the balance sheet.

Information about major customers

Revenue from two major customers amounted to $163,313,000 (2016: $145,318,000), arising from sales by the Automotive, Consumer/IT and Mould Fabrication segments.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 15 March 2018.

STATISTICS OF SHAREHOLDINGS

As at 1 March 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	99	2.10	4,074	0.00
100 - 1,000	1,291	27.37	706,835	0.37
1,001 - 10,000	2,463	52.23	11,325,773	5.99
10,001 - 1,000,000	843	17.88	47,653,010	25.19
1,000,001 AND ABOVE	20	0.42	129,515,644	68.45
TOTAL	**4,716**	**100.00**	**189,205,336**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	39,138,782	20.69
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	17,635,481	9.32
3	GOI SENG HUI	15,301,600	8.09
4	CITIBANK NOMINEES SINGAPORE PTE LTD	14,482,970	7.65
5	KOH BOON HWEE	12,998,343	6.87
6	HSBC (SINGAPORE) NOMINEES PTE LTD	4,022,006	2.13
7	KHOO BOO HOR	3,480,482	1.84
8	RAFFLES NOMINEES (PTE) LIMITED	3,148,518	1.66
9	PHILLIP SECURITIES PTE LTD	2,551,379	1.35
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,421,700	1.28
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,094,210	1.11
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,715,396	0.91
13	UOB KAY HIAN PRIVATE LIMITED	1,651,100	0.87
14	DB NOMINEES (SINGAPORE) PTE LTD	1,545,629	0.82
15	LIM & TAN SECURITIES PTE LTD	1,460,900	0.77
16	ASSET CONCEPT INVESTMENTS LIMITED	1,330,936	0.70
17	DBSN SERVICES PTE. LTD.	1,232,234	0.65
18	OCBC SECURITIES PRIVATE LIMITED	1,178,208	0.62
19	TEO SOK HUN	1,125,420	0.59
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,000,350	0.53
	TOTAL	**129,515,644**	**68.45**

The percentage of shareholdings in the hands of the public is 64.13%. Therefore, Rule 723 of the Listing Manual has been complied with.

SUBSTANTIAL SHAREHOLDERS

As at 1 March 2018

	No. of Ordinary Shares					
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**	**Total Interest**	**%**
Koh Boon Hwee	29,947,401	15.83	22,008	0.01	29,969,409	15.84
Goi Seng Hui	15,301,600	8.09	–	–	15,301,600	8.09
Yarwood Engineering & Trading Limited*	15,301,600	8.09	–	–	15,301,600	8.09

(Note: *Yarwood Engineering & Trading Limited ("Yarwood") is 100% owned by Kong Siang Group Holdings Pte Ltd ("KSGH"). Both David Lee Eng Thong and Lee Eng Khian who are directors and having controlling interests in KSGH are deemed to be interested in the 15,301,600 shares held by Yarwood)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held at Raffles City Convention Centre, Level 4, Moor & Moorison Room, 2 Stamford Road, Singapore 178882 on Wednesday, 11 April 2018 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 for the financial year ended 31 December 2017 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a Final Dividend of 4.5 cents per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2017 (2016: 6.0 cents). **(Resolution 2)**

3. To approve the Directors' fees of $730,833 for the financial year ended 31 December 2017 (2016: $695,000). **(Resolution 3)**

4. To re-elect the following Directors who retire by rotation under Regulation 91 of the Company's Constitution:

   (i) Mr Khoo Boo Hor **(Resolution 4)**

   (Subject to his re-election, Mr Khoo Boo Hor shall remain as the Chief Executive Officer of the Company.)

   (ii) Mr Kaka Singh **(Resolution 5)**

   (Subject to his re-election, Mr Kaka Singh shall remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.)

5. To re-elect the following Director who retires under Regulation 97 of the Company's Constitution:

   (i) Mrs Eileen Tay-Tan Bee Kiew **(Resolution 6)**

   (Subject to her re-election, Mrs Eileen Tay-Tan Bee Kiew shall remain as a member of the Remuneration Committee. She is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.)

6. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modifications, the following resolutions as Ordinary Resolutions:

7. **Authority to issue Shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

   (a) THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

      (i) issue shares and convertible securities 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 Instrument 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) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of the Instruments or any convertible securities that have been issued pursuant to any previous shareholders' approval and which are outstanding as at the date of the passing of this Resolution;

(ii) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to allot, issue and deliver shares pursuant to Sunningdale Restricted Share Plan 2014 ("STL RSP 2014") and Sunningdale Performance Share Plan 2014 ("STL PSP 2014")**

That:

(a) approval be and is hereby given to the Directors to grant share awards in accordance with the provisions of the STL RSP 2014 and/or the STL PSP 2014; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot, issue and deliver or otherwise dispose of shares in the Company as may be required to be allotted, issued, delivered or disposed, in connection with such number of shares as may be required to be issued or allotted pursuant to the vesting of awards under the STL RSP 2014 and/or the STL PSP 2014.

Provided that the aggregate number of shares to be allotted, issued and delivered pursuant to the STL RSP 2014 and the STL PSP 2014 shall not exceed fifteen per centum (15%) of the total number of issued shares of the Company from time to time. **(Resolution 9)**

9. **Renewal of Mandate for Share Purchase**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) on the SGX-ST; and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next Annual General Meeting of the Company is held; and

(b) the date by which the next Annual General Meeting of the Company is required by law to be held;

(3) In this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five days period;

NOTICE OF ANNUAL GENERAL MEETING

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares.

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **(Resolution 10)**

10. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

DOROTHY HO
Company Secretary
Dated: 27 March 2018

NOTES:

1. A member of the Company (other than a member who is a relevant intermediary as defined in Note 2 below) shall not be entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting on his behalf. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

2. Pursuant to Section 181 of the Companies Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act (Chapter 289) and holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Chapter 36) in respect of shares purchased on behalf of CPF investors.

   A proxy need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney; and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorised officer on behalf of the corporation.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the **Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916** not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

EXPLANATORY NOTES

(1) Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting to issue shares and convertible securities in the Company, without seeking any further approval from the shareholders at a general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider in the interests of the Company. This proposed Resolution, if passed, will authorise and empower the Directors of the Company to issue shares, up to a number not exceeding, in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

(2) Resolution 9 proposed in item 8 above, is to empower the Directors to allot, issue and deliver shares pursuant to the vesting of the awards under STL RSP 2014 and STL PSP 2014, provided that the aggregate number of shares to be issued under the STL RSP 2014 and STL PSP 2014 does not exceed 15% of the total number of issued shares of the Company from time to time.

(3) Resolution 10 proposed in item 9 above, is to renew the mandate to empower Directors of the Company to make purchases or otherwise acquire the Company's issued ordinary shares from time to time subject to and in accordance with the guidelines set out in Appendix I in the Annual Report of the Company for the financial year ended 31 December 2017, accompanying this Notice. This authority will expire at the conclusion of the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

PERSONAL DATA PRIVACY

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of SUNNINGDALE TECH LTD. (the "Company") will be closed on 18 April 2018 for the purpose of determining Members' entitlements to the Dividend to be proposed at the Annual General Meeting of the Company to be held on 11 April 2018.

Duly completed registrable transfer of shares in the Company (the "Shares") received up to the close of business at 5.00 p.m. on 17 April 2018 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, will be registered to determine Members' entitlements to such Dividend. Subject to the aforesaid, Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with the Shares as at 5.00 p.m. on 17 April 2018 will be entitled to such proposed Dividend.

The proposed Dividend, if approved at the Annual General Meeting, will be paid on 2 May 2018.

BY ORDER OF THE BOARD

DOROTHY HO
Company Secretary
Dated: 27 March 2018

APPENDIX I

APPENDIX DATED 27 March 2018

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold your ordinary shares in the Company, you should immediately forward this Appendix and the Proxy Form attached to the Annual Report to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

SunningdaleTech

SUNNINGDALE TECH LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 199508621R)

APPENDIX I IN RELATION TO DETAILS OF THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

This Appendix I is circulated to Shareholders of Sunningdale Tech Ltd. (the "Company") together with the Company's Annual Report. Its purpose is to provide Shareholders with the relevant information relating to and to seek Shareholders' approval for, the renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held on 11 April 2018 at 10.00 a.m. at Raffles City Convention Centre, Level 4, Moor & Moorison Room, 2 Stamford Road, Singapore 178882.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed in this Appendix.

APPENDIX I

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Appendix.

1. INTRODUCTION

On 12 April 2017, the Company obtained shareholders' approval at the Annual General Meeting of the Company ("2017 AGM") to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued shares in the capital of the Company (the "Shares") ("Share Purchase Mandate") on the terms of the Share Purchase Mandate which has taken effect from the date of the 2017 AGM until the date of the forthcoming Annual General Meeting ("AGM") to be held on 11 April 2018 or until it is varied or revoked by an ordinary resolution of shareholders in the general meeting, if so varied or revoked prior to the forthcoming AGM ("2018 AGM").

Since the approval of the renewal of the Share Purchase Mandate at the 2017 AGM, the Company has not purchased or acquired any Shares under the Share Purchase Mandate. Accordingly, the Directors are proposing to seek the approval of shareholders at the 2018 AGM for the renewal of the Share Purchase Mandate.

2. DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"**Award**" : A contingent award of Shares granted under the RSP and/or the PSP.

"**CDP**" : The Central Depository (Pte) Limited.

"**Companies Act**" : The Companies Act, Chapter 50 of Singapore or as amended from time to time.

"**Company**" : Sunningdale Tech Ltd.

"**Controlling Shareholder**" : A person who:

(a) holds directly or indirectly fifteen per cent (15%) or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or

(b) in fact exercises control over a company.

"**Council**" : The Securities Industry Council of Singapore.

"**Directors**" : The Directors of the Company for the time being.

"**EPS**" : Earnings per share.

"**FY 2017**" : Financial year ended 31 December 2017.

"**Latest Practicable Date**" : 5 February 2018 being the latest practicable date prior to the printing of this Annexure.

APPENDIX I

"**Listing Manual**"	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities.
"**New Shares**"	:	The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards granted under the STL RSP and/or the STL PSP.
"**NTA**"	:	Net tangible assets of the Company.
"**NTA per Share**"	:	Net tangible assets of the Company divided by the number of issued Shares.
"**Regulations**"	:	The Regulations of the Constitution.
"**Securities Account**"	:	Securities accounts maintained by Depositor with CDP, but not including securities sub-accounts maintained with a Depository Agent.
"**SGX-ST**" or "**Singapore Exchange**"	:	Singapore Exchange Securities Trading Limited.
"**Shareholders**"	:	Registered holders of the Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Account are credited with the Shares.
"**Share Plans**"	:	Sunningdale Restricted Share Plan 2014 or STL RSP and Sunningdale Performance Share Plan 2014 or STL PSP.
"**Share Purchases**"	:	The purchases or acquisitions of Shares pursuant to the Share Purchase Mandate.
"**Shares**"	:	Ordinary shares in the share capital of the Company.
"**STL PSP**"	:	Sunningdale Performance Share Plan 2014, as modified or altered from time to time.
"**STL RSP**"	:	Sunningdale Restricted Share Plan 2014, as modified or altered from time to time.
"**STL**" or the "**Company**"	:	Sunningdale Tech Ltd.
"**STL Group**" or the "**Group**"	:	The Company and its subsidiaries.
"**Substantial Shareholder**"	:	A person who holds, directly or indirectly, 5% or more of the total issued share capital of the Company.
"**S$**", "**$**" or the "**cents**"	:	Singapore dollars and cents respectively.
"**Takeover Code**"	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time.
"**%**" or the "**per cent**"	:	Per centum or percentage.

APPENDIX I

The terms "Depositor", "Depository Registry" and "Depository Agent" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals therefore are due to rounding.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for Share Purchase Mandate

The renewal of the Share Purchase Mandate will provide the Company the flexibility to undertake share purchases, when and if the circumstances permit, subject to market conditions, during the period when the Share Purchase Mandate is in force. A Share Purchase at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

The rationale for the Company to undertake the purchase of its issued Shares as previously stated in the Company's Appendix 1 in the 2017 Annual Report is as follows:

(a) In managing the business of the Group, management strives to increase Shareholders' value by improving, inter alia, the return on equity of the Group. Share Purchases at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

(b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash, which is in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, inter alia, the Company's share capital structure and its dividend policy.

(c) Share repurchase programmes help buffer short-term share price volatility and offset the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

(d) To the extent allowed by law, the Share Purchase Mandate may be used to purchase existing Shares to satisfy Awards granted under the Sunningdale Tech Restricted Share Plan and/or the Sunningdale Tech Performance Share Plan.

While the Share Purchase Mandate would authorise a purchase of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and no purchase or acquisition of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group.

APPENDIX I

The Share Purchase Mandate will also enable the Company to undertake purchases of Shares and to hold such purchased Shares in Treasury. Treasury shares may be used in the manner prescribed by the Companies Act. Details on the use of treasury shares are provided in paragraphs 3.4 below.

3.2 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2018 AGM, are substantially the same as previously approved by the Shareholders at the previous AGMs. For the benefit of the Shareholders, the authority and limits on the Share Purchase Mandate are as follows:

3.2.1 Maximum Number of Shares

As at the Latest Practicable Date, the share capital of the Company comprise 189,205,336 issued Shares. The Company will only purchase or acquire Shares which are issued and fully paid-up. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of total issued Shares as at the date on which the Share Purchase Mandate is approved at the 2018 AGM. Any of the Shares held by the Company as Treasury shares shall be disregarded for purpose of computing the 10% limit.

Purely for illustrative purposes, on the basis of 189,205,336 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2018 AGM, not more than 18,920,533 Shares (representing 10% of the total issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

3.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved up to:

(a) the date on which the next AGM is held or required by law to be held;

(b) the Share Purchases have been carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in general meeting.

whichever is the earlier.

3.2.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**") through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, effected pursuant to an equal access scheme or schemes for the purchase of Shares from the Shareholders in accordance with Section 76C of the Companies Act.

APPENDIX I

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an equal access scheme must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances; and

(iii) the information required under Rule 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.2.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses ("Related Expenses")) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares must not exceed:

(a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 120 per cent of the Average Closing Price of the Shares,

in either case, excluding Related Expenses of the purchase or acquisition (the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period; and

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis (excluding Related Expenses of the purchase or acquisition) for each Share) and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

APPENDIX I

3.3 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to the Share will expire on cancellation unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are not held as treasury shares.

3.4 Treasury Shares Held by the Company

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares and the Company shall be entered in the Register of Members as the member holding those Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to any employees' share option or award scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

3.5 Source of Funds

The Company will use its internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase of acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected.

APPENDIX I

3.6 No Shares Purchased In the Previous 12 Months

The Company did not purchase any Shares in the twelve (12) months preceding the Latest Practicable Date.

3.7 Financial Effects

3.7.1 General

If the purchased Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. If, on the other hand, the purchased Shares are not cancelled but held in treasury, then there will be no change in the Company's issued share capital. Where the consideration paid by the Company for the Share Purchase is out of profits, such consideration (excluding Related Expenses) will correspondingly reduce the amount available for the distribution of cash dividend by the Company. Where the consideration paid by the Company for the Share Purchase is out of capital, the amount available for the distribution of cash dividends will not be reduced.

The financial effects on the Company and the Group arising from Share Purchases will depend, inter alia, on the number of Shares purchased or acquired, the price paid for such Shares, the manner in which the purchase or acquisition is funded and whether the Shares are cancelled or held in treasury. It is, therefore, not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS.

The Directors do not propose to exercise the Share Purchase Mandate to the extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected. The Directors will be prudent in exercising the Share Purchase Mandate only to such extent which the Directors believe will enhance shareholders' value giving consideration to the prevailing market conditions, the financial position of the Group and other relevant factors.

3.7.2 Number of Shares that may be Acquired or Purchased

Based on 189,205,336 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2018 AGM, not more than 18,920,533 Shares (representing 10% of the total issued Shares as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

3.7.3 Maximum Price that may be paid for Shares Acquired or Purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 18,920,533 Shares at the Maximum Price of $2.1021 for each Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 18,920,533 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately $39,773,000.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 18,920,533 Shares at the Maximum Price of $2.4024 for each Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 18,920,533 Shares excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately $45,455,000.

APPENDIX I

3.7.4 Illustrative Financial Effects

For illustrative purposes only, on the basis of the assumptions set out in paragraphs 3.7.2 and 3.7.3 above, and assuming that the Share Purchases are financed entirely out of the Company's distributable profit, the financial effects of:-

(a) the purchase of 18,920,533 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and held as treasury shares; and

(b) the purchase of 18,920,533 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and cancelled;

on the audited consolidated financial statements of the Group and the balance sheet of the Company for FY2017 are set out below :-

(a) Share Purchases made entirely out of capital and held as treasury shares

	Group			Company		
($'000)	**Before Share Buyback**	**After Share Buyback assuming Market Purchase**	**After Share Buyback assuming Off-Market Purchase**	**Before Share Buyback**	**After Share Buyback assuming Market Purchase**	**After Share Buyback assuming Off-Market Purchase**
Shareholders' fund	366,124	326,351	320,669	319,838	280,065	274,383
NTA(1)	350,541	310,768	305,086	319,838	280,065	274,383
Current assets	464,147	424,374	418,692	59,700	59,700	59,700
Current liabilities	265,108	265,108	265,108	92,288	92,288	92,288
Working capital	199,039	159,266	153,584	(32,588)	(32,588)	(32,588)
Total borrowings	103,680	103,680	103,680	56,984	96,757	102,439
Cash and short-term deposits	105,281	65,508	59,826	7,654	7,654	7,654
Number of Shares(4)	189,205,336	189,205,336	189,205,336	189,205,336	189,205,336	189,205,336
Financial Ratios						
NTA per Share ($)	1.85	1.64	1.61	1.69	1.48	1.45
EPS (cents)	16.57	16.57	16.57	20.17	20.17	20.17
Gearing ratio (times)(2)	0.28	0.32	0.32	0.18	0.35	0.37
Current ratio (times)(3)	1.75	1.60	1.58	0.65	0.65	0.65

Notes:

(1) NTA equals Shareholders' funds less intangible assets.

(2) Gearing ratio equals total borrowings divided by Shareholders' funds.

(3) Current ratio equals current assets divided by current liabilities,

(4) Based on 189,205,336 Shares in issue as at the Latest Practicable Date.

APPENDIX I

(b) Purchases made entirely out of capital and cancelled

	Group			Company		
($'000)	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off-Market Purchase	Before Share Buyback	After Share Buyback assuming Market Purchase	After Share Buyback assuming Off-Market Purchase
Shareholders' fund	366,124	326,351	320,669	319,838	280,065	274,383
NTA[(1)]	350,541	310,768	305,086	319,838	280,065	274,383
Current assets	464,147	424,374	418,692	59,700	59,700	59,700
Current liabilities	265,108	265,108	265,108	92,288	92,288	92,288
Working capital	199,039	159,266	153,584	(32,588)	(32,588)	(32,588)
Total borrowings	103,680	103,680	103,680	56,984	96,757	102,439
Cash and short-term deposits	105,281	65,508	59,826	7,654	7,654	7,654
Number of Shares[(4)]	189,205,336	170,284,803	170,284,803	189,205,336	170,284,803	170,284,803
Financial Ratios						
NTA per Share ($)	1.85	1.82	1.79	1.69	1.64	1.61
EPS (cents)	16.57	18.42	18.42	20.17	22.41	22.41
Gearing ratio (times)[(2)]	0.28	0.32	0.32	0.18	0.35	0.37
Current ratio (times)[(3)]	1.75	1.60	1.58	0.65	0.65	0.65

Notes :

(1) NTA equals Shareholders' funds less intangible assets.

(2) Gearing ratio equals total borrowings divided by Shareholders' funds.

(3) Current ratio equals current assets divided by current liabilities,

(4) Based on 189,205,336 Shares in issue as at the Latest Practicable Date.

Shareholders should be aware that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the respective aforementioned assumptions, and historical FY2017 numbers, and are not necessarily representative of future financial performance. In addition, the actual impact will depend on the actual number and price of Shares to be acquired or purchased by the Company, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares to be acquired or purchased are cancelled or held in treasury.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased in treasury.

APPENDIX I

The Company may take into account both financial and non-financial factors (for example, stock market condition and the performance of the Shares) in assessing the relative impact of a Share Purchase before execution.

3.8 Taxation

Shareholders who are in doubt as to their respective tax provisions or any tax implications arising from the Share Purchase Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

3.9 Requirements in the Listing Manual

(a) The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.: (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase on an equal access scheme, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the Listing Manual.

(b) The Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time(s). However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:

(i) at any time any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and

(ii) in the case of all Purchases, during the period commencing one month immediately before the announcement of the Company’s full-year results and the period of two weeks immediately preceding the announcement of the Company’s results for each of the three quarters of the financial year.

(c) The Listing Manual requires a company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed are held by public Shareholders. The “public”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, there are approximately **121,346,723** Shares in the hands of the public, representing approximately 64.13% of the issued Shares. Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate, without adversely affecting the listing status of the Shares on the SGX-ST or cause market illiquidity or adversely affect the orderly trading of the shares.

APPENDIX I

4. CERTAIN TAKE-OVER CODE IMPLICATIONS

4.1 Obligations to Make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("Rule 14"). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company's total issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

4.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, inter alia, be presumed to be acting in concert:

(i) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the aforesaid companies, and any company whose associated companies include any of the aforesaid companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company;

(ii) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(iii) A company with any of its pension funds and employee share schemes;

(iv) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(v) A financial or other professional adviser (including a stockbroker), with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;

(vi) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(vii) Partners;

(viii) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the aforesaid persons; and

(ix) Any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

APPENDIX I

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

4.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent (30%) or more, or, if such Shareholder holds between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Purchase Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant of proposed Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the proposed Share Purchase Mandate is in force.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional adviser and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders as at the latest Practicable Date, the Directors are not aware of any Substantial Shareholders or Directors who would become obliged to make a general offer under Rule 14 and Appendix 2 of the Take-over Code in the event that the Company should, pursuant to the Share Purchase Mandate, purchase or acquire up to 10% of its issued shares.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date, the shareholdings of the Directors and of the Substantial Shareholders in the Company before and after the purchase of Shares pursuant to the proposed Share Purchase Mandate, assuming (i) the Company purchases the maximum amount of 10% of the issued ordinary share capital of the Company, and (ii) there is no change in the number of Shares held by the Directors and Substantial Shareholders or which they are deemed to be interested in, will be as follow:

APPENDIX I

	Before Share Purchase (Number of Shares)			Before Share Purchase	After Share Purchase
Name of Director	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%(1)**	**%(2)**
Koh Boon Hwee	29,947,401	22,008	29,969,409	15.84	17.60
Wong Chi Hung	110,000	1,330,936	1,440,936	0.76	0.85
Steven Tan Chee Chuan	500,000	–	500,000	0.26	0.29
Kaka Singh	79,254	–	79,254	0.04	0.05
Gabriel Teo Chen Thye	427,932	–	427,932	0.23	0.25
Ong Sim Ho	450,000	–	450,000	0.24	0.26
Khoo Boo Hor	3,617,882	–	3,617,882	1.91	2.12
Eileen Tay–Tan Bee Kiew	–	770,000	770,000	0.41	0.45
Name of Substantial Shareholders					
Koh Boon Hwee	29,947,401	22,008	29,969,409	15.84	17.60
Goi Seng Hui	15,301,600	–	15,301,600	8.09	8.99
Yarwood Engineering & Trading Limited*	15,301,600	–	15,301,600	8.09	8.99

*Yarwood Engineering & Trading Limited ("Yarwood") is 100% owned by Kong Siang Group Holdings Pte Ltd ("KSGH"). Both David Lee Eng Thong and Lee Eng Khian who are directors and having controlling interests in KSGH, are deemed to be interested in the 15,301,600 shares held by Yarwood.

Notes:-

(1) As a percentage of the total number of issued ordinary shares of the Company as at the Latest Practicable Date comprising 189,205,336 shares.

(2) As a percentage of the total number of issued ordinary shares of the Company comprising 170,284,803 shares (assuming that the Company purchases the maximum number of shares under the Share Purchase Mandate and not held in treasury).

6. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 10, being the Ordinary Resolution relating to the Renewal of the Share Purchase Mandate.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any fact the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

APPENDIX I

8. APPROVALS AND RESOLUTIONS

Your approval for the proposed renewal of the Share Purchase Mandate is sought at the Company's AGM to be held on 11 April 2018 at 10.00 a.m. at Raffles City Convention Centre, Level 4, Moor & Moorison Room, 2 Stamford Road, Singapore 178882.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy From attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a shareholder will not prevent him from attending and voting at the AGM if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the AGM.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on weekday (public holiday excepted) up to and including the date of the AGM:

(a) The Constitution of the Company; and

(b) The Annual Report of the Company for the financial year ended 31 December 2017.

SUNNINGDALE TECH LTD.

(Company Registration No. 199508621R)
(Incorporated in the Republic of Singapore)

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2018.

PROXY FORM

I/We, ____ (Name)

of ____ (Address)

being a member/members of SUNNINGDALE TECH LTD. hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the 23rd Annual General Meeting of the Company, to be held at Raffles City Convention Centre, Level 4, Moor & Moorison Room, 2 Stamford Road, Singapore 178882 on **Wednesday, 11 April 2018 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to	Number of Votes For	Number of Votes Against
1.	Adoption of Directors' Statement and Audited Financial Statements		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr Khoo Boo Hor		
5.	Re-election of Mr Kaka Singh		
6.	Re-election of Mrs Elieen Tay–Tan Bee Kiew		
7.	Re-appointment of Auditor		
8.	Authority to Issue Shares		
9.	Authority to allot, issue and deliver shares pursuant to Sunningdale Restricted Share Plan 2014 and Sunningdale Performance Share Plan 2014		
10.	Renewal of Mandate for Share Purchase		

Dated this ____________ day of ____________________ 2018

	Total Number of Shares Held
In CDP Register	
In Register of Members	

____

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

IMPORTANT: Please read notes overleaf

NOTES:

1. A member of the Company (other than a member who is a relevant intermediary as defined in Section 181(6) of the Companies Act, Cap. 50) shall not be entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting on his behalf.

2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (and defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have ordinary shares registered in your name in the Register of Members of the Company, you should insert that number. If you have ordinary shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the **Company Secretary's office at 25 International Business Park, #04-22/26 German Centre, Singapore 609916** not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be given 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 common seal or under the hand of its attorney or a duly authorised officer.

7. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives, in accordance with its Constitution and Section 179 of the Companies Act, Cap. 50 of Singapore, to attend and vote for and on behalf of such body corporate.

8. Where an instrument appointing a proxy is signed on behalf of the appointor or by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject the instrument appointing a proxy and proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instruments of appointor specified in the instrument appointing a proxy or proxies.

10. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have the shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

SunningdaleTech

SUNNINGDALE TECH LTD.

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