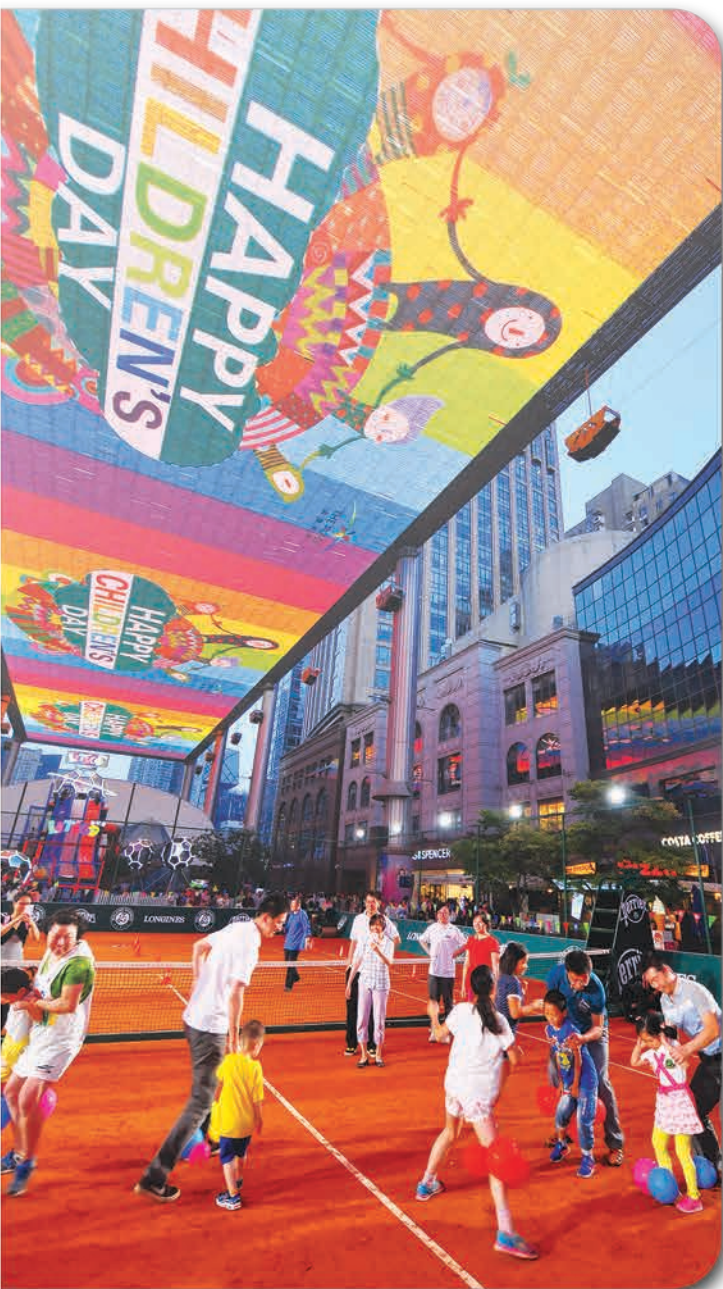


# SEIZING **DIVERSIFIED** GROWTH

ANNUAL REPORT 2016







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# CORPORATE PROFILE

## 公司简介

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Listed on the Mainboard of Singapore Exchange, Eucon Holding Limited (“Eucon” or “the Group”) is an investment holding company whose portfolio coverage will include investing, developing and managing of Media-related businesses.

The Group’s business activities will include provision of comprehensive branding strategy, planning and organizing of corporate events, exhibitions, and other large-scale events.

The Group is currently expanding through growing existing media business and acquiring media-related businesses with high growth potential.

On 30 December 2016, Eucon entered into an agreement to dispose the entirety of Eucon’s existing PCB operations.

---

新加坡交易所主板上市的优康控股有限公司（“优康”或“集团”）是一家投资控股公司，主要从事媒体业务的投资、开发和管理。集团现阶段业务范围包含提供综合性品牌传播策略及策划和组织会议、会展和活动。集团试图通过扩展现有业务及收购具有发展潜能的投资项目途径扩大集团媒体业务。

2016年12月30日，优康签署协议剥离现有的印制电路板业务。





# VISION 愿景

A Diversified Media Group That The Society Highly Regards  
成为社会崇“上”的多元化媒体集团



# CHAIRMAN'S MESSAGE

## 主席致词

### DEAR SHAREHOLDERS,

Entering into 2016, Eucon Holding Limited ("Eucon" or "the Group") was on the SGX-ST Watchlist with a market capitalization of less than S\$40 million. For the financial year ended 31 December 2016 ("FY2016"), the Group's PCB business incurred a loss despite continued implementation of quality and cost control. Eucon had started a new initiative for it to be removed from the SGX-ST Watchlist and the completion of the allotment and issuance of 2,500,000,000 shares for a consideration of S\$45 million (Tranche 1 of the "Subscription") is part of our measures to enhance our business and improve performance.

### CHANGES

The completion of Tranche 1 of the Subscription, the passing of the resolution to diversify into the media business and appointment of new Directors with wealth of experience in the media, investment and property business on 12 October 2016 enables the Group to have the resources to materialize a successful diversification. On 29 December 2016, Eucon entered into an agreement to fully acquire BJ Vast Universe Culture Communication Co., Ltd., signifying Eucon's official entry into the media business. On 30 December 2016, Eucon entered into an agreement with Mr. Wen Yao-Long to dispose the entirety of Eucon's existing PCB operations.

### CHALLENGES

After the Subscription, Eucon's market capitalization had continuously exceeded S\$40 million. The key challenges for Eucon in the coming financial year are to grow its media business and to ensure that the Group is profitable. The Group shall grow its media business through the development and expansion of its existing media business and acquisition of profitable and high growth media-related assets. The Group will continue to refine its Board of Directors, recruit more talents, allocate more capital to expand the media business and work with reputable partners to identify attractive investment opportunities in Southeast Asia, specifically the countries within the One Belt and One Road Initiative and China.

### OPPORTUNITIES

According to the report "China Entertainment and Media Outlook" released by PricewaterhouseCoopers ("PWC"), the multi-shifting global media landscape offers massive opportunities for growth, with China's entertainment and media industry seeing rapid growth in recent years. China's compound annual growth rate (CAGR) is projected to rise 10% over the next five years. Key segments in the entertainment and media industry, such as internet advertising, filmed entertainment and out-of-home advertising, have experienced significant development. Rising disposable incomes have also resulted in the increase of high-value advertising environments in shopping centres and public plazas.

The diversification into the media business signifies an injection of new life to the Group as the Board strives to bring Eucon to greater heights by being relevant to the ever changing environment. To reflect the change into a media company, we propose to change the Group's name to The Place Holdings Limited, adoption of new constitution and change in auditor, subject to regulatory approval.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and staff for their dedication, hard work and contributions to the Group. I would also like to express my heartfelt appreciation to all our shareholders, business associates, partners and customers for their continuing support and confidence in the Group.

Further, I would like to take this opportunity to thank Mr. Ong Sim Ho, who retired from the Board on 31 December 2016, for his services rendered to Group. I would also like to welcome Mr. Sun Quan and Mr. Zhao Xichen, who joined the Board on 12 October 2016. I am confident that with their rich and diverse experience, they will be a strong addition to our Board.

**Ji Zenghe**

*Chairman and Chief Executive Officer*



## 尊敬的股东：

在优康控股有限公司（“优康”或“集团”）步入2016年时，优康已在新加坡股票交易所（“新交所”）的观察名单并且市值已低于四千万新币。尽管优康的印制电路板业务继续推行质量与成本管控，此业务在2016财年度依然亏损。这年间优康启动脱离新交所观察名单的一系列新举措，其中包括发行二十五亿新股募资四千五百万新币（“第一笔认购股份”）。

## 变化

除了在2016年10月12日完成上述认购，股东会通过决议把主营业务包括媒体业务并委任多名在媒体、投资及地产领域有深厚资历的新董事。上述部署让集团有足够资源实施业务的转移。2016年12月29日，优康通过收购了北京中盛浩宇文化传播有限公司涉足媒体业务。2016年12月30日，优康与温耀隆先生签署协议剥离现有的印制电路板业务。

## 挑战

完成第一笔认购后，优康的市值一直保持在高于四千万新币的水平。优康在来临的财务年主要挑战为扩展集团媒体业务并确保集团达到盈利。集团将着重于扩张现有业务和收购已盈利及高增长的媒体资产。与此同时，集团将继续优化董事会、招聘人才、供资金和与卓越的伙伴合作在东南亚（主要为一带一路政策内的国家）及中国寻找具有吸引力的投资机会。

## 机遇

根据普华永道发布的“中国娱乐和媒体展望”，多变的全球媒体环境为媒体领域的增长提供了巨大机遇。中国娱乐和媒体行业近年来增长迅速，未来五年的复合年均增长率将超过10%。互联网广告、影视娱乐和户外媒体等主要细分领域都经历了高增长。可支配收入的提高也导致在商场及公共场所设有更多元化的媒体环境。

业务转移为集团注入新生命，集团将竭尽全力让优康达到新高度。为体现转变，我们提议将集团名称改成天阶控股有限公司、更新章程和换审计师。

## 鸣谢

我谨代表董事会，在此衷心地感谢集团所有的管理层和全体员工，感谢大家对集团的全心奉献和辛勤工作。我也在此鸣谢所有的股东、业务伙伴和尊敬的客户，谢谢大家对本集团的不懈支持和坚强信心。

最后，我希望借此机会感谢前董事王森豪先生多年来为集团所作的贡献。王森豪先生已于2016年12月31日辞去董事一职。同时，我也谨代表董事会热烈欢迎孙泉先生和赵洗尘先生加入集团。孙泉先生和赵洗尘先生于2016年10月12日被正式任命为集团的非执行董事和独立董事。我坚信凭借孙先生和赵先生丰富的阅历经验，他必将为董事会注入更强的活力。

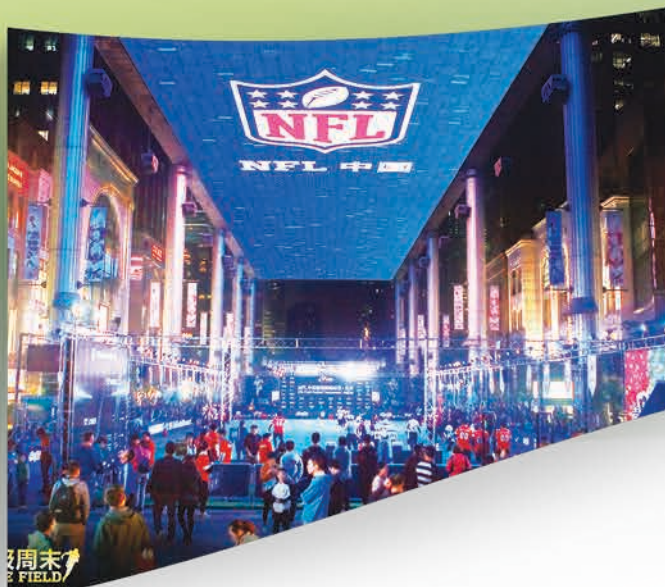
## 吉增和

执行主席及首席执行官



# OPERATIONS REVIEW

## 营运回顾



### OVERVIEW

For the financial year in review, global economy activity was subdued and growth continued at a slow and uneven pace around advanced, emerging and developing markets. Global trade was heavily weighed down and business conditions in the global and regional continued to be challenging.

Eucon's business was affected by the continued slowing of global economy and challenging business condition, resulting in a net loss for the current financial year standing at \$9.0 million compared to \$20.5 million in the FY2015.

Sales performance fell across both our business segments – PCB Operations and Mechanical Drilling and Routing. The Group reported revenue of \$46.7 million for FY2016 as compared to \$52.5 million in FY2015, a decrease of 11.1%. This was mainly due to a generally weaker business environment. PCB Operations remained the major contributor for

the Group's revenue, accounting for about 96% of the total. Arising from reduced cost of sales, gross profit improves 3% from S\$2.8 million in FY2015 to S\$3.9 million for the year in review.

### PCB OPERATIONS

The majority of our Group revenue came from the PCB Operations segment, accounting for about 96% of the total revenue. The revenue of our PCB Operations segment declined by about 5%, from \$47.0 million in FY2015 to \$44.8 million this year due to continued feeble general business environment of the PCB market.

### MECHANICAL DRILLING AND ROUTING SERVICES

Revenue from Mechanical drilling and routing segment fell 66% to \$1.9 million in FY2016 from \$5.5 million in FY2015. Contribution from this segment contributes to 4% of the Group's total sales. The Company had on 16 November 2016





sold off 66 mechanical drilling machines of the 101 mechanical drilling machines it owned for a total consideration of \$2.1 million and recorded a gain of \$1.4 million from the sales of these mechanical drilling machines.

### **GEOGRAPHICAL MARKETS**

In terms of revenue contribution by geographical markets, our mainland China operations remain the main contributor. The mainland China operations contributing 72.9% to the Group's total revenue and the Taiwan operations contributing 27.1% to the Group's total revenue.

### **SUBSCRIPTION OF NEW SHARES AND DIVERSIFICATION**

The Group had initiated a series of actions to meet the requirement to exit SGX's watchlist. On 12 October 2016, shareholders of the Group voted in favour for proposed allotment and issue of up

to 4,926,759,333 new shares (the "Subscription"), white wash resolution related to the Subscription, transfer of controlling interest due to the Subscription and the diversification from its core PCB business to Media business.

Tranche 1 of the Subscription (allotment and issuance of 2,500,000,000 shares for a consideration of S\$45 million) was completed on 12 October 2016.

Diversification was initiated when the Group entered into a sales and purchase agreement to acquire the entire issue and paid-up capital of BJ Vast Universe Culture Communication Co., Ltd, a company in the media business and on 30 December 2016, Eucon entered into a sales and purchase agreement with Mr. Wen Yao-Long to dispose off the entire existing PCB operations.



# BOARD OF DIRECTORS

## 董事会

### Ji Zenghe

#### Chairman and Chief Executive Officer

Mr. Ji was appointed as Chairman of the Board and Chief Executive Officer of the Group on 12 October 2016. Mr. Ji is responsible for setting strategic directions, formulating corporate strategies and overall management of the Group's media businesses.

Mr. Ji is the Chairman of The Place Investment Group Co., Ltd and Beijing Aozhongxingye Real Estate Development Co., Ltd, which are the owner, developer and manager of The Place, Beijing (世贸天阶), a city landmark and a commercial plaza located in the vicinity of World Trade Centre of Beijing built in 2003. The Place comprises of shopping malls, two office buildings and its landmark LED roof/screen spanning 250 meters long and 30 meters wide. Boasting the largest LED screens in Asia, The Place has grown into a well-known new media themed commercial real estate. Mr. Ji is also Chairman of The Place Chuangshi (Beijing) Trading Co., Ltd.

Mr. Ji holds a Bachelor of Political Economics from Capital Normal School and an EMBA from Cheung Kong Graduate School of Business.

### Fan Xianyong

#### Executive Director

Mr. Fan was appointed as Executive Director of the Group on 12 October 2016. Mr. Fan is responsible for the overall management of the operations of the Group's companies.

Mr. Fan is also a Director of The Place Investment Group Co. Ltd., a Director and General Manager, Beijing Aozhongxingye Real Estate Development Co., Ltd and Director of The Place Chuangshi (Beijing) Trading Co., Ltd. Mr. Fan has more than 20 years experience in property and media industry.

Mr. Fan holds a Bachelor of Engineering in Architecture from Zhengzhou University and an EMBA from Cheung Kong Graduate School of Business.

### Zhang Wei

#### Executive Director

Mr. Zhang was appointed as Executive Director of the Group on 26 September 2016. Mr. Zhang is responsible for the corporate planning as well as charting and implementation of the business strategies of the Group. Mr. Zhang is the Vice General Manager of Beijing Quandaxingye Investment Management Co., Ltd. He was formerly a Manager with Beijing Zhidi Investment Management Co., Ltd. Mr. Zhang holds a Bachelor of Engineering Physics from Tsinghua University and a MBA from Capital University of Political Science and Law.

### Sun Quan

#### Non-Executive Director

Mr. Sun was appointed as Non-Executive Director of the Group on 12 October 2016. Mr. Sun is the Executive Director and CEO of China Capital Impetus Asset Management Pte. Ltd., Executive Director of Capital Impetus Group Limited, Executive Director of China Capital Impetus Investment Ltd. and Non-Executive Director of RHB OSK GC-Millennium Capital Pte. Ltd.

Mr. Sun is the executive member of the council and Deputy Secretary-General of Beijing Overseas Chinese Chamber of Commerce. He also sits on the board of Schwarzman College at Tsinghua University. Mr. Sun has more than 20 years of investment and management experience in the Greater China region, Singapore, Malaysia, Thailand and Indonesia, covering a variety of business areas including high technology, pharmaceuticals, electronics, real estate, natural resources and chemical industry.

Mr. Sun graduated from Beijing University of Technology with a Bachelor's degree, and first session EMBA from Tsinghua University.



### **Wen Yao-Long**

#### **Non-Executive Director**

Mr. Wen was appointed as Non-Executive Director of the Group on 12 October 2016. He was first appointed as a Director on 2 January 2003 and was last re-elected as Director at the Company's AGM held on 26 April 2016. Mr. Wen started the Company in 1988 when he seized the opportunity to provide outsourced mechanical drilling services to PCB manufacturers in Taiwan. Since then, he has been expanding the Group's business by moving into PCB manufacturing in China, and establishing plants to provide a suite of services including PCB operations, routing and mass lamination. A high school graduate, Mr. Wen has more than 25 years of experience in the PCB industry.

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### **Er Kwong Wah**

#### **Acting Lead Independent Director**

Mr. Er was appointed as Independent Director of the Group on 8 September 2006. He was last re-elected as Director at the Company's AGM held on 23 April 2015. He is also an Independent Director for several public listed companies including CFM Holdings Limited, China Essence Group Ltd., China Sky Chemical Fiber Co., Ltd., COSCO Corporation (Singapore) Limited, Success Dragon International Holdings Ltd., China Environment Ltd., and GKE Corporation Limited. A former Permanent Secretary in the Singapore Civil Service, he had served in various ministries before his retirement. A Colombo Plan and Bank of Tokyo Scholar, he obtained a first class honours degree in Electrical Engineering at the University of Toronto, Canada, in 1970 and an MBA from the Manchester Business School, University of Manchester in 1978.

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### **Seow Han Chiang, Winston**

#### **Independent Director**

Mr. Seow was appointed as Independent Director of the Group on 7 July 2005. He was last re-elected as Director at the Company's AGM held on 26 April 2016. Mr. Seow is a partner of KhattarWong LLP. He was called to the Singapore Bar in 1995 and has been a practising Advocate and Solicitor of the Supreme Court of Singapore since then. He holds a Bachelor of Law (Honours) degree from the National University of Singapore. Mr. Seow is also an Independent Director of Sound Global Ltd.

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### **Zhao Xichen**

#### **Independent Director**

Mr. Zhao was appointed as Independent Director of the Group on 12 October 2016. Mr. Zhao is the founder and Chairman of China Daisy Asset Management Limited and was also the Chairman of Daisy Fund LLC, China Daisy Financial Group and China Daisy Capital. Mr. Zhao is also an adjunct professor at Northeast Normal University School of Business, contract research fellow at the National Centre for Financial Research at Peking University, adjunct professor at University of Science and Technology Beijing School of Economic Management and research fellow at the China Cultural Industry Research Institute at Beijing Jiaotong University.

Mr. Zhao holds a Bachelor of Engineering from Haerbin Institute of Technology and a Masters of Philosophy from Haerbin Institute of Technology.



# MANAGEMENT TEAM

## 管理层

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### Tay Ai Li

#### Financial Controller

Ms. Tay is in charge of the Company's financial and accounting functions in Singapore and responsible for overseeing the financial reporting, accounting functions, risk management and compliance requirements relating to the Group.

Ms. Tay joined the Group in July 2009 as Group Accountant and was promoted to Finance Manager in 2014. In 2016, she was appointed as Finance Controller. Prior joining the Group, Ms. Tay had over 4 years of auditing experiences in one of the Big 4 accounting firms. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor Degree in Accountancy from Nanyang Technological University, Singapore. She was formerly a member of Punggol North Citizens Consultative Committee and the Young Professional Advisory Committee under Institute of Singapore Chartered Accountants.

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### Teo Sheng Yue

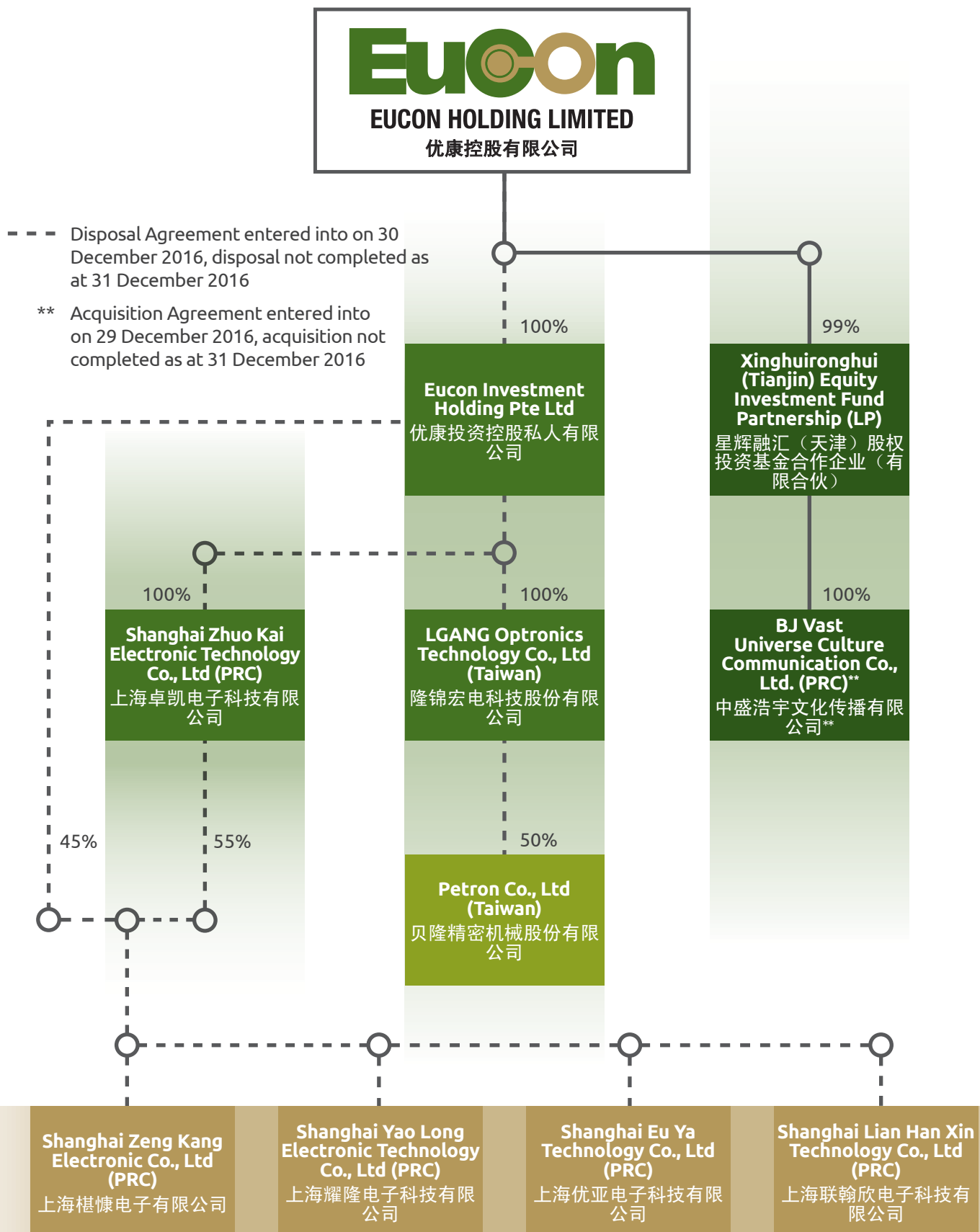
#### Deputy Chief Investment Officer

Mr. Teo is responsible for the investment function of the Group. Prior to joining the Group in March 2017, Mr. Teo was the Investment Director of C2Market Limited. Mr. Teo was formerly an investment manager of ecoWise Limited, a Singapore listed company and investment manager of London Asia Capital Limited, a UK based fund management company. He holds a Bachelor Degree in Engineering Management from University of Western Sydney and a MBA from Northumbria University.



# CORPORATE STRUCTURE

## 公司架构





# CORPORATE INFORMATION

## 公司信息

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Ji Zenghe (*Chairman & CEO*)

Fan Xianyong

Zhang Wei

#### NON-EXECUTIVE DIRECTOR

Wen Yao-Long

Sun Quan

#### INDEPENDENT DIRECTORS

Er Kwong Wah (*Acting Lead Independent Director*)

Seow Han Chiang, Winston

Zhao Xichen

### AUDIT COMMITTEE

Er Kwong Wah (*Acting Chairman*)

Seow Han Chiang, Winston

Zhao Xichen

### NOMINATING COMMITTEE

Er Kwong Wah (*Chairman*)

Seow Han Chiang, Winston

### REMUNERATION COMMITTEE

Seow Han Chiang, Winston (*Chairman*)

Er Kwong Wah

### COMPANY SECRETARY

Benny Lim Heng Chong

Dai Lingna

### REGISTERED OFFICE

80 Marine Parade Road

#11-02 Parkway Parade

Singapore 449269

Tel: (65) 6345 6078

Fax: (65) 6345 6079

Website: [www.euconholding.com](http://www.euconholding.com)

### SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place, #32-01

Singapore Land Tower, Singapore 048623

### AUDITORS

Deloitte & Touche LLP

Public Accountants and Chartered Accountants

6 Shenton Way, OUE Downtown 2

#33-00, Singapore 068809

Partner-in-charge: Ang Poh Choo

Date of Appointment: 20 August 2013

### 董事

#### 执行董事

吉增和

樊献勇

张伟

#### 非执行董事

温耀隆

孙泉

#### 独立董事

余光华 (代首席独立董事)

萧汉强

赵洗尘

### 审计委员会

余光华 (代主席)

萧汉强

赵洗尘

### 提名委员会

余光华 (主席)

萧汉强

### 薪酬委员会

萧汉强 (主席)

余光华

### 公司秘书

林亨聪

戴灵娜

### REGISTERED OFFICE

80号马林百列路

#11-02百汇广场

新加坡邮区 449269

电话: (65) 6345 6078

传真: (65) 6345 6079

网页: [www.euconholding.com](http://www.euconholding.com)

### 股票登记处和转让处

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place, #32-01

Singapore Land Tower, Singapore 048623

### 外部审计师

德勤有限责任合伙人制

Public Accountants and Chartered Accountants

珊顿大道6号, OUE Downtown 2

33楼, 新加坡邮区068809

负责合伙人: 洪宝珠

受聘于: 2013年8月20日



# FINANCIAL CONTENTS

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# 5 YEAR FINANCIAL HIGHLIGHTS

## 5年财务亮点

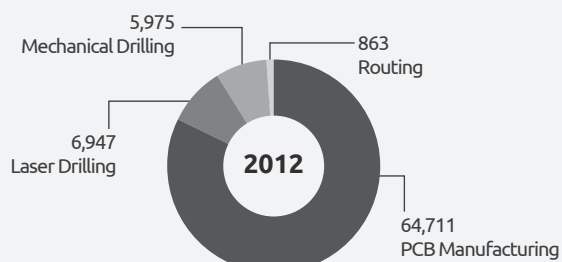
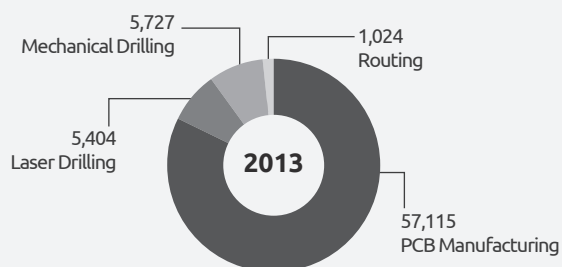
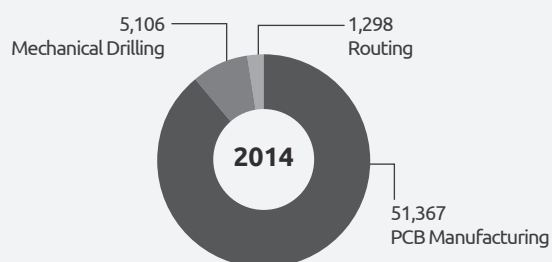
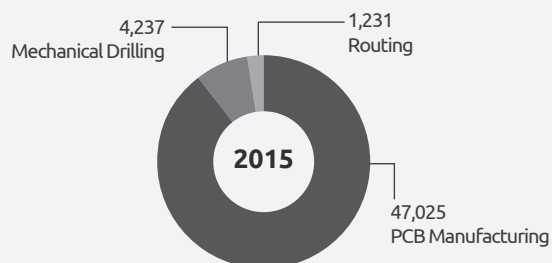
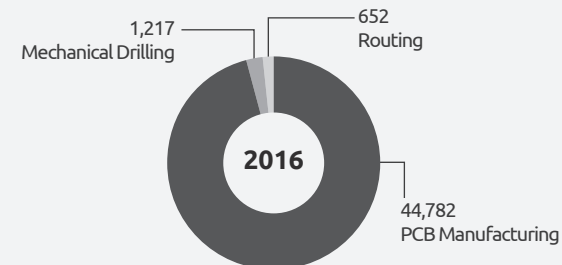
Year ended 31 December 2016

	2016	2015	2014	2013	2012
<b>CONSOLIDATED PROFIT &amp; LOSS (\$'M)*</b> (for the year ended December 31)					
Revenue	46.7	52.5	57.8	69.3	78.5
Gross Profit	3.9	2.8	5.7	3.9	2.9
(Loss) / Profit before tax	(9.7)	(22.8)	(10.7)	(8.9)	(15.8)
(Loss) / Profit attributable to shareholders	(8.4)	(20.2)	(11.2)	(9.0)	(14.6)
<b>CONSOLIDATED FINANCIAL POSITION (\$'M)</b> (for the year ended December 31)					
Property, plant and equipment	16.6	19.9	33.7	43.3	57.3
Cash and cash equivalents	57.1	6.4	6.9	19.0	17.5
Other Assets	35.0	40.6	53.9	39.7	45.6
<b>TOTAL ASSETS</b>	<b>108.7</b>	<b>66.9</b>	<b>94.5</b>	<b>102.0</b>	<b>120.4</b>
Equity attributable to owners of the company	34.6	(8.4)	10.9	22.5	30.3
Total borrowings	18.1	17.8	19.8	16.9	24.9
Other liabilities	56.0	52.9	56.8	55.3	58.1
Non-controlling interests	-	4.6	7.0	7.3	7.1
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>108.7</b>	<b>66.9</b>	<b>94.5</b>	<b>102.0</b>	<b>120.4</b>
<b>FINANCIAL RATIOS</b>					
Return on shareholders' equity (%)	(24.3)	240.5	(103.8)	(40.0)	(48.2)
Return on assets (%)	(8.9)	(34.1)	(11.3)	(8.7)	(13.1)
Net gearing ratio	0.1	(0.7)	(0.7)	(0.1)	0.2
Working capital ratio	1.5	0.8	1.0	1.1	1.0
<b>PER SHARE DATA (CENTS)</b>					
Earnings after tax*	(0.69)	(3.55)	(1.88)	(1.56)	(2.77)
Net assets	1.1	(1.5)	1.9	3.9	5.3

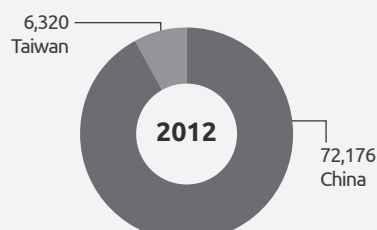
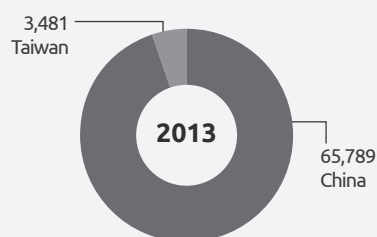
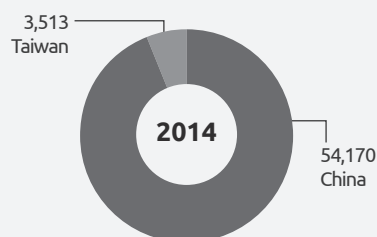
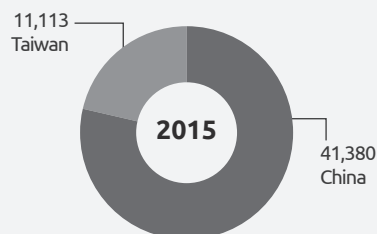
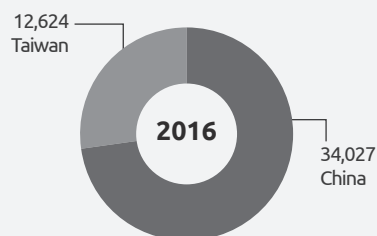
\* Includes continuing and discontinued operations.



### REVENUE MIX BY SEGMENTS



### REVENUE MIX BY SEGMENTS





# CORPORATE GOVERNANCE REPORT

Eucon Holding Limited (the “**Company**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the “**Group**”) to ensure greater transparency and protection of shareholders’ interests. The board of directors of the Company (the “**Board**”) is pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”) where it is applicable and practical to the Group. Where there is any deviation, appropriate explanation has been provided within this report.

This report outlines the Company’s corporate governance processes and structure that were in place throughout the financial year, with specific reference to the principles and guidelines of the Code and the best practices issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Board and the management of the Company (the “**Management**”) will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

## (A) BOARD MATTERS

### The Board’s Conduct of Affairs

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

#### *Role of the Board*

The Board assumes responsibility for stewardship of the Group. Its primary role is to protect and enhance long-term value and returns for shareholders. It provides entrepreneurial leadership, oversees the business and affairs of the Group, and approves the Group’s financial and strategic plans, key business initiatives, major investments and divestments proposals, and funding decisions.

Additionally, the Board has direct responsibility for decision-making in respect of the following corporate events and actions:

- (a) ensure that necessary financial and human resources are in place for the Group to meet its objectives;
- (b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;
- (c) establish, together with Management, the strategies and financial objectives to be implemented by Management;
- (d) review the performance of Management, approve the nominations of the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee;
- (e) review and endorse the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee; and
- (f) assume responsibility for corporate governance.

To assist the Board in the execution of the Board’s responsibilities, certain functions of the Board have been delegated to 3 Board committees, comprising an Audit Committee (“**AC**”), a Nominating Committee (“**NC**”) and a Remuneration Committee (“**RC**”). Each of these committees functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each committee is also constantly being monitored.



The Board meets on a quarterly basis and as warranted by particular circumstances. The Board met 7 times in the financial year ended 31 December 2016 ("FY2016"), of which 4 meetings were regular quarterly meetings and 3 meetings were ad hoc meetings convened to deliberate on important strategic matters. The Company's Constitution allows for telephonic attendance and conference at Board and Board committee meetings. The number of Board and Board committee meetings held for the period 1 January 2016 to 31 December 2016, as well as the attendance of each member at these meetings, are set out below:-

## DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Ji Zenghe <sup>(1)</sup>	4 <sup>(3)</sup>	3	—	—	—	—	—	—
Fan Xianyong <sup>(1)</sup>	4 <sup>(3)</sup>	4	—	—	—	—	—	—
Zhang Wei <sup>(2)</sup>	4 <sup>(3)</sup>	4	—	—	—	—	—	—
Wen Yao-Long	7	6	—	—	—	—	—	—
Sun Quan <sup>(1)</sup>	4 <sup>(3)</sup>	4	—	—	—	—	—	—
Zhao Xichen <sup>(1)</sup>	4 <sup>(3)</sup>	1	—	—	—	—	—	—
Er Kwong Wah	7	7	4	4	1	1	1	1
Seow Han Chiang, Winston	7	5	4	3	1	1	1	1
Ong Sim Ho <sup>(4)</sup>	7	6	4	4	1	1	1	1

### Notes:

- (1) Messrs Ji Zenghe, Fan Xianyong, Sun Quan and Zhao Xichen were appointed with effect from 12 October 2016.
- (2) Mr Zhang Wei was appointed with effect from 26 September 2016.
- (3) There were 4 Board meetings held between 26 September 2016 and 31 December 2016, after the appointment of Messrs Ji Zenghe, Fan Xianyong, Zhang Wei, Sun Quan and Zhao Xichen.
- (4) Mr Ong Sim Ho resigned as Lead Independent Director, and ceased as AC Chairman, member of the NC and member of the RC on 31 December 2016.

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision are those involving interested person transactions (including, among others, conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. Each Board member makes decisions objectively in the interests of the Group.

There were 5 new Directors appointed by the Company during FY2016, namely, Mr Ji Zenghe (Executive Chairman & CEO), Mr Fan Xianyong (Executive Director), Mr Zhang Wei (Executive Director), Mr Sun Quan (Non-Executive Director) and Mr Zhao Xichen (Independent Director). The Company has an orientation program for all new Directors, and the Directors also engage with Management to better understand the Group's business operations. Directors who are first-time directors, or who have no prior experience as directors of a listed company, also undergo briefings on the roles and responsibilities as directors of a listed company.



# CORPORATE GOVERNANCE REPORT

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Companies Act, Chapter 50 of Singapore ("Companies Act") and listing rules of the SGX-ST, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. They are also informed of and are encouraged to attend relevant seminars such as those organised by the SGX-ST, Singapore Institute of Directors and other external professional organisations to keep abreast of developments relevant to their roles.

## **Board Composition and Guidance**

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

The Board, through the NC, examines and reviews its structure, size and composition annually, taking into account the scope and nature of the Company's operations. The Board presently comprises 8 directors, of whom 3 are independent directors. The Board is thus able to exercise objective judgement on corporate affairs independently. The nature of the current directors' appointments are as follows:-

Name of Director	Nature of appointment	Date of first appointment to the Board	Date of last re-election
Ji Zenghe	Executive Chairman & Chief Executive Officer	12 October 2016	N/A
Fan Xianyong	Executive Director	12 October 2016	N/A
Zhang Wei	Executive Director	26 September 2016	N/A
Sun Quan	Non-Executive Director	12 October 2016	N/A
Wen Yao-Long	Non-Executive Director	2 January 2003	26 April 2016
Seow Han Chiang, Winston	Independent Director	7 July 2005	26 April 2016
Er Kwong Wah	Independent Director	8 September 2006	23 April 2015
Zhao Xichen	Independent Director	12 October 2016	N/A

The present composition of the Board complies with Guideline 2.1 of the Code that the independent directors should make up at least one-third of the Board. However, as the Executive Chairman and the Chief Executive Officer ("CEO") is the same person, the Board is aware that the Company should also comply with Guideline 2.2 of the Code which provides that independent directors should make up at least half of the Board. In this regard, the Monetary Authority of Singapore has granted a longer transition period of five years for listed companies to comply with Guideline 2.2 of the Code, which is by their Annual General Meetings ("AGM") following the end of their financial years commencing on or after 1 May 2016. Accordingly, the Company is reviewing its present Board composition so as to work towards complying with Guideline 2.2 of the Code by its AGM to be held in respect of the financial year ending 31 December 2017.

The Board is of the view that its current structure, size and composition is appropriate for effective decision-making, and provides balance and diversity of expertise and knowledge of the Company's business. The NC is also satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to function effectively. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.



The NC conducts a review to determine annually whether or not a director is independent, adopting the Code's definition of an "independent director" and guidance as to relationships, the existence of which would deem a director not to be independent. The Code also recommends that the independence of any director who has served more than 9 years from the date of his first appointment be subject to particularly rigorous review. In assessing the independence of each Independent Director, the NC noted that Mr Er Kwong Wah and Mr Seow Han Chiang, Winston have served on the Board for more than 9 years from the date of their first appointment.

The Board does not impose any limit on the length of service of independent directors. The Board recognises the contributions of its independent directors who, over time, have developed significant insights into and knowledge of the Group's business and operations, and who are able to continue to provide valuable contributions to the Board. The Board also values the external experience of each of the independent directors, whose expertise in their respective fields of work adds diversity of views and depth to discussions.

Having reviewed the NC's recommendation, the Board has determined that Mr Er Kwong Wah and Mr Seow Han Chiang, Winston have continued to demonstrate strong independence in character and judgment in the manner in which they have discharged their responsibilities as directors of the Company. Both Mr Er and Mr Seow have continued to express their viewpoints, debated issues, sought clarifications where necessary, and objectively scrutinised and challenged Management.

Each independent director had also abstained from deliberations in respect of the assessment on his own independence. In addition, there were new members appointed to the Board and Management team to oversee the Proposed Diversification (as defined in the circular dated 27 September 2016 issued by the Company to its shareholders (the "**Circular**")) by the Company into the Media Business (as defined therein). Accordingly, the NC is of the view that the independence of each independent director would not be undermined or impaired as a result of familiarity with Management or business of the Group.

Taking into account the views of the NC and the annual confirmation from each of the independent directors of his independence, the Board considers each of the independent directors to be independent and will be able to exercise independent judgment in the best interest of the Company in discharging their duties as independent directors.

The Non-Executive Directors challenge Management's assumptions and also extend guidance to Management, in the best interest of the Group. Non-Executive Directors meet regularly without the presence of Management.

As part of the Board renewal process, Mr Ong Sim Ho (who has served on the Board since his appointment on 19 July 2004) has resigned as Lead Independent Director, and ceased as AC Chairman, member of the NC and member of the RC on 31 December 2016.

## **Chairman and Chief Executive Officer**

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

Mr Wen Yao-Long held the position of Executive Chairman and Chief Executive Officer ("**CEO**") of the Company up to the appointment of Mr Ji Zenghe as Executive Chairman and CEO on 12 October 2016.

As Executive Chairman, Mr Wen was responsible for the effective working of the Board. His responsibilities included, amongst others, ensuring that Board meetings were held when necessary, setting the Board meeting agendas to enable the Board to carry out its duties effectively and responsibly, taking a leading role to ensure and maintain a high standard of corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. As CEO, Mr Wen has been instrumental in the execution of the Company's corporate and business strategies and policies, and was responsible for the conduct of the Group's business. Mr Wen was also responsible for the overall management and day-to-day operations of the Group.



# CORPORATE GOVERNANCE REPORT

Following the Extraordinary General Meeting for the Proposed Diversification held on 12 October 2016, Mr Ji Zenghe has been appointed in place of Mr Wen as the Executive Chairman and CEO of the Company in order to provide guidance and spearhead the Company's diversification into the Media Business, as elaborated in the Circular. In the opinion of the Board, the scale of the business does not warrant a division of these positions. As Executive Chairman, Mr Ji's role is to develop the business of the Group and provide the Group with strong leadership and vision. He is responsible for the overall strategic planning and growth of the Group, and for exercising control over the quality, quantity and timeliness of information flow between the Board and Management.

In accordance with Guideline 3.3 of the Code, and until Mr Ong Sim Ho's resignation from the Board on 31 December 2016, Mr Ong was the Lead Independent Director of the Company, leading and coordinating the activities of the independent directors and addressing the concerns, if any, of the Company's shareholders. Led by Mr Ong during FY2016, the independent directors met regularly in FY2016 without the presence of Management to discuss matters such as the changes that they would like to see in the Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings. The Company will appoint a Lead Independent Director as soon as possible to comply with the recommendations of the Code. In the interim, Mr Er Kwong Wah will be the Acting Lead Independent Director.

## **Board Membership**

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

The Company has established a NC to, *inter alia*, make recommendations to the Board on all Board appointments. The NC currently comprises the following independent directors:

Er Kwong Wah	-	Chairman
Seow Han Chiang, Winston	-	Member

### *Role of the NC*

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-election of directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board. In accordance with Guideline 4.1 of the Code, the NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The Board, together with the NC, is currently short-listing suitable candidates to be appointed as independent director to the Board and Board Committees, including as member of the NC.

The principal functions of the NC include the following:

- (a) to make recommendations to the Board on all Board appointments, including re-nominations having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour);
- (b) to review the independence of the directors annually;
- (c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;
- (d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;



- (e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- (f) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- (g) to assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board.

The NC has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr Er Kwong Wah and Mr Seow Han Chiang, Winston are independent.

The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. The NC has taken into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, in making this determination, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as director.

The NC believes a director's commitment and contributions to the Company, and his attendance at and contributions during Board and Board committee meetings are relevant factors to be taken into consideration in assessing whether a director has adequately discharged his duties. Accordingly, the Board has not made a determination of the maximum number of listed company board representations a director may hold, as recommended by the Code.

#### *Process for appointment of new directors*

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

- (a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;
- (c) The NC assesses suitability of short-listed candidates and discusses with them, if necessary, the expectations and the level of commitment required; and
- (d) The NC makes recommendations to the Board for approval.

#### *Criteria for appointment of new directors*

All new appointments are subject to the recommendation of the NC based on, *inter alia*, the following objective criteria:

- (a) Integrity;
- (b) Independent mindedness;
- (c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;



- (d) Able to commit time and effort to carry out duties and responsibilities effectively;
- (e) Experience in the relevant field of business of the Company or industries in which it operates; and
- (f) Financially literate.

## *Re-appointment of directors*

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Under the Company's existing Constitution, at least one-third of the directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not lesser than one-third) shall retire from office by rotation at each AGM of the Company. In addition, a newly appointed director must also submit himself for re-election at the AGM immediately following his appointment.

The NC has reviewed and recommended the re-election of Mr Er Kwong Wah (who retires by rotation in accordance with Article 89 of the Constitution of the Company and who, being eligible, offers himself for re-election) and Messrs Ji Zenghe, Fan Xianyong, Zhang Wei, Sun Quan and Zhao Xichen (each ceasing to hold office in accordance with Article 88 of the Constitution of the Company and who, being eligible, is offering himself for re-election) at the forthcoming AGM. Please refer to the sections on Board of Directors and explanatory notes to the Notice of Annual General Meeting dated 5 April 2017 for further details.

Mr Sun Quan is deemed to be interested in the 80.13% shareholding in the Company owned by Oriental Straits Fund III (the 10% shareholder of the Company), by virtue of his directorship and controlling interest in China Capital Impetus Investment Limited, which is the investment manager of Oriental Straits Fund III (a closed-end discretionary fund).

Mr Ji Zenghe and Mr Fan Xianyong are investors in Oriental Straits Fund III.

Save as disclosed above, the directors who are seeking re-election at the forthcoming AGM have no relationship including immediate family relationships between each of these directors with the other directors, the Company or its 10% shareholders (including Oriental Straits Fund III).

The Board has accepted the above recommendations and the aforesaid Directors will be offering themselves for re-election at the forthcoming AGM.

The following key information regarding directors is set out in the following pages of this Annual Report:

- |                    |   |   |
|--------------------|---|---|
| (a) pages 8 to 9   | - | Academic and professional qualifications;   |
| (b) pages 36 to 38 | - | Date of first appointment as director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies, and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and |
| (c) page 43        | - | Shareholding in the Company and its related corporations.   |



## **Board Performance**

***Principle 5 : There should be a formal 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.***

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole and the Board committees, as well as the contribution by each director to the effectiveness of the Board.

The assessment of the Board and the Board committees provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes that should be made to enhance the effectiveness of the Board as a whole.

The individual director's assessment exercise allowed each director to reflect upon his own performance on the Board so that the overall quality of the board members may be improved upon and enhanced. It also assisted the NC in determining whether to re-nominate directors who are due for retirement by rotation at the next AGM, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

The NC determines how the Board's performance may be evaluated and proposes objective performance criteria. Such performance criteria is approved by the Board and addresses how the Board has enhanced long-term shareholders' value.

### *Evaluation processes*

#### *(a) Board and Board committees*

Each Board member is required to complete a Board and Board Committees Assessment Checklist ("**Checklist**"). Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board for discussion on the changes which should be made to help the Board and Board committees discharge their respective duties more effectively.

#### *(b) Individual directors*

In the case of the assessment of individual directors, each director is required to complete a director's assessment form by way of a self-assessment of his contribution to the effectiveness of the Board. Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board. The Chairman of the Board then provides the necessary feedback on the respective Board performance of each director, with a view to improving their respective performance on the Board.

### *Performance criteria*

The performance criteria for the Board evaluation are in respect of the Board size, composition and independence, conduct of meetings, corporate strategy and planning, risk management and internal control, 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, achievement of financial targets which includes return on equity, improvement of performance of the Company's share price vis-à-vis the Singapore Straits Times Index, recruitment policy, process for determining remuneration and compensation of directors and key management personnel, financial reporting, and communication with shareholders.



# CORPORATE GOVERNANCE REPORT

The individual director's performance criteria are categorised into (1) attendance at board and related activities, (2) adequacy of preparation for board meeting, (3) contribution in strategic/business decision, finance/accounting, risk management, legal/regulatory, human resource management, or any other specialist area of each director, (4) area of experience, (5) generation of constructive debate, (6) maintenance of independence, (7) disclosure of related party transactions, and (8) overall assessment.

## **Access to Information**

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

To assist the Board in fulfilling its responsibilities, Management provides the Board with complete and adequate information in a timely manner. As a general rule, Board papers are required to be sent to the directors at least 7 days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key management personnel who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance.

The Directors are also provided with the names and contact details of the Company's senior management and the Company Secretaries to facilitate direct, separate and independent access to senior management and the Company Secretaries.

The Company Secretaries administer, attend and prepare minutes of Board proceedings. They assist the Chairman by ensuring that Board procedures (including but not limited to assisting the Chairman by ensuring the timely and proper exchange of information between the Board and Board committees, and between senior management and the non-executive directors, and facilitating orientation and assisting in the professional development of the Directors as required) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and Listing Manual of the SGX-ST ("**Listing Manual**") are complied with. They also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term shareholders' value.

The appointment and removal of the Company Secretaries are subject to the approval of the Board as a whole.

The Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in the discharge of their duties, at the expense of the Company.



## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

The RC currently comprises entirely independent directors as follows:

Seow Han Chiang, Winston	- Chairman
Er Kwong Wah	- Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and senior management. In accordance with Guideline 7.1 of the Code, the RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. The Board, together with the NC, is currently short-listing suitable candidates to be appointed as independent director to the Board and Board Committees, including as member of the RC.

The principal functions of the RC include the following:

- (a) to review and recommend to the Board for endorsement a framework of remuneration for the Executive Chairman, CEO, directors and key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives, and benefits-in-kind;
- (b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;
- (c) in the case of directors' service agreements, to consider what compensation or commitments the directors' service agreement, if any, would entail in the event of early termination, and to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous; and
- (d) to recommend to the Board, in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long-term incentive schemes.

The recommendations of the RC would be submitted to the Board for endorsement. Each member of the RC will refrain from voting on any resolution in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.

The RC has access to expert advice in the field of executive remuneration outside the Company with regards to remuneration matters wherever necessary.



## Level and Mix of Remuneration

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

The RC assists the Board by ensuring that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant and appropriate part of the total remuneration package of executive directors and key management personnel, and is designed to align the directors' and key management personnel's interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of non-executive directors by ensuring that the remuneration commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM. The executive directors do not receive directors' fees.

Mr Wen Yao-Long's service agreement with the Company expired on 5 August 2016, and was not renewed in contemplation of the Proposed Diversification by the Company into the Media Business and his re-designation as a non-executive director on 12 October 2016. The remuneration for the executive directors and key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The performance conditions of the executive directors and key management personnel are based upon the achievement of predetermined performance targets over the performance period, which were chosen to be aligned with the Group's business objectives.

## Disclosure on Remuneration

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

### *Policy in respect of non-executive directors' remuneration*

The non-executive directors do not enter into service agreements with the Company. They are paid directors' fees, the amount of which is dependent on their level of responsibilities and whether they perform additional services through Board committees. The amount of directors' fees payable to independent directors is subject to shareholders' approval at the Company's AGM.

### *Remuneration policy in respect of executive directors and other key management personnel*

The Company advocates a performance-based remuneration system that is flexible and responsive to the market and the performance of the Company and the individual employee. This allows the Company to better align executive compensation with shareholders' value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.



*Level and mix of remuneration of the directors, key management personnel (who are not also directors or the CEO) for FY2016*

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors or the CEO) for FY2016, are set out as follows:

Name of Directors	Directors' Fees (S\$)	Salary (S\$)	Variable Bonus <sup>#</sup> (S\$)	Share-Based <sup>^</sup> (S\$)	Benefits (S\$)	Total (S\$)
Ji Zenghe	–	–	–	–	–	–
Fan Xianyong	–	–	–	–	–	–
Zhang Wei	–	–	–	–	–	–
Sun Quan	–	–	–	–	–	–
Wen Yao-Long	–	154,824	–	–	107,400	226,224
Ong Sim Ho	50,000	–	–	–	–	50,000
Seow Han Chiang, Winston	40,000	–	–	–	–	40,000
Er Kwong Wah	40,000	–	–	–	–	40,000
Zhao Xichen	–	–	–	–	–	–

Name of Key Management Personnel	Salary (%)	Variable Bonus <sup>#</sup> (%)	Share-Based <sup>^</sup> (%)	Other Benefits (%)	Total (%)
<b>S\$250,000 to below S\$500,000</b>					
Chien Wan-Hsin <sup>(1)</sup>	95	–	–	5	100
<b>Below S\$250,000</b>					
Chan Hui-Chung <sup>(2)(3)</sup>	100	–	–	–	100
Yang Te-Fa <sup>(3)</sup>	97	–	–	3	100
Tay Ai Li	90	10	–	–	100

Note:

<sup>#</sup> Includes variable or performance-related income/bonuses

<sup>^</sup> Includes stock options granted, share-based incentives and awards, and other long-term incentives.

<sup>(1)</sup> Mr Chien Wan-Hsin resigned as Chief Financial Officer on 12 October 2016.

<sup>(2)</sup> Ms Chan Hui-Chung is the wife of Mr Wen Yao-Long, the Non-Executive Director of the Company.

<sup>(3)</sup> Ms Chan Hui-Chung and Mr Yang Te-Fa will no longer be considered employees of the Group upon the completion of the proposed disposal of Eucon Investment Holding Pte. Ltd.

The Company considers the heads of corporate functions to be its key management personnel and for FY2016, there were only 4 such persons. Their remuneration, in bands of S\$250,000, has been disclosed above. Save as disclosed, there were no other key management personnel for FY2016.



# CORPORATE GOVERNANCE REPORT

The Company has not disclosed the exact amount of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The aggregate remuneration paid to the aforesaid key management personnel (who are not Directors or the CEO) in FY2016 is S\$844,000.

Other than Ms Chan Hui-Chung, whose remuneration is in the range between S\$150,000 to S\$200,000, there were no employees of the Group who were immediate family members of a director or the CEO during FY2016.

The Company did not have any employee share schemes during FY2016.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO or the top five key management personnel (who are not directors or the CEO).

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST, press releases, the Company's website, public webcast, media and analyst briefings.

### Risk Management and Internal Controls

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

Management reviews and seeks to identify areas of significant business risks on an ongoing basis, and takes appropriate measures to control and mitigate such risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Board. The Board oversees Management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

The Board also oversees the Group's risk management framework and policies, reviews the Group's business, financial and operational risks, and informs Management on strategies and measures to manage and mitigate these risks.



In order to ensure and maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, the Company has developed an Enterprise Risk Management ("**ERM**") programme with the assistance of the Company's internal auditor, Messrs Ernst & Young Advisory Services Sdn. Bhd.. The ERM programme has been implemented to identify, prioritise, assess, manage and monitor key risks faced by the Group, and covers, *inter alia*, financial, operational, compliance and information technology controls of the Group. The key risks identified are deliberated by Management, and reported to the Board, which is responsible for the effective implementation of risk management strategy, policies and processes within the framework of the ERM programme. The Board will follow up on the actions required to be taken by Management to mitigate such identified risks. The AC also reviews the adequacy and effectiveness of the ERM programme periodically, and reports its findings to the Board at least once a year or as and when new significant risks are identified.

To ensure that its internal control and risk management systems are adequate and effective, the Company has requested the internal auditor to take such identified risks into consideration in drawing up the annual internal audit plan. The Company's internal auditor also assist the Company to conduct an annual review of the adequacy and effectiveness of the Company's internal controls. The external auditor, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance or failures in internal controls, and recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect, and holds regular discussions with Management to ensure the timely and proper implementation of such recommendations. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal control and risk management processes of the Group are inadequate or ineffective, or there are non-compliance of the Company's system of internal control and processes.

Based on the internal control and risk management systems established and maintained by the Group, the work conducted by the internal and external auditors as set out in their respective reports, the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, and the report by Management to the AC and the Board, the Board, with the concurrence of AC, is of the opinion that the system of internal control and risk management procedures maintained by Management are adequate to meet the objectives of the Company in addressing the financial, operational, compliance and information technology risks to the Company and the Group as at 31 December 2016.

The Board has also received assurance from the CEO and the Financial Controller confirming, *inter alia*, that:

- (a) the financial records of the Company for FY2016 have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances for FY2016; and
- (b) the Company's risk management and internal control systems are effective.

The Board notes that no system of internal controls can provide absolute assurance against or eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. However, by identifying and managing risks that may arise on a regular basis, the Group believes that it will be better placed to mitigate risks such as material financial misstatements or losses, and to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and management of business risks.



# CORPORATE GOVERNANCE REPORT

## Audit Committee

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

The AC currently comprises the following directors, all of whom are independent non-executive directors:

Er Kwong Wah	- Acting Chairman
Seow Han Chiang, Winston	- Member
Zhao Xichen	- Member (Appointed on 23 March 2017)

All the members bring with them invaluable industry knowledge and professional expertise in the financial, legal and business spheres, and have adequate financial management knowledge and experience to discharge their responsibilities as members of the AC.

The primary functions of the AC include the following:

- (a) to review the financial and operating results and accounting policies of the Group;
- (b) to review the scope and results of the audit and its cost effectiveness;
- (c) to review the financial statements before their submission to the Board and the external auditor's report on those financial statements;
- (d) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- (e) to review the quarterly, half-yearly and annual announcement of results of the Group before submission to the Board for approval;
- (f) to consider and review the assistance given by Management to the auditors;
- (g) to discuss with the external auditor the nature and scope of the audit before the audit commences;
- (h) to review the external audit plan and the results of the external auditor's examination and evaluate the effectiveness of the Group's internal control system;
- (i) to review the independence and objectivity of the external auditor;
- (j) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and approve the terms of engagement and remuneration payable to the external auditor;
- (k) to review interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual);
- (l) to review the internal audit plan and findings of the internal auditor;



- (m) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (n) to undertake such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

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

In addition, the AC has independent access to the internal and external auditors, who report independently their findings and recommendations to the AC. The AC met with the internal and external auditors, without the presence of Management, at least once during the year. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. The aggregate amount of fees paid to the external auditor for FY2016 is S\$291,000. The AC considered the non-audit fees of S\$14,600 paid to the external auditor for FY2016, and was of the opinion that such non-audit fees paid did not impair their independence. The Company has complied with the requirements of Rules 712 and 715 of the Listing Manual in relation to the appointment of auditing firms.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. The AC also reviewed and approved both the Company's internal and external auditors' plans. All audit findings and recommendations put up by the internal and the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

The AC is briefed by the external auditor of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit summary memorandum.

In October 2015, the Accounting and Corporate Regulatory Authority ("**ACRA**") launched the Audit Quality Indicators Disclosure Framework ("**AQI Framework**") to enable Audit Committees to better evaluate their auditors. The AQI Framework comprises 8 comparable quality markers that correlate closely with audit quality based on ACRA's observations from inspecting auditors over the past decade. These include hours spent by senior audit team members involved in the audit, relevant experience of the senior audit team members and results from internal and external inspections of auditors.

The Company's external auditor, Messrs Deloitte & Touche LLP ("**Deloitte**") has been the external auditor of the Company since its initial public offering in 2004. Deloitte was last re-appointed as external auditor of the Company at the Company's AGM held on 26 April 2016, and will hold office until the conclusion of the Company's forthcoming AGM to be held on 20 April 2017. The AC intends to nominate Messrs KPMG LLP ("**KPMG**") for appointment as the external auditors of the Company in place of the retiring auditors, Deloitte. Shareholders' approval for the appointment of KPMG as the external auditors of the Company will be sought at a forthcoming Extraordinary General Meeting of the Company, the details of which will be made known to shareholders in due course, as soon as the circular for the appointment of KPMG is approved by the SGX-ST.

The AC also reviewed the Company's "Whistle-Blower Policy" ("**Policy**") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.



# CORPORATE GOVERNANCE REPORT

Following the launch of the Policy, a set of guidelines which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud or other misconduct which may be made pursuant to the Policy, so that investigations may be carried out in an appropriate and timely manner, and disciplinary or civil actions that may be initiated following completion of investigations, are appropriate, balanced, and fair. To date, there were no reports received through such mechanism.

On a quarterly basis, Management reports findings of interested person transactions (“IPTs”), if any, during AC meetings.

## **Internal Audit**

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

The role of the internal auditor is to assist the AC by ensuring that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The Company’s internal audit functions are out-sourced to Messrs Ernst & Young Advisory Services Sdn. Bhd. (the “**Internal Auditor**”), which has unrestricted direct access to the AC. The AC approves the hiring, removal, evaluation and compensation of the head of the Internal Auditor, who meets the professional standards set out in the Code.

The Internal Auditor’s primary line of reporting is to the Chairman of the AC, although the Internal Auditor also liaise with the CEO and the Financial Controller on administrative matters.

During the year, the Internal Auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational, compliance and information technology controls. Audits were carried out on all significant business units in the Company. All findings and recommendations of the Internal Auditor are submitted to the AC for deliberation with copies of these reports extended to the CEO and relevant senior management officers.

The AC also reviews annually the adequacy and effectiveness of the internal audit function, and is satisfied that it is adequately resourced and has appropriate standing within the Company.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **Shareholder Rights**

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

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company’s securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.



A registered shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend may choose to appoint up to two proxies to attend, speak and vote at the AGM. Pursuant to the Companies Act, the Central Provident Fund Board and relevant intermediaries may appoint more than two proxies.

## **Communication with Shareholders**

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

The Board is mindful of its obligations to provide timely and fair disclosure of material information to the SGX-ST in accordance with the Corporate Disclosure Policy as set out in the Listing Manual. The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Material information is communicated to shareholders in a timely manner through:

- (a) announcements of full year and quarterly financial results which are published via the SGXNET;
- (b) annual reports or circulars of the Company that are prepared and sent to all shareholders;
- (c) notices of AGMs and extraordinary general meetings published in the newspapers;
- (d) press releases on major developments of the Group; and
- (e) the Company's website at [www.euconholding.com](http://www.euconholding.com) at which shareholders can access information on the Group.

The Company holds quarterly briefings for shareholders on its financial results, and shareholders are invited to participate, communicate and exchange their views with the directors of the Company.

The Group has no specific dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company is not declaring any dividend as the Group has no distributable profits for FY2016.

## **Conduct of Shareholder Meetings**

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

Notices of general meetings are despatched to shareholders, together with the annual report or circulars within the time period prescribed by the regulations. Any shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend is allowed to appoint up to 2 proxies to vote on his behalf at the meeting through proxy forms sent in advance. At shareholders' meetings, each distinct issue is proposed as a separate resolution. Shareholders are invited to put forth any questions they may have on the motions tabled and to be decided upon. All directors, in particular the chairman of each Board committee, are required to be present at general meetings of shareholders to address shareholders' questions. The external auditor is also present at such meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.



# CORPORATE GOVERNANCE REPORT

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

At the forthcoming AGM, the Company will put all resolutions to vote by poll so as to better reflect shareholders' interest and ensure greater transparency. Votes cast, for or against and the respective percentages, on each resolution are tallied and informed to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings.

Minutes of the general meetings are taken and are available to shareholders for their inspection upon request.

## (E) DEALINGS IN SECURITIES

The Group has adopted and implemented policies in line with Rule 1207(19) of the Listing Manual in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by Management who may possess unpublished material price-sensitive information of the Group.

The Group and its officers and employees are prohibited from trading in the Company's securities, during the period beginning 1 month and 2 weeks before the date of the announcement of the full year or quarterly results respectively and ending on the date of the announcement of the relevant results ("**Prohibited Periods**"). Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

## (F) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of IPTs. All IPTs are subject to review by the AC to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

In the event that a member of the AC has an interest in a transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on IPTs, including those required by prevailing legislation, the Listing Manual and accounting standards are complied with.



The aggregate value of all interested person transactions entered into during FY2016 are tabulated hereunder pursuant to Rule 907 of the SGX-ST Listing Manual:

Name of interested person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Loan guarantees provided by Mr Wen Yao-Long and Ms Chan Hui-Chung to various financial institutions to secure credit facilities for the Group	Total facilities granted as at 31.12.2016: S\$8.3 million  Amount outstanding as at 31.12.2016: S\$7.8 million	–
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 31.12.2016 is S\$11.4 million)	Interest for the 12 months ended 31.12.2016: S\$0.37 million	–
Loan from Mr Wen Yao-Long (Amount outstanding as at 31.12.2016 is S\$3.3 million)	Interest-free loan	–

There were no other IPT conducted during the financial year ended 31 December 2016.

## (G) MATERIAL CONTRACTS

Save for the Service Agreement with Mr Wen Yao-Long and IPTs disclosed above, the Company had entered into the following contracts during the period under review:-

- (a) On 11 December 2015 and 29 June 2016, the Company entered into a subscription agreement and a supplementary agreement with Oriental Straits Fund III and Mr Wen Yao-Long in relation to the proposed allotment and issuance of up to 5,206,524,059 shares at an issue price of S\$0.018 per share for an aggregate consideration of up to S\$93,717,433; and
- (b) On 30 December 2016, the Company entered into a conditional sale and purchase agreement with Mr Wen Yao-Long to dispose off the entire issued and paid-up share capital of Eucon Investment Holding Pte. Ltd. to Mr Wen Yao-Long, which is still pending approval from the SGX-ST, and subject to shareholders' approval (if required).

Except as disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, each director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.



# CORPORATE GOVERNANCE REPORT

## PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Ji Zenghe	57	Executive Chairman & CEO	12 October 2016	N/A	<u>Other Principal Commitments</u> Chairman, Beijing Aozhongxingye Real Estate Development Co., Ltd  Chairman, The Place Investment Group Co., Ltd	None
Fan Xianyong	52	Executive Director	12 October 2016	N/A	<u>Other Principal Commitments</u> Director and General Manager, Beijing Aozhongxingye Real Estate Development Co., Ltd  Director and General Manager, The Place Investment Group Co., Ltd	None
Zhang Wei	36	Executive Director	26 September 2016	N/A	None	None
Sun Quan	51	Non-Executive Director	12 October 2016	N/A	<u>Other Principal Commitments</u> Executive Director, Capital Impetus Group Limited  Executive Director & CEO, China Capital Impetus Asset Management Pte. Ltd.  Executive Director, China Capital Impetus Investment Ltd.  Board of Trustees, Schwarzman College, Tsinghua University	Independent Director, China Aircraft Leasing Group Holdings Limited (2013-2014)



# CORPORATE GOVERNANCE REPORT

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Wen Yao-Long	56	Non-Executive Director	2 January 2003	26 April 2016	None	None
Seow Han Chiang, Winston	48	Independent Director	7 July 2005	26 April 2016	<p><u>Directorship in Other Listed Companies</u></p> <p>Independent Director, Sound Global Ltd.</p> <p>Independent Director, ICP Ltd</p> <p><u>Other Principal Commitments</u></p> <p>Partner, KhattarWong LLP</p>	Independent Director, ITE Electric Co Ltd (Sep 2014 – Sep 2016)



# CORPORATE GOVERNANCE REPORT

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Er Kwong Wah	70	Independent Director	8 September 2006	23 April 2015	<u>Directorship in Other Listed Companies</u> Independent Director, CFM Holdings Limited  Independent Director, China Essence Group Ltd.  Independent Director, China Sky Chemical Fibre Co., Ltd.  Independent Director, COSCO Corporation (Singapore) Limited  Independent Director, Success Dragon International Holdings Ltd.  Independent Director, China Environment Ltd.  Independent Director, GKE Corporation Limited  <u>Other Principal Commitments</u> None	None
Zhao Xichen	53	Independent Director	12 October 2016	N/A	<u>Other Principal Commitments</u> Chairman of the Investment Committee, China Daisy Asset Management Limited	None



## APPENDIX

Code of Corporate Governance  
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	16 - 32
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	17
Guideline 1.5 The type of material transactions that require board approval under guidelines	17
Guideline 1.6 The induction, orientation and training provided to new and existing directors	17 - 18
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 a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	19
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	19
Guideline 3.1 Relationship between the Chairman and CEO where they are immediate family members	N.A.
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	20 - 21
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	21
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	21 - 22
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	22
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	23 - 24



# CORPORATE GOVERNANCE REPORT

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	25
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company	N.A.
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	26 - 28
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	27 - 28
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be 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	27
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be 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, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	27 - 28
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	28
Guideline 9.5 Details and important terms of employee share schemes	28
Guideline 9.6 For greater transparency, companies should disclose 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	26



Relevant Guidelines or Principles	Page Reference in this Annual Report
<p>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</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the 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</p>	29
<p>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 delegated to it by the Board</p>	30 - 31
<p>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</p>	31
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	31 - 32
<p>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</p>	31
<p>Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	32 - 33
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	33



# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 50 to 120 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 December 31, 2016, and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Ji Zenghe	(Appointed on October 12, 2016)
Fan Xianyong	(Appointed on October 12, 2016)
Zhang Wei	(Appointed on September 26, 2016)
Sun Quan	(Appointed on October 12, 2016)
Wen Yao-Long	
Seow Han Chiang, Winston	
Er Kwong Wah	
Zhao Xichen	(Appointed on October 12, 2016)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' statement.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act except as follows:



## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and companies in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
<u>The company</u>				
Ordinary shares				
Sun Quan	–	–	2,500,000,000	2,500,000,000
Wen Yao-Long	41,147,747	41,147,747	108,362,000	108,362,000
Ong Sim Ho*	1,220,000	1,220,000	–	–

\* Resigned as a director of the company on December 31, 2016.

By virtue of Section 7 of the Singapore Companies Act, Sun Quan is deemed to have an interest in all the related corporations of the company.

The directors' interests in the shares of the company at January 21, 2017 were the same at December 31, 2016.

## 4 SHARE OPTIONS

### (a) Options to take up unissued shares

At the Extraordinary General Meeting held on October 12, 2016, the shareholders of the company approved the allotment and issuance of up to 279,764,726 option shares of the company to Oriental Straits Fund III at the issue price of \$0.018 for each option share. Unless agreed in writing between the company and Oriental Straits Fund III, the option to subscribe to the option shares shall ipso facto lapse 12 months commencing from October 12, 2016.

During the financial year, no option to take up unissued shares of any subsidiaries was granted.

### (b) Options exercised

During the financial year, there were no shares of the company or any subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

### (c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any subsidiaries under option, except for those as disclosed above.



# DIRECTORS' STATEMENT

## 5 AUDIT COMMITTEE

The Audit Committee of the company comprises three members, all of whom are non-executive independent directors. The members of the Audit Committee at the date of this report are:

Er Kwong Wah	(Acting Chairman)
Seow Han Chiang, Winston	
Zhao Xichen	(Appointed on March 23, 2017)

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

- i. the audit plans and results of the internal auditors' examination of the group's system of internal accounting controls;
- ii. the group's financial and operating results and accounting policies;
- iii. the financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditors' report on those financial statements;
- iv. the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group; and
- v. the co-operation and assistance given by the management to the group's external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee intends to nominate Messrs KPMG LLP for appointment as the external auditors of the company in place of the retiring auditors, Messrs Deloitte & Touche LLP. Shareholders' approval for the appointment of Messrs KPMG LLP as the external auditors of the company will be sought at a forthcoming Extraordinary General Meeting of the company, the details of which will be made known to shareholders in due course, as soon as the circular for the appointment of Messrs KPMG LLP is approved by the Singapore Exchange Securities Trading Limited ("SGX-ST").

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Er Kwong Wah

March 28, 2017



## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Eucon Holding Limited (the “company”) and its subsidiaries (the “group”), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 120.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and 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 December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the 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 year. 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.



# INDEPENDENT AUDITOR'S REPORT

To the Members of Eucon Holding Limited

## Key Audit Matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
<p><b>Going concern assumption</b></p> <p>In 2016, the group incurred a net loss of \$9,740,000 (2015: \$22,838,000). In addition, the group's revenue has been on a declining trend for the past few years. The group recorded revenue from its discontinued operations of \$46,651,000 for the year ended December 31, 2016 compared to \$52,493,000 for the year ended December 31, 2015, representing a decline of 11.1%. There was no other revenue recognised.</p> <p>On October 12, 2016, the company issued 2,500,000,000 new shares and granted 279,764,726 option shares to Oriental Straits Fund III ("Oriental") for a consideration of \$45,000,000, which was received by the company in cash during the year. As at December 31, 2016, including cash and cash equivalents classified as assets held for sale, the group has cash and cash equivalents amounting to \$57,087,000 (2015 : \$6,355,000).</p> <p>On October 1, 2016, the group underwent an intragroup restructuring exercise. Pursuant to the restructuring exercise, the company sold a portion of its assets and liabilities, including its direct interest in certain subsidiaries, to a subsidiary, Eucon Investment Holding Pte. Ltd. ("EIHPL").</p> <p>On December 30, 2016, the company resolved to dispose EIHPL (including its subsidiaries). The operations of EIHPL's subsidiaries forms the group's entire mechanical drilling and routing services and printed circuit board production and related processing services business ("PCB operations"). These PCB operations are considered discontinued operations. The disposal of EIHPL is subject to certain terms and conditions, including obtaining regulatory approval from Singapore Exchange Securities Trading Limited ("SGX-ST") and if required, shareholders' approval (Note 3).</p> <p>On December 29, 2016, the group entered into a conditional sale and purchase agreement with a third party to acquire the entire issued and paid-up capital of BJ Vast Universe Culture Communication Co., Ltd ("BJ Vast"), subject to terms and conditions set forth in the sale and purchase agreement between the company and the third party, including obtaining regulatory approval from SGX-ST, which has yet to be obtained on December 31, 2016.</p> <p>These conditions may cast significant doubt on the group's ability to continue as a going concern.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Obtaining management's forecast of the cash flow requirements of the group over the next 12 months, prepared on the assumption that the disposal of EIHPL and acquisition of BJ Vast are completed during the year ending December 31, 2017;</li> <li>Challenging the appropriateness of the key assumptions used by management in the cash flow forecast;</li> <li>Obtaining the following documents to support the disposal of EIHPL as highly probable: <ul style="list-style-type: none"> <li>a) Obtaining the Board resolution to approve the disposal of EIHPL dated December 30, 2016;</li> <li>b) Obtaining the irrevocable agreement dated December 31, 2016 from the controlling shareholder to the company stating that they will vote their shares in favour of the disposal of EIHPL; and</li> <li>c) Obtaining a legal confirmation from the company's lawyers to the company that as at December 31, 2016, the disposal of EIHPL is highly probable, the company has the intention and ability to sell EIHPL in its present condition, and that it is not likely that SGX-ST will object to the disposal of EIHPL or impose any other material conditions on the disposal of EIHPL, other than to require the company to convene an Extraordinary General Meeting to seek shareholders' approval.</li> </ul> </li> <li>Performing our own sensitivity calculations to test the adequacy of the available headroom, on the assumption that the group is not able to dispose of EIHPL in 2017 and the acquisition of BJ Vast not materialising.</li> </ul> <p>Based on our work on the going concern assessment prepared by management, we concur with the conclusion reached by management that there is no material uncertainty in relation to the going concern assumption for the preparation of the financial statements.</p> <p>We have also reviewed the adequacy and appropriateness of the disclosures made in Note 3 to the financial statements.</p>



## Key Audit Matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
<p><b>Impairment assessment of property, plant and equipment classified as held for sale</b></p> <p>Under FRS 36 <i>Impairment of assets</i>, the group is required to assess, at the end of each reporting period, whether there is any indication that the carrying amounts of property, plant and equipment may be impaired.</p> <p>The group continues to be loss making in 2016, and revenue has declined by 11.1% as compared to 2015. These indicate that the group's property, plant and equipment may have been impaired.</p> <p>The recoverable amount of the group's property, plant and equipment were determined by management based on fair value less costs to sell. The fair value less costs to sell as at December 31, 2016 has been estimated based on the valuations carried out by independent professional valuers having appropriate recognised professional qualification.</p> <p>The valuation of these assets requires significant judgement and estimation. There is a risk that the group's property, plant and equipment may not be fairly stated if the valuation methodology adopted and the key assumptions applied by the valuers are inappropriate. Details of the valuation methodology and key assumptions applied by the valuers are disclosed in Note 17 to the financial statements.</p> <p>As at December 31, 2016, the carrying amount of the group's property, plant and equipment classified as held for sale amount to \$16,574,000.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the competency, capability and objectivity of the independent professional valuers engaged by management; and</li> <li>Involving our valuation specialists to assess the reasonableness of the valuation methodology, including challenging the key assumptions used and comparing them against market comparable, historical data and available industry data.</li> </ul> <p>Based on our procedures above, we noted that the valuation methodology used by the independent professional valuers engaged by management appears to be appropriate. The key assumptions used in the valuations were found to be reasonable.</p> <p>We have also reviewed the adequacy and appropriateness of the disclosures made in Note 17 to the financial statements.</p>

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Corporate Profile, Chairman's Message, Operations Review, Board of Directors, Management Team, Corporate Structure, Corporate Information, 5 Year Financial Highlights, Financial Highlights, Corporate Governance Report, Directors' Statement, Summary of Properties and Statistics of Shareholdings 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# INDEPENDENT AUDITOR'S REPORT

To the Members of Eucon Holding Limited

## 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 Responsibility 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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (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.



## Auditor's Responsibility for the Audit of the Financial Statements (cont'd)

- (e) 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.
- (f) 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 year 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 the subsidiary corporation 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 Ang Poh Choo.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 28, 2017



# STATEMENTS OF FINANCIAL POSITION

Year ended December 31, 2016

		Group			Company	
	Note	December 31, 2016	December 31, 2015	January 1, 2015	December 31, 2016	December 31, 2015
		\$'000	\$'000	\$'000	\$'000	\$'000
			(restated)	(restated)		
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	7	46,047	6,355	6,916	15,504	1,197
Restricted cash	8	–	1,919	363	–	–
Structured deposits	9	–	17,105	20,220	–	–
Trade receivables	10	–	12,071	20,925	–	–
Other receivables and prepayments	11	–	1,307	2,652	–	19
Inventories	12	–	4,295	4,668	–	–
Land use rights	13	–	100	98	–	–
		46,047	43,152	55,842	15,504	1,216
Assets classified as held for sale	14	62,684	–	–	–	–
Total current assets		108,731	43,152	55,842	15,504	1,216
<b>Non-current assets</b>						
Other receivables	11	–	746	794	–	–
Land use rights	13	–	3,061	4,012	–	–
Investment in subsidiaries	15	–	–	–	30,000	32,669
Investment in associate	16	–	–	–	–	–
Property, plant and equipment	17	–	19,940	33,719	–	750
Goodwill	18	–	–	82	–	–
Deferred tax assets	19	–	33	33	–	–
Total non-current assets		–	23,780	38,640	30,000	33,419
<b>Total assets</b>		<b>108,731</b>	<b>66,932</b>	<b>94,482</b>	<b>45,504</b>	<b>34,635</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Trade and other payables	20	391	17,881	24,554	389	11,000
Obligation under put option	21	–	23,642	20,922	–	12,747
Derivative financial instruments	22	–	252	88	–	–
Borrowings	23	–	12,977	11,299	–	–
Finance leases		–	–	21	–	–
		391	54,752	56,884	389	23,747
Liabilities directly associated with assets classified as held for sale	14	73,739	–	–	–	–
Total current liabilities		74,130	54,752	56,884	389	23,747
<b>Non-current liabilities</b>						
Other payables	20	–	11,060	10,684	–	11,060
Borrowings	23	–	4,808	8,447	–	–
Retirement benefit obligation	24	–	54	589	–	–
Total non-current liabilities		–	15,922	19,720	–	11,060
<b>Capital, reserves and Non-controlling interests</b>						
Share capital	25	100,287	56,127	56,127	100,287	56,127
Reserves		(65,686)	(64,523)	(45,233)	(55,172)	(56,299)
Equity attributable to owners of the company		34,601	(8,396)	10,894	45,115	(172)
Non-controlling interests		–	4,654	6,984	–	–
Total equity		34,601	(3,742)	17,878	45,115	(172)
<b>Total liabilities and equity</b>		<b>108,731</b>	<b>66,932</b>	<b>94,482</b>	<b>45,504</b>	<b>34,635</b>

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016

	Note	Group 2016 \$'000	2015 \$'000 (restated)
<u>Continuing operations</u>			
<b>Revenue</b>		–	–
Cost of service and sales		–	–
<b>Gross profit</b>		–	–
Other income	30	14	574
Distribution costs		–	–
Administrative expenses		(1,620)	(1,361)
Other expenses		(2,230)	–
Finance costs	31	–	–
<b>Loss before income tax</b>		(3,836)	(787)
Income tax expense	32	–	–
<b>Loss for the year from continuing operations</b>	34	(3,836)	(787)
<u>Discontinued operations</u>			
<b>Loss for the year from discontinued operations</b>	33	(5,904)	(22,051)
<b>Loss for the year</b>		(9,740)	(22,838)
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefits obligation	24	(6)	377
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		1,219	841
Other comprehensive income for the year, net of tax		1,213	1,218
<b>Total comprehensive loss for the year</b>		(8,527)	(21,620)
<b>Loss attributable to:</b>			
Owners of the company		(8,367)	(20,215)
Non-controlling interests		(1,373)	(2,623)
		(9,740)	(22,838)
<b>Total comprehensive loss attributable to:</b>			
Owners of the company		(6,565)	(19,290)
Non-controlling interests		(1,962)	(2,330)
		(8,527)	(21,620)
<b>Loss per share (cents):</b>			
35			
From continuing and discontinued operations:			
- Basic		(0.69)	(3.55)
- Diluted		(0.69)	(3.55)
From continuing operations:			
- Basic		(0.32)	(0.14)
- Diluted		(0.32)	(0.14)

See accompanying notes to financial statements.



# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2016

	Share capital	Currency translation reserves	Statutory reserves	Other reserves	Capital reserves	Accumulated profits (losses)	Total attributable to equity holders of the company	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>									
<b>Balance at January 1, 2015</b>	56,127	(8,676)	7,912	(2,993)	-	(31,747)	20,623	6,984	27,607
Prior year adjustment – put option granted to non-controlling shareholder (Note 39)	-	-	-	(16,171)	-	6,442	(9,729)	-	(9,729)
As restated	56,127	(8,676)	7,912	(19,164)	-	(25,305)	10,894	6,984	17,878
Total comprehensive loss for the year:									
Loss for the year	-	-	-	-	-	(20,215)	(20,215)	(2,623)	(22,838)
Other comprehensive income for the year	-	548	-	-	-	377	925	293	1,218
Total	-	548	-	-	-	(19,838)	(19,290)	(2,330)	(21,620)
<b>Balance at December 31, 2015</b>	56,127	(8,128)	7,912	(19,164)	-	(45,143)	(8,396)	4,654	(3,742)
Total comprehensive loss for the year:									
Loss for the year	-	-	-	-	-	(8,367)	(8,367)	(1,373)	(9,740)
Other comprehensive income for the year	-	1,808	-	-	-	(6)	1,802	(589)	1,213
Total	-	1,808	-	-	-	(8,373)	(6,565)	(1,962)	(8,527)
Transactions with owners, recognised directly in equity:									
Issue of share capital (Note 25)	43,260	-	-	-	1,740	-	45,000	-	45,000
Issue of shares for settlement of introducer fee (Note 25)	900	-	-	-	-	-	900	-	900
Recognition of share-based payment	-	-	-	-	970	-	970	-	970
Acquisition of non-controlling interests (Note 15)	-	-	-	2,692	-	-	2,692	(2,692)	-
Total	44,160	-	-	2,692	2,710	-	49,562	(2,692)	46,870
<b>Balance at December 31, 2016</b>	100,287	(6,320)	7,912	(16,472)	2,710	(53,516)	34,601	-	34,601

See accompanying notes to financial statements.



# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2016

	Share capital \$'000	Currency translation reserves \$'000	Capital reserves \$'000 (Note 28)	Accumulated losses \$'000	Total \$'000
<b>Company</b>					
<b>Balance at January 1, 2015</b>	56,127	1,384	–	(41,567)	15,944
Total comprehensive loss for the year:					
Loss for the year	–	–	–	(16,546)	(16,546)
Other comprehensive loss for the year	–	430	–	–	430
<b>Total</b>	<b>–</b>	<b>430</b>	<b>–</b>	<b>(16,546)</b>	<b>(16,116)</b>
<b>Balance at December 31, 2015</b>	56,127	1,814	–	(58,113)	(172)
Total comprehensive loss for the year:					
Loss for the year	–	–	–	(1,638)	(1,638)
Other comprehensive loss for the year	–	55	–	–	55
<b>Total</b>	<b>–</b>	<b>55</b>	<b>–</b>	<b>(1,638)</b>	<b>(1,583)</b>
Transactions with owners, recognised directly in equity:					
Issue of share capital (Note 25)	43,260	–	1,740	–	45,000
Issue of shares for settlement of introducer fee (Note 25)	900	–	–	–	900
Recognition of share-based payment	–	–	970	–	970
<b>Total</b>	<b>44,160</b>	<b>–</b>	<b>2,710</b>	<b>–</b>	<b>46,870</b>
<b>Balance at December 31, 2016</b>	<b>100,287</b>	<b>1,869</b>	<b>2,710</b>	<b>(59,751)</b>	<b>45,115</b>

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	\$'000	\$'000
		(restated)
<b>Operating activities</b>		
Loss before income tax	(9,710)	(22,838)
Adjustments for:		
Depreciation expense	1,807	6,149
Impairment of land use rights	–	939
Impairment of property, plant and equipment	–	10,024
Impairment loss on goodwill	–	82
Allowance for doubtful debts - net	255	2
Reversal of allowance for inventories	(120)	(425)
Defined benefits obligations	1	(157)
(Gain) Loss on fair value of financial derivatives	(252)	162
Amortisation of land use rights	74	96
Change in carrying amount of put option granted to non-controlling shareholder	–	2,720
Interest income	(29)	(865)
Interest expense	1,101	1,296
Share-based payment expense	1,870	–
Net foreign exchange loss (gain)	2,016	(1,488)
Property, plant and equipment written off	–	759
(Gain) Loss on disposal of property, plant and equipment	(70)	1,416
Operating loss before working capital changes	(3,057)	(2,128)
Trade receivables	(6,086)	8,852
Other receivables and prepayments	376	1,393
Inventories	(2,719)	798
Trade payables and other payables	4,663	(4,033)
Cash (used in) generated from operations	(6,823)	4,882
Interest received	29	865
Interest paid	(730)	(921)
Contribution to defined benefit plan	(7)	(16)
Income tax paid	–	–
Net cash from (used in) operating activities	(7,531)	4,810
<b>Investing activities</b>		
Investment in structured deposits	11,133	3,196
Purchase of property, plant and equipment	(2,047)	(3,803)
Proceeds on disposal of property, plant and equipment	2,512	62
Net cash from (used in) operating activities	11,598	(545)

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	\$'000	\$'000
		(restated)
<b>Financing activities</b>		
Acquisition of non-controlling interests in a subsidiary (Note)	(2,081)	–
Issuance of share capital	45,000	–
Decrease (Increase) in restricted cash	1,711	(1,556)
New bank loans raised	19,871	15,655
Repayment of bank loans	(19,133)	(15,955)
Repayment of finance lease obligations	–	(21)
New loans/advances from shareholders	2,277	717
Repayment to shareholders	(1,018)	(3,712)
Net cash from (used in) financing activities	46,627	(4,872)
Net increase (decrease) in cash and cash equivalents	50,694	(607)
Cash and cash equivalents at beginning of year	6,355	6,916
Effect of exchange rate changes on the balances of cash held in foreign currencies	38	46
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>57,087</b>	<b>6,355</b>

Note:

In 2016, the group completed the acquisition of 19.5% of the equity shares of a subsidiary, Shanghai Zhuo Kai Electronic Technology Co., Ltd, from the non-controlling shareholder for a consideration of \$22,579,000 (Note 21), of which \$2,081,000 was paid during the year, and \$20,498,000 remains outstanding as at December 31, 2016.

See accompanying notes to financial statements.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 1 GENERAL

The company (Registration No. 200107762R) is incorporated in Republic of Singapore with its principal place of business and registered office at 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 28, 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS** - On January 1, 2016, the group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

At the date of authorisation of these financial statements, the following FRSs, INT FRS and amendments to FRS that are relevant to the group and company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>(2)</sup>
- FRS 115 *Revenue from Contracts with Customers (with clarification issued)*<sup>(2)</sup>
- FRS 116 *Leases*<sup>(3)</sup>
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*<sup>(1)</sup>

<sup>(1)</sup> Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

<sup>(2)</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

<sup>(3)</sup> Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

The management anticipates that the adoption of the above amendments to FRS, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption except for the following:

### FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109 include:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### *FRS 109 Financial Instruments (cont'd)*

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the application of FRS 109 in the future may have an impact on amounts reported and disclosures made in the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of FRS 109 until the group undertakes a detailed review after the proposed changes to the group. Management does not plan to early adopt FRS 109.

### *FRS 115 Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the application of FRS 115 in the future may have an impact on amounts reported and disclosures made in the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of FRS 115 until the group undertakes a detailed review after the proposed changes to the group. Management does not plan to early adopt FRS 115.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the application of FRS 116 in the future may have an impact on amounts reported and disclosures made the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of FRS 116 until the group undertakes a detailed review after the proposed changes to the group. Management does not plan to early adopt FRS 116.

IFRS CONVERGENCE IN 2018 - Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening Statement of Financial Position as at January 1, 2017 (date of transition). Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1, including financial effects on transition to the new framework.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- Have power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FRS 116 Leases (cont'd)

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

### Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interest in subsidiary that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**PUT OPTION ON NON-CONTROLLING INTERESTS** – When an entity within the group writes a put option with the non-controlling shareholders of a subsidiary for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. This creates an obligation or potential obligation for the entity to purchase its subsidiary's instruments (constitutes the group's own equity in the consolidated financial statements) for cash or another financial asset.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the group has chosen an accounting policy that the non-controlling shareholders continue to be recognised. Therefore, the present value of the option is recognised in equity upon initial recognition. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised in profit or loss.

If the put option expires unexercised, the financial liability will be derecognised with a corresponding debit to equity. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised upon settlement and acquisition accounting will be applied.

At the entity level, the put option shall be accounted as a financial liability recorded at fair value through profit or loss.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instruments.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

### **Financial assets**

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe, established by the market concerned, and are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

### Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

### Structured deposits

Structured deposits are recorded at amortised cost.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing cost (see below).

### Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

### Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 22 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit or loss immediately, except for those designated as hedging instruments.

**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**NON-CURRENT ASSETS HELD FOR SALE** - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**INVENTORIES** - Inventories are measured at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Freehold land is carried at cost less any impairment loss.

Plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold buildings and improvement	- over the terms of lease which are from 5 to 74 years
Fixtures and equipment	- 5 years
Plant and machinery	- 5 to 10 years
Motor vehicles	- 10 years

Depreciation is not provided on freehold land.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**GOODWILL** - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**LAND USE RIGHTS** - Leasehold land premiums are up-front payments to acquire long term interest in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease of 50 years on a straight-line basis to the profit or loss.

**IMPAIRMENT OF ASSETS (EXCLUDING GOODWILL)** - At the end of each reporting period, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**ASSOCIATE** - An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for under FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the group retains an interest in the former associate and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in an associate but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the group, profits and losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

**PROVISIONS** - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**SHARE-BASED PAYMENTS** - The group issues equity-settled share-based payments to certain parties as settlement of payment for goods and services received.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer rebates and other similar allowances.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the line item administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). On October 1, 2016, subsequent to a group restructuring exercise (Note 14), management had determined that there is a change in the functional currency of the company to Singapore dollar. The functional currency of the company prior to October 1, 2016 was Chinese Renminbi.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in Singapore dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**STATUTORY RESERVES** - A subsidiary in Taiwan is required by established laws to set aside a certain percentage of its annual net profit after tax less prior years' losses, if any, as legal and special reserves until the accumulated reserves have reached an amount equal to the subsidiary's paid up capital. These reserves can be used to offset accumulated losses. They may be transferred to capital when these reserves have reached a level equivalent to a certain percentage of the subsidiary's paid-up capital.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Before distributing a dividend or making any other distribution to stockholders, the subsidiary must pay all outstanding taxes, offset deficits in prior years and set aside a legal reserve equal to 10% of its net income, except when the accumulated amount of such legal reserve equals to the subsidiary's total authorised capital, and depending on its business needs or requirements, may also set aside or reverse special reserves. The appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of the subsidiary. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of the subsidiary's paid-in capital, the excess may be transferred to capital or distributed in cash.

Pursuant to relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the subsidiaries are required to maintain two statutory reserves, being a statutory surplus reserve fund and a staff welfare and bonus fund. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiary. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reach 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

**CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise cash and bank balances and bank deposits, are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the entity's accounting policies*

In the application of the group's accounting policies, which are described in Note 2, the following are the critical judgements, apart from those involving estimations (see below), that management has made that have a significant effect on the amounts recognised in the consolidated financial statements.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### *Critical judgements in applying the entity's accounting policies (cont'd)*

#### a) Non-current assets held for sale and discontinued operations

As disclosed in Note 14, on December 30, 2016, the company resolved to dispose of Eucon Investment Holding Pte. Ltd. ("EIHPL"), and entered into a sale and purchase agreement with Mr. Wen Yao-Long ("Mr. Wen"), a director and shareholder of the company, for the sale of EIHPL, subject to the terms and conditions set forth in the sale and purchase agreement between the company and Mr. Wen, including obtaining regulatory approval the Singapore Exchange Securities Trading Limited ("SGX-ST") and if required, shareholders' approval, which have yet to be obtained on December 31, 2016.

The assets and liabilities attributable to EIHPL and its subsidiaries, which are expected to be sold within twelve months, have been classified as a disposal group held for sale as management has performed an assessment and concluded that EIHPL (the "disposal group") is available for immediate sale in its present condition, and the sale is highly probable on the following basis:

- The company has the intention and ability to transfer the disposal group to Mr Wen in its present condition.
- The company's board of directors has approved the disposal of EIHPL prior to the signing of the sale and purchase agreement on December 30, 2016. The disposal of EIHPL requires approval by a majority of the company's shareholders present and voting at an Extraordinary General Meeting ("EGM") which has not yet taken place as at December 31, 2016. The company has put in an application with SGX-ST to request for a waiver of the requirement to hold an EGM. SGX-ST has yet to grant the waiver.
- Management has obtained legal confirmation and is of the view that regulatory approval by SGX-ST is usual and customary for transactions which are similar in nature to the disposal of EIHPL, and it is not likely that SGX-ST will object to the disposal of EIHPL or impose any other material conditions on the disposal, other than to require the company to convene an EGM to seek shareholders' approval.
- Oriental Straits Fund III ("Oriental"), which owns 80.13% of the company as at December 31, 2016, has provided the company with a signed irrevocable undertaking stating that they will vote their shares in favour of the disposal of EIHPL in the event SGX-ST does not waive the requirement for shareholders' approval, and Oriental is not precluded from voting should there be a need for the company to hold an EGM to approve the disposal.

#### b) Going concern assumption

In 2016, the group incurred a net loss of \$9,740,000 (2015: \$22,838,000). In addition, the group's revenue has been on a declining trend for the past few years. The group recorded revenue from its discontinued operations of \$46,651,000 for the year ended December 31, 2016 compared to \$52,493,000 for the year ended December 31, 2015, representing a decline of 11.1%. There was no other revenue recognised.



## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### *Critical judgements in applying the entity's accounting policies (cont'd)*

#### b) Going concern assumption (cont'd)

On October 12, 2016, the company issued 2,500,000,000 new shares and granted 279,764,726 option shares of the company to Oriental Straits Fund III ("Oriental") for a consideration of \$45,000,000, which was received by the company in cash during the year (Note 14). As at December 31, 2016, including cash and cash equivalents classified as assets held for sale, the group has cash and cash equivalents amounting to \$57,087,000 (2015 : \$6,355,000).

On October 1, 2016, the group underwent an intragroup restructuring exercise. Pursuant to the restructuring exercise, the company sold a portion of its assets and liabilities, including its direct interest in certain subsidiaries, to a subsidiary, Eucon Investment Holding Pte. Ltd. ("EIHPL") (Note 14).

As disclosed above in paragraph (a), the company resolved to dispose EIHPL (including its subsidiaries) on December 30, 2016. The operations of EIHPL's subsidiaries forms the group's entire mechanical drilling and routing services and printed circuit board production and related processing services ("PCB operations") for segment reporting purposes.

On December 29, 2016, the group entered into a conditional sale and purchase agreement with a third party to acquire the entire issued and paid-up capital of BJ Vast Universe Culture Communication Co., Ltd ("BJ Vast"), subject to terms and conditions set forth in the sale and purchase agreement between the company and the third party, including obtaining regulatory approval, which has yet to be obtained on December 31, 2016.

Management is of the view that the going concern assumption is appropriate as:

- The disposal of EIHPL and its subsidiaries, which forms the group's entire mechanical drilling and routing services and PCB operations, which had been incurring losses for the past few years, is highly probable on the basis as discussed in paragraph (a) above.
- The acquisition of BJ Vast is expected to be completed in 2017.
- As at December 31, 2016, including cash and cash equivalents classified as assets held for sale, the group has available cash and cash equivalent balances of \$57,087,000 (Note 7), which is sufficient to fund its operations for the next twelve months.

#### c) Control over Xinghuironghui (Tianjin) Equity Investment Fund Partnership

Note 15 describes that Xinghuironghui (Tianjin) Equity Investment Fund Partnership (the "Tianjin Fund") is a subsidiary of the group even though the Tianjin Fund is a limited partnership fund between the company and a third party. The group owns 99% equity shares of the Tianjin Fund, and based on the limited partnership agreement, the group has the power to appoint and remove majority of the investment committee of the Tianjin Fund that has the power to direct the relevant activities of the Tianjin Fund. Therefore, the directors of the group concluded that the group has the practical ability to direct the relevant activities of the Tianjin Fund unilaterally and hence the group has control over the Tianjin Fund.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### *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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Allowance for doubtful receivables

The policy for allowance of doubtful receivables of the group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement based on past experience. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 10 to the financial statements.

b) Allowance for inventories

In determining the net realisable value of the group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. These estimates made by management take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The carrying amount of inventories at the end of the reporting period is disclosed in Note 12 to the financial statements.

c) Impairment of land use rights and property, plant and equipment

The group assesses annually whether land use rights and property, plant and equipment have any indication of impairment in accordance with the accounting policy.

The recoverable amount of the land use rights and property, plant and equipment have been determined based on fair value less costs to sell. The basis of the fair value less costs to sell is disclosed in Note 17.

In 2016, based on the recoverable amount determined, management concluded that there is an impairment charge required in respect of land use rights and property, plant and equipment amounting to \$Nil and \$Nil (2015 : \$939,000 and \$10,024,000) respectively. The carrying amounts of land use rights and property, plant and equipment at the end of the reporting period are disclosed in Notes 13 and 17 to the financial statements.

d) Impairment for investments in subsidiaries and associate

Determining whether investments in subsidiaries and associate are impaired requires an estimation of the recoverable amount of the investment in subsidiaries and associate as at end of the reporting period.

The recoverable amount of the investments in subsidiaries and associate have been determined based on the fair value less costs to sell as disclosed in Note 17.

The carrying amounts of the company's investments in subsidiaries and the group's investment in associate are disclosed in Notes 15 and 16 to the financial statements respectively.



## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

#### e) Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, expected return on plan assets and expected rate of salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expense and the liability. The carrying amount of the group's retirement benefit obligation is disclosed in Note 24 to the financial statements.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

#### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
	(restated)			
<b>Financial assets</b>				
Loans and receivables (including cash and bank balances)	75,947	21,023	15,504	1,197
Structured deposits	5,203	17,105	–	–
<b>Financial liabilities</b>				
Payables and borrowings at amortised cost	74,076	70,368	389	34,807
Derivative financial instruments	–	252	–	–

#### (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangement

The group and the company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

#### (c) Financial risk management policies and objectives

The management of the group monitors and manages the financial risks relating to the operations of the group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The financial risk management policies and objectives are based on the existing operations of the group which comprise the mechanical drilling and routing services and printed circuit board production and related processing services ("PCB operations") which have been classified as a disposal group (Note 14). Management is of the view that these policies and objectives are relevant as the disposal has yet to be completed as at December 31, 2016.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Market risk

The group's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchange rates and interest rates and will consider appropriate measures should the need arise.

There has been no significant change to the group's exposure to market risk or the manner in which it manages and measures the risk.

#### Foreign currency risk management

The group transacts business in various foreign currencies, including the United States dollar and Singapore dollar and therefore is exposed to foreign exchange risk.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies at the end of the reporting period are as follows:

	Liabilities		Assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
United States dollar	155	2,336	29,668	8,320
Singapore dollar	–	19,291	–	136
<b>Company</b>				
United States dollar	–	2,288	15,408	4
Singapore dollar	–	19,291	–	136

The group manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge and also through active currency management using derivatives such as forward currency exchange contracts where necessary. Further details on the forward foreign currency exchange contracts are disclosed in Note 22 to the financial statements.

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.



## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Foreign currency sensitivity

The following table details the sensitivity to a 5% fluctuation in foreign currencies against the functional currencies of the respective entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant foreign currency strengthens against functional currencies of the respective entities by 5% (2015 : 5%) with all other variables held constant, loss will decrease (increase) by:

	United States dollar		Singapore dollar	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Profit (Loss) for the year	1,476	299	–	(958)
<b>Company</b>				
Profit (Loss) for the year	770	(114)	–	(958)

There will be a similar and corresponding opposite impact if the relevant foreign currency weakens against functional currencies of the respective entities by 5% (2015 : 5%).

This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the group.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The foreign currency denominated sales and purchases are seasonal and can vary over time subject to the demands of the market.

#### Interest rate risk management

Summary quantitative data of the group's interest-bearing financial instruments can be found in the liquidity and interest risk analyses below. The group's policy is to maintain cash and cash equivalents with reputable financial institutions.

The group has borrowings at variable rates totalling \$3,841,000 (2015 : \$3,883,000) and is therefore exposed to interest rate risks arising from the variability of cash flows.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the group's loss for the year ended December 31, 2016 would increase/decrease by \$38,000 (2015 : \$39,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

#### Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

The top 3 customers of the group accounted for approximately 54% (2015 : 45%) of the total revenue of the group in 2016. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

Other than the top 3 customers, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are reputable financial institutions.

The company's other receivables are mainly due from subsidiaries. In 2016, the company recognised an allowance for doubtful other receivables of \$Nil (2015 : \$41,000) on the amount due from an inactive subsidiary. The company has not recognised any other allowance as management is of the view that these receivables are recoverable.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 10 and 11 to the financial statements respectively.



## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity risk management

The group is in a net current asset position of \$34,601,000 (2015 : net current liability position of \$11,600,000) and the company is in a net current asset position of \$15,115,000 (2015 : \$22,531,000) respectively as at December 31, 2016. Liquidity risk is managed by matching the payment and receipt cycle and by obtaining continual credit facilities from financial institutions (Note 23) and shareholder funds (Note 20) to fund its working capital requirements as and when is required.

Based on the lines of funding and the amount of cash and cash equivalents available, management is satisfied that the group and company are able to meet its existing and prospective funding requirements and continue to operate as a going concern.

Undrawn credit facilities are disclosed in Note 23 to the financial statements.

#### Derivatives financial instruments

In 2015, the group's derivative financial instruments comprise of foreign exchange forward contracts gross inflow amounting to \$13,443,000 and gross outflow \$13,605,000 with contracted gross cash flows due within 1 year.

#### Liquidity and interest risk analyses

#### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statements of financial position.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial liabilities (cont'd)

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>Group</u></b>						
<b>2016</b>						
Non-interest bearing	–	44,587	–	–	–	44,587
Variable interest rate instruments	2.6 – 2.8	3,204	741	–	(104)	3,841
Fixed interest rate instruments	4.3 – 4.5	26,777	–	–	(1,129)	25,648
		74,568	741	–	(1,233)	74,076
<b>2015 (restated)</b>						
Non-interest bearing	–	41,523	–	–	–	41,523
Variable interest rate instruments	2.6 – 2.8	2,998	995	112	(222)	3,883
Fixed interest rate instruments	4.5 – 6.2	10,379	16,648	–	(2,065)	24,962
		54,900	17,643	112	(2,287)	70,368
<b><u>Company</u></b>						
<b>2016</b>						
Non-interest bearing	–	389	–	–	–	389
<b>2015</b>						
Non-interest bearing	–	23,747	–	–	–	23,747
Fixed interest rate instruments	4.5	–	11,810	–	(750)	11,060
		23,747	11,810	–	(750)	34,807

#### Non-derivative financial assets

Other than the other receivables of the group amounting to \$Nil (2015 : \$746,000) due within 2 to 5 years which are non-interest bearing, the non-derivative financial assets of the group and company are all repayable on demand or due within 1 year.



## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### Liquidity and interest risk analyses (cont'd)

#### Derivative financial instruments

The derivative financial instruments are all due within 12 months and the maturity analysis is disclosed in Note 22 to the financial statements.

#### Fair value of financial assets and financial liabilities

The group and company determine fair values of various financial assets and financial liabilities in the following manner:

#### ***Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the group and company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

#### Group

Financial assets/ financial liabilities		Fair value as at (\$'000)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2016		2015					
		Assets	Liabilities	Assets	Liabilities				
<u>Derivative financial instruments (see Note 22)</u>									
1)	Foreign currency forward contracts	–	–	–	252	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

#### Company

The company had no financial assets or liabilities carried at fair value in 2015 and 2016.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (d) Capital risk management policies and objectives

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of equity attributable to owners of the company, comprising issued capital and reserves.

The group monitors capital via the net gearing ratio which is calculated as the total bank borrowings less cash and cash equivalents divided by equity. Equity is the "equity attributable to owners of the company" as shown in the consolidated statement of financial position.

The group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2015.

## 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

With effect from October 12, 2016, the company became a subsidiary of Oriental Straits Fund III, incorporated in the Cayman Islands. The directors are of the opinion that the company ultimately is controlled by Mr. Sun Quan as Oriental Straits Fund III is managed by China Capital Impetus Investment Limited as its fund manager, which is ultimately owned by Mr. Sun Quan. Related companies in these financial statements refer to the members of the holding company's group of companies.

Some of the company's transactions and arrangements are with members of the group and the effect of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

## 6 OTHER RELATED PARTY TRANSACTIONS

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

The compensation of directors and key management personnel is disclosed in Note 34 to the financial statements.



## 7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	46,047	6,355	15,504	1,197
Classified as assets held for sale (Note 14)	11,040	–	–	–
	<u>57,087</u>	<u>6,355</u>	<u>15,504</u>	<u>1,197</u>

## 8 RESTRICTED CASH

	Group	
	2016	2015
	\$'000	\$'000
Restricted cash	–	1,919
Classified as assets held for sale (Note 14)	208	–
	<u>208</u>	<u>1,919</u>

As at December 31, 2016, the restricted cash pertained to bank deposits pledged to financial institutions for banker's guarantee. As at December 31, 2015, the restricted cash pertained to bank deposits pledged to financial institutions for banker's guarantee as well as bank deposits held by a financial institution not available for use by the group. The deposits carried fixed interest rate at 0.35% (2015 : 0.35%) per annum with an original maturity of twelve months or less.

## 9 STRUCTURED DEPOSITS

	Group	
	2016	2015
	\$'000	\$'000
Structured deposits	–	17,105
Classified as assets held for sale (Note 14)	5,203	–
	<u>5,203</u>	<u>17,105</u>

Short-term structured deposits with banks bear interest at rates ranging from 0% to 3% (2015 : 0% to 4.7%) per annum and typically have a maturity period of 30 to 365 days.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 10 TRADE RECEIVABLES

	Group	
	2016	2015
	\$'000	\$'000
Outside parties	–	12,418
Less: Allowance for doubtful debts	–	(347)
	–	12,071
Classified as assets held for sale (Note 14)	17,902	–
	<u>17,902</u>	<u>12,071</u>

Movement in the allowance for doubtful debts:

	Group	
	2016	2015
	\$'000	\$'000
Balance at beginning of the year	347	345
Increase in allowance recognised in profit or loss – net	255	2
Reclassified as held for sale (Note 14)	(602)	–
Balance at end of the year	<u>–</u>	<u>347</u>

The credit period on rendering of services ranges from 45 to 150 days (2015 : 45 to 150 days). No interest is charged on overdue trade receivables.

There is no significant change in credit quality of trade receivables that are neither past due nor impaired and the amounts are considered recoverable.

The allowance for doubtful debts has been determined by reference to past default experience.

Included in the group's trade receivable balance are debtors with a carrying amount of \$361,000 (2015 : \$1,573,000) which are past due at the reporting date for which the group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.



## 10 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group	
	2016	2015
	\$'000	\$'000
Not past due and not impaired	17,541	10,498
Past due but not impaired <sup>(i)</sup>	361	1,573
Reclassified as held for sale (Note 14)	(17,902)	–
	–	12,071
Impaired receivables - collectively assessed <sup>(ii)</sup>	602	347
Less: Allowance for impairment	(602)	(347)
	–	–
Total trade receivables – net	–	12,071

<sup>(i)</sup> Ageing of trade receivables that are past due but not impaired:

	Group	
	2016	2015
	\$'000	\$'000
45 to 90 days	287	1,486
91 to 149 days	20	87
>150 days	54	–
Total	361	1,573

<sup>(ii)</sup> These amounts are stated before any deduction for impairment losses. These receivables are not secured by any collateral or credit enhancements.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 11 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deposits for acquisition of property, plant and equipment	–	177	–	–
Prepayments	–	573	–	19
Subsidiaries (Note 15)	–	–	–	41
Deferred expenditure	–	625	–	–
Other receivables	–	678	–	–
	–	2,053	–	60
Less:				
Allowance for doubtful other receivables	–	–	–	(41)
	–	2,053	–	19
Classified as assets held for sale (Note 14)	1,677	–	–	–
	1,677	2,053	–	19

Movement in the allowance for doubtful other receivables:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	–	–	41	–
(Decrease) Increase in allowance recognised in profit or loss	–	–	(41)	41
Balance at end of the year	–	–	–	41

Presentation in statements of financial position:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current assets	–	1,307	–	19
Classified as assets held for sale (Note 14)	1,677	–	–	–
Non-current assets	–	746	–	–
Total	1,677	2,053	–	19

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

Non-current other receivables include deferred expenditure and deposits.

As at December 31, 2016, the allowance for doubtful other receivables of the company is \$Nil (2015 : \$41,000) due from a subsidiary. No other allowance has been provided for other receivables of the group and company as there has not been a significant change in credit quality and the amounts are still considered recoverable.



## 12 INVENTORIES

	Group	
	2016	2015
	\$'000	\$'000
Finished goods	–	1,374
Work in process	–	1,686
Raw materials and consumable supplies	–	1,235
	–	4,295
Classified as assets held for sale (Note 14)	7,134	–
	<u>7,134</u>	<u>4,295</u>

Movement in the allowance for inventories:

Balance at beginning of the year	1,107	1,532
Decrease in allowance	(120)	(425)
Reclassified as held for sale (Note 14)	(987)	–
Balance at end of the year	<u>–</u>	<u>1,107</u>

In 2016, the cost of inventories recognised as an expense has been reduced by \$120,000 (2015 : \$425,000) in respect of the reversal of write-downs of inventory due to subsequent sale of these inventories above cost.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 13 LAND USE RIGHTS

	Group	
	2016	2015
	\$'000	\$'000
Cost:		
At January 1	4,993	4,885
Exchange difference	(225)	108
Reclassified as held for sale (Note 14)	(4,768)	–
At December 31	–	4,993
Accumulated amortisation:		
At January 1	893	775
Amortisation	74	96
Exchange difference	(40)	22
Reclassified as held for sale (Note 14)	(927)	–
At December 31	–	893
Impairment:		
At January 1	939	–
Impairment loss recognised during the year	–	939
Exchange difference	(44)	–
Reclassified as held for sale (Note 14)	(895)	–
At December 31	–	939
Carrying amount	–	3,161
Presentation in statement of financial position:		
Current assets	–	100
Classified as assets held for sale (Note 14)	2,946	–
Non-current assets	–	3,061
Total	2,946	3,161

The land use rights are amortised over 50 years. The amortisation periods are in line with the business licence of each of the subsidiaries.

Land use rights with carrying amount of \$2,059,000 (2015 : \$2,753,000) are pledged to secure bank loans (Note 23).

In 2016, the group carried out a review of the recoverable amount of its land use rights. The recoverable amount has been determined based on fair value less costs to sell (Note 17). The review led to the recognition of an impairment loss of \$Nil (2015 : \$939,000).



## 14 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On December 11, 2015 and June 29, 2016, the company entered into a share subscription agreement and a supplementary agreement (the "Share Subscription Agreements") respectively, with Oriental Straits Fund III ("Oriental") and Mr. Wen Yao-Long ("Mr. Wen"), a director and shareholder of the company (Mr. Wen), where the company agreed to:

- Allot and issue 4,926,759,333 new shares of the company at the issue price of \$0.018 per share, totalling \$88.68 million, to Oriental in two tranches. The first tranche of the share subscription was completed on October 12, 2016. Accordingly, the company issued 2,500,000,000 new shares to Oriental for a consideration of \$45 million, which was received by the company in cash during the year (Note 25). Subject to Oriental not exercising the Bond Subscription Option as described below, the second tranche of the share subscription for the issuance of 2,426,759,333 new shares for a consideration of \$43.68 million, is to be completed within six months from October 12, 2016, or on such other date as the company, Oriental, and Mr. Wen may agree in writing.
- Grant Oriental the option to subscribe for redeemable convertible bonds issued by the company (the "Bond Subscription Option"). The principle amount of the bonds shall be equivalent to the tranche two share subscription amount of \$43.68 million. The Bond Subscription Option may be exercised at any time prior to the tranche two share subscription completion date. Exercising of the Bond Subscription Option is subject to obtaining regulatory approval.
- Grant Oriental 279,764,726 option shares of the company at the issue price of \$0.018 per share for each option share. Oriental may exercise its right but not the obligation to subscribe for the option shares within twelve months from October 12, 2016.
- Allot and issue up to 104,130,481 new shares of the company to Wellmont Investment Limited ("Wellmont") in lieu of the cash payment of introducer fee amounting to approximately \$1.87 million (Note 25).

Management has assessed and concluded that the value of the Bond Subscription Option cannot be determined as the terms of the bond subscription agreement has not been agreed. Management has assessed the value of the option shares as disclosed in Note 25.

The Share Subscription Agreements are subject to certain terms and conditions, including the requirement that immediately prior to and as at the completion of the subscriptions as described above, save for the transactional costs in connection with the subscriptions, the company has no liabilities, whether actual, deferred, or contingent, and there are no off-balance sheet liabilities in the company (the "Zero Liability Requirement").

On October 1, 2016, to satisfy the Zero Liability Requirement, the group underwent an intragroup restructuring exercise to consolidate all its assets under one of its subsidiary, Eucon Investment Holding Pte. Ltd. ("EIHPL"). Pursuant to the restructuring exercise, the company sold a portion of its assets and liabilities, including its direct interest in certain subsidiaries, to EIHPL (Note 15).

On December 30, 2016, the company resolved to dispose of EIHPL, and entered into a sale and purchase agreement with Mr. Wen for the sale of EIHPL, subject to the terms and conditions set forth in the sale and purchase agreement between the company and Mr. Wen. The assets and liabilities attributable to EIHPL and its subsidiaries, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position. The operations of EIHPL's subsidiaries forms the group's entire mechanical drilling and routing services and printed circuit board production and related processing services ("PCB operations") for segment reporting purposes (Note 37).



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 14 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (cont'd)

The consideration for the disposal of EIHPL is \$1, and is expected to exceed the net carrying amount of the relevant assets and liabilities as the disposal group is in a net liabilities position as at December 31, 2016. Accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale as follows:

	<b>2016</b>
	<b>\$'000</b>
Cash and cash equivalents (Note 7)	11,040
Restricted cash (Note 8)	208
Structured deposits (Note 9)	5,203
Trade receivables (Note 10)	17,902
Other receivables and prepayments (Note 11)	1,677
Inventories (Note 12)	7,134
Land use rights (Note 13)	2,946
Property, plant and equipment (Note 17)	16,574
Total assets classified as held for sale	<u>62,684</u>
Trade and other payables (Note 20)	(55,631)
Borrowings (Note 23)	(18,054)
Retirement benefit obligation (Note 24)	(54)
Total liabilities directly associated with assets classified as held for sale	<u>(73,739)</u>
Net liabilities of disposal group	<u><u>(11,055)</u></u>

## 15 INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Unquoted equity shares, at cost	30,000	79,869
Deemed investment, classified as assets held for sale (Note 14)	50	–
	<u>30,050</u>	<u>79,869</u>
Impairment loss, classified as assets held for sale (Note 14)	(50)	(47,200)
Net	<u><u>30,000</u></u>	<u><u>32,669</u></u>
Movement in the impairment loss:		
Balance at beginning of the year	47,200	34,530
Exchange difference	–	(1,000)
Increase in impairment loss	50	13,670
Disposal (Note 14)	(47,200)	–
Balance at end of the year	<u><u>50</u></u>	<u><u>47,200</u></u>

The deemed investment comprise waiver of debt due from a subsidiary.



## 15 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the company's subsidiaries are as follows:

Name of subsidiary	Proportion of ownership interest and voting power held		Cost of investment		Principal activity/Country of incorporation (or residence)
	2016	2015	2016	2015	
	%	%	\$'000	\$'000	
<u>Subsidiaries of the company</u>					
Eucon Investment Holding Pte Ltd <sup>(1)</sup>	100	100	50	1	Investment holding/Singapore
Xinghuironghui (Tianjin) Equity Investment Fund Partnership <sup>(2)</sup>	99	–	30,000	–	Investment holding/People's Republic of China
<u>Subsidiaries of Eucon Investment Holding Pte. Ltd.:</u>					
LGANG Optronics Technology Co., Ltd <sup>(3)(4)</sup>	100	100	–	11,008	Manufacturing of PCB boards/Taiwan
Shanghai Zeng Kang Electronic Co., Ltd <sup>(3)(4)(5)</sup>	100	89.275	–	8,302	Provision of drilling and routing services to PCB manufacturers/People's Republic of China
Shanghai Yaolong Electronic Technology Co., Ltd <sup>(3)(4)(5)</sup>	100	89.275	–	6,009	Provision of drilling and routing services to PCB manufacturers/People's Republic of China
Shanghai Zhuo Kai and Electronic Technology Co., Ltd <sup>(3)(4)(5)</sup>	100	80.5	–	36,991	Manufacturing of PCB boards provision of related processing services on outsourced PCBs to PCB manufacturers/People's Republic of China
Shanghai Eu Ya Electronic Technology Co., Ltd <sup>(3)(4)(5)</sup>	100	89.275	–	10,080	Provision of laminating services on PCB boards/People's Republic of China
Shanghai Lian Han Xin Electronic Technology Co., Ltd <sup>(3)(4)(5)</sup>	100	89.275	–	7,478	Provision of drilling and routing services to PCB manufacturers/People's Republic of China
			<u>30,050</u>	<u>79,869</u>	

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte & Touche LLP, Singapore, for consolidation purposes. In 2016, the group entered into a limited partnership agreement with a third party to establish a limited partnership fund under the name of Xinghuironghui (Tianjin) Equity Investment Fund Partnership (the "Tianjin Fund"). The group owns 99% equity shares of the Tianjin Fund, and based on the limited partnership agreement, has the power to appoint and remove majority of the investment committee of the Tianjin Fund. The relevant activities of the Tianjin Fund are determined by an investment committee of the Tianjin Fund based on simple majority votes. Therefore, the management of the group concluded that the group has control over the Tianjin Fund and the Tianjin Fund is consolidated in these financial statements.

(3) Audited by an overseas member firm of Deloitte Touche Tohmatsu Limited for consolidation purposes.

(4) As disclosed in Note 14, in 2016, the company sold its direct interest in these subsidiaries, to one of its subsidiary, Eucon Investment Holding Pte. Ltd. ("EIHPL"). Accordingly, the company's cost of investment in these subsidiaries is \$Nil as at December 31, 2016.

(5) As disclosed in Note 21, on October 18, 2016, pursuant to an agreement and the respective supplementary agreements with a third party ("Hongta"), the group acquired 19.5% of the equity shares of Zhuo Kai Electronic Technology Co., Ltd ("Zhuo Kai"). Subsequent to the acquisition, the group holds 100% of the equity shares of Zhuo Kai and those subsidiaries which Zhuo Kai has a direct equity interest in.



# NOTES TO FINANCIAL STATEMENTS

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## 15 INVESTMENT IN SUBSIDIARIES (cont'd)

The table below show details of non-wholly owned subsidiaries of the group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		%	%	\$'000	\$'000	\$'000	\$'000
Shanghai Zeng Kang Electronic Co., Ltd	People's Republic of China	–	10.725	(55)	37	–	(836)
Shanghai Yaolong Electronic Technology Co., Ltd	People's Republic of China	–	10.725	(49)	(9)	–	(839)
Shanghai Zhuo Kai Electronic Technology Co., Ltd	People's Republic of China	–	19.5	(1,035)	(1,748)	–	7,750
Shanghai Eu Ya Electronic Technology Co., Ltd	People's Republic of China	–	10.725	54	(349)	–	(268)
Shanghai Lian Han Xin Electronic Technology Co., Ltd	People's Republic of China	–	10.725	(288)	(554)	–	(1,153)
Total				(1,373)	(2,623)	–	4,654



## 15 INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Shanghai Zeng Kang Electronic Co., Ltd		Shanghai Yaolong Electronic Technology Co., Ltd		Shanghai Zhuo Kai Electronic Technology Co., Ltd		Shanghai Eu Ya Electronic Technology Co., Ltd		Shanghai Lian Han Xin Electronic Technology Co., Ltd	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	2,495	3,131	2,247	2,840	22,696	19,513	16,612	14,775	4,884	5,304
Non-current assets	982	1,133	333	528	41,858	44,144	3,869	4,607	-	2,802
Current liabilities	(599)	(689)	(624)	(953)	(33,360)	(22,860)	(3,440)	(2,804)	-	(1,404)
Non-current liabilities	-	-	-	-	-	(3,922)	-	-	-	-
Equity attributable to owners of the company	2,878	4,411	1,956	3,254	31,194	29,125	17,041	16,846	4,884	7,855
Non-controlling interests	-	(836)	-	(839)	-	7,750	-	(268)	-	(1,153)
Revenue	1,612	1,915	1,932	2,631	32,146	35,913	11,659	11,290	605	5,817
Expenses	(2,146)	(1,572)	(2,280)	(2,718)	(36,159)	(44,863)	(10,452)	(14,545)	(2,118)	(10,982)
(Loss) Profit for the year	(534)	343	(348)	(87)	(4,013)	(8,950)	1,207	(3,255)	(1,513)	(5,165)
(Loss) Profit attributable to owners of the company	(479)	306	(299)	(78)	(2,978)	(7,202)	1,153	(2,906)	(1,225)	(4,611)
(Loss) Profit attributable to non-controlling interests	(55)	37	(49)	(9)	(1,035)	(1,748)	54	(349)	(288)	(554)
(Loss) Profit for the year	(534)	343	(348)	(87)	(4,013)	(8,950)	1,207	(3,255)	(1,513)	(5,165)
Other comprehensive income attributable to owners of the company	184	62	124	50	2,076	828	847	391	345	258
Other comprehensive income attributable to non-controlling interests	(22)	8	(15)	6	(408)	201	(104)	47	(40)	31
Other comprehensive income for the year	162	70	109	56	1,668	1,029	743	438	305	289
Total comprehensive (loss) income attributable to owners of the company	(295)	368	(175)	(28)	(902)	(6,374)	2,000	(2,515)	(880)	(4,353)
Total comprehensive (loss) income attributable to non-controlling interests	(77)	45	(64)	(3)	(1,443)	(1,547)	(50)	(302)	(328)	(523)
Total comprehensive (loss) income for the year	(372)	413	(239)	(31)	(2,345)	(7,921)	1,950	(2,817)	(1,208)	(4,876)
Net cash inflow (outflow) from operating activities	(544)	763	(597)	(1,242)	1,197	(2,170)	59	2,831	2,003	1,447
Net cash inflow (outflow) from investing activities	(23)	848	120	694	(965)	2,450	(92)	(3,515)	1,993	(996)
Net cash inflow (outflow) from financing activities	-	-	-	-	936	(2,746)	-	-	-	-
Net cash inflow (outflow)	(567)	1,611	(477)	(548)	1,168	(2,466)	(33)	(684)	3,996	451



# NOTES TO FINANCIAL STATEMENTS

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## 16 INVESTMENT IN ASSOCIATE

	Group	
	2016	2015
	\$'000	\$'000
Cost of investment in associate, classified as assets held for sale (Note 14)	205	205
Share of post-acquisition results and reserve, net of dividend received, classified as assets held for sale (Note 14)	(20)	(20)
Impairment of investment in associate, classified as assets held for sale (Note 14)	(185)	(185)
	<u>-</u>	<u>-</u>

Details of the group's associate at December 31, 2016 are as follows:

Name of associate	Place of incorporation (or residence)	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2016	2015	2016	2015	
		\$'000	\$'000	\$'000	\$'000	
Petron Co., Ltd*	Taiwan	50	50	50	50	Provision of services for machinery

\* Not audited as deemed not material to the group.

Summarised financial information in respect of the group's associates is set out below:

	Group	
	2016	2015
	\$'000	\$'000
Total assets	<u>302</u>	<u>289</u>
Total liabilities	<u>6</u>	<u>6</u>
Net assets	<u>296</u>	<u>283</u>
Group's share of associate's net assets	<u>148</u>	<u>141</u>
Revenue	<u>-</u>	<u>26</u>
Group's share of associate's results for the year	<u>-</u>	<u>-</u>



# NOTES TO FINANCIAL STATEMENTS

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## 17 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Leasehold buildings and improvement \$'000	Fixtures and equipment \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Construction -in-progress \$'000	Total \$'000
Cost:							
At January 1, 2015	2,633	27,993	2,346	97,909	73	212	131,166
Additions	–	294	13	304	–	3,192	3,803
Transfer	–	–	(8)	2,920	(36)	(2,876)	–
Disposals	–	–	(63)	(12,814)	(5)	–	(12,882)
Write-off	–	(2,107)	(6)	–	–	–	(2,113)
Exchange differences	83	648	187	2,189	2	4	3,113
At December 31, 2015	2,716	26,828	2,469	90,508	34	532	123,087
Additions	–	683	59	256	–	1,049	2,047
Transfer	–	1,139	(36)	272	–	(1,375)	–
Disposals	–	(1,318)	(303)	(24,043)	–	(125)	(25,789)
Exchange differences	113	(984)	(64)	(3,378)	2	(24)	(4,335)
Reclassified as held for sale (Note 14)	(2,829)	(26,348)	(2,125)	(63,615)	(36)	(57)	(95,010)
At December 31, 2016	–	–	–	–	–	–	–
Accumulated depreciation:							
At January 1, 2015	–	16,026	1,670	75,253	16	–	92,965
Depreciation	–	859	151	5,133	6	–	6,149
Disposals	–	–	(54)	(11,346)	(4)	–	(11,404)
Write-off	–	(1,349)	(5)	–	–	–	(1,354)
Exchange differences	–	372	38	1,759	2	–	2,171
At December 31, 2015	–	15,908	1,800	70,799	20	–	88,527
Depreciation	–	1,343	107	330	27	–	1,807
Disposals	–	(417)	(254)	(18,995)	–	–	(19,666)
Exchange differences	–	(531)	(44)	(2,497)	2	–	(3,070)
Reclassified as held for sale (Note 14)	–	(16,303)	(1,609)	(49,637)	(49)	–	(67,598)
At December 31, 2016	–	–	–	–	–	–	–
Accumulated impairment:							
At January 1, 2015	–	–	–	4,482	–	–	4,482
Impairment during the year	–	–	–	10,024	–	–	10,024
Exchange differences	–	–	–	114	–	–	114
At December 31, 2015	–	–	–	14,620	–	–	14,620
Disposals	–	–	–	(3,225)	–	–	(3,225)
Exchange differences	–	–	–	(557)	–	–	(557)
Reclassified as held for sale (Note 14)	–	–	–	(10,838)	–	–	(10,838)
At December 31, 2016	–	–	–	–	–	–	–
Carrying amount:							
At December 31, 2016	–	–	–	–	–	–	–
At December 31, 2015	2,716	10,920	669	5,089	14	532	19,940

The group's property, plant and equipment with carrying amount of \$4,407,000 (2015 : \$6,550,000) are pledged to secure bank loans (Note 23).



# NOTES TO FINANCIAL STATEMENTS

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## 17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

In 2015 and 2016, the group carried out a review of the recoverable amount of its property, plant and equipment, having regard the decline in revenue in the highly competitive market. The recoverable amount has been determined based on fair value less costs to sell. The review led to the recognition of an impairment loss of \$Nil (2015 : \$10,024,000) for plant and machinery.

The fair value less costs to sell of the group's property, plant and equipment as at December 31, 2015 and 2016 have been estimated based on the valuations carried out by independent professional valuers having appropriate recognised professional qualification. The valuations were determined based on the market comparable approach that reflects recent transaction prices for similar assets, and/or the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, and/or the capitalisation of net income method, where the market rentals of the properties are assessed by reference to the rentals achieved by other similar lettings of similar properties in the area.

The valuations are categorised into Level 3 of the fair value hierarchy as defined under FRS 113. The valuation techniques and key assumptions used are as follows:

CGU	Description	Valuation techniques	Key assumptions
Printed circuit board production	Plant and machinery located in China	Cost approach and market comparable approach	<ul style="list-style-type: none"> <li>The salvage value rate is estimated to be 3% to 5% of cost.</li> <li>Economic obsolescence rate is estimated to be between 45.85% to 57.26%.</li> </ul>
Printed circuit board production	Plant and machinery located in Taiwan	Market comparable approach	<p>In 2015, the fair value of these assets were estimated on the assumption of continued use in its current location, and the highest and best use of the assets is their current use.</p> <p>In 2016, the recoverable amounts of these assets were not assessed as the carrying amounts of these were \$Nil as at December 31, 2016.</p>
Printed circuit board production	Leasehold buildings and improvement (including land use rights) in China	Cost approach	<ul style="list-style-type: none"> <li>The salvage value rate is estimated to be 10% of cost.</li> <li>Economic useful life is estimated to be 40 years.</li> <li>The cost of reconstruction is estimated based on the prices stated in the Notice of Replacement Cost for Buildings in Suzhou City in 2015.</li> </ul>



## 17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

CGU	Description	Valuation techniques	Key assumptions
Printed circuit board production	Freehold land in Taiwan	Income capitalisation approach and market comparable approach	<ul style="list-style-type: none"> <li>Agent fee is estimated based on 0.5 month rental income, with a 2 year tenure.</li> <li>Land tax is estimated to be 10%.</li> <li>Management fee is estimated to be 2% of the annual income.</li> <li>Maintenance fee is estimated to be 0.1% of the construction cost.</li> <li>Income capitalisation rate is estimated to be 2.12%.</li> <li>Deposit yield rate is estimated to be 1.04%.</li> </ul>
Printed circuit board production	Leasehold buildings and improvement in Taiwan	Cost approach	<ul style="list-style-type: none"> <li>The salvage value rate is estimated to be 5 - 10% of the cost of construction.</li> <li>Economic useful life is estimated to be 30 - 40 years.</li> <li>The cost of reconstruction is estimated based on the prices stated in the Survey conducted by Taoyuan City on the Building Reformation Standard Price List.</li> </ul>
Drilling and routing services	Plant and machinery located in China	Cost approach and market comparable approach	<p>In 2015, the fair value of these assets were estimated on the assumption of continued use in its current location, and the highest and best use of the assets is their current use.</p> <p>In 2016, the recoverable amounts of these assets were not assessed as the carrying amounts of these were \$Nil as at December 31, 2016.</p>
Drilling and routing services	Leasehold buildings and improvement (including land use rights) in China	Cost approach	<ul style="list-style-type: none"> <li>The salvage value rate is estimated to be 10% of cost.</li> <li>Economic useful life is estimated to be 40 years.</li> <li>The cost of reconstruction is estimated based on the prices stated in the Notice of Replacement Cost for Buildings in Suzhou City in 2015.</li> </ul>



# NOTES TO FINANCIAL STATEMENTS

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## 17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold buildings and improvement \$'000	Fixtures and equipment \$'000	Total \$'000
Cost:			
At January 1, 2015	886	136	1,022
Exchange differences	17	3	20
At December 31, 2015	903	139	1,042
Disposal	(861)	(129)	(990)
Exchange differences	(42)	(10)	(52)
At December 31, 2016	—	—	—
Accumulated depreciation:			
At January 1, 2015	149	122	271
Depreciation	15	2	17
Exchange differences	3	1	4
At December 31, 2015	167	125	292
Depreciation	10	1	11
Disposal	(169)	(121)	(290)
Exchange difference	(8)	(5)	(13)
At December 31, 2016	—	—	—
Carrying amount:			
At December 31, 2016	—	—	—
At December 31, 2015	736	14	750

## 18 GOODWILL

	Group	
	2016 \$'000	2015 \$'000
Cost:		
At beginning and end of year	2,226	2,226
Impairment:		
At beginning of year	(2,226)	(2,144)
Impairment loss recognised during the year	—	(82)
At end of year	(2,226)	(2,226)
Carrying amount:		
At end of year	—	—



## 18 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2016	2015
	\$'000	\$'000
Drilling and routing services (comprise several CGUs)	–	2,144
Printed circuit board production (single CGU)	–	82
Total	–	2,226

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs were determined based on fair value less costs to sell (Note 17).

Based on the recoverable amount of the CGUs, an impairment loss of \$Nil (2015 : \$82,000) on the goodwill allocated to the Printed Circuit Board production CGU was recognised.

## 19 DEFERRED TAX ASSETS

	Group	
	2016	2015
	\$'000	\$'000
Deferred tax assets	–	33

The following are the major deferred tax assets recognised by the group and movements thereon, during the current and prior reporting periods:

	Tax losses \$'000
At January 1, 2015 and December 31, 2015	33
Charge to profit or loss (Note 32)	(33)
At December 31, 2016	–

In 2015, the tax losses will expire between 2017 to 2022.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 20 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade payables	–	11,355	–	–
Non-trade:				
Due to shareholders (Note 6)	–	13,356	–	13,356
Accruals	–	3,140	–	502
Other payables	391	1,090	389	109
Subsidiaries (Note 15)	–	–	–	8,093
	391	28,941	389	22,060
Classified as liabilities held for sale (Note 14)	55,631	–	–	–
Total	56,022	28,941	389	22,060

Presentation in statements of financial position:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current liabilities	391	17,881	389	11,000
Classified as liabilities held for sale (Note 14)	55,631	–	–	–
Non-current liabilities	–	11,060	–	11,060
Total	56,022	28,941	389	22,060

The balance due to a shareholder, Sunny Worldwide International Limited, amounting to \$11,435,000 (2015 : \$11,060,000), is unsecured, bears fixed interest at 4.5% per annum and repayable after 12 months.

The balance due to a shareholder, Wen Yao-Long, amounting to \$3,288,000 (2015 : \$2,296,000) is unsecured, interest-free and repayable on demand.

In 2016, these amounts are classified as liabilities held for sale (Note 14).



## 21 OBLIGATION UNDER PUT OPTION

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
		(restated)		
At beginning of year	23,642	20,922	12,747	11,193
Exchange difference	(1,063)	-	(573)	-
Changing in carrying amount of put option granted to non-controlling shareholder	-	2,720	-	1,554
Payment made during the year	(2,081)	-	(2,081)	-
Transferred to a subsidiary (Note 15)	-	-	(10,093)	-
Reclassified as trade and other payables (Note 20)	(20,498)	-	-	-
Total	-	23,642	-	12,747

In 2007, the company entered into an agreement with a third party ("Hongta") for the divestment of 12.5% equity interest of Shanghai Zhuo Kai Electronic Technology Co., Ltd ("Zhuo Kai") which also holds 55% shareholdings of other subsidiaries in the People's Republic of China ("subsidiary group"). Pursuant to the sale, the company had also granted Hongta the option to require the company to purchase back its investment during the 3 years period ended October 2011 if this subsidiary group did not achieve certain stipulated milestone and profit targets.

In September 2010, the company entered into a supplementary agreement with Hongta which amends the buy-back option clause in the initial agreement. Under the supplementary agreement, the company will transfer an additional 7% of its shareholding in Zhuo Kai to Hongta. In addition, Hongta has the option to require the company to purchase back its investment if Zhuo Kai fails to meet the milestone by the end of a 5-year period ending October 2015.

In July 2015, the company entered into a supplementary agreement with Hongta to buy back the 19.5% equity shares of a subsidiary for a consideration of RMB108.5 million (\$22.6 million; 2015 : \$23.6 million) in August 2016.

As disclosed in Note 14, on October 1, 2016, to satisfy the Zero Liability Requirement, the group underwent an intragroup restructuring exercise to consolidate all its assets under one of its subsidiary, Eucon Investment Holding Pte. Ltd. ("EIHPL"). Pursuant to the restructuring exercise, the company sold a portion of its assets and liabilities, including its direct interest in certain subsidiaries, to EIHPL. Accordingly, the outstanding gross obligation under put option amounting to \$20.5 million has been assumed by the EIHPL.

On October 18, 2016, Hongta transferred its 19.5% equity shares of Zhuo Kai to the group. Accordingly, the outstanding gross obligation under put option of \$20.5 million as at December 31, 2016 is reclassified to trade and other payables.



# NOTES TO FINANCIAL STATEMENTS

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## 22 DERIVATIVE FINANCIAL INSTRUMENTS

### Forward foreign exchange contracts

The group utilises currency derivatives to hedge significant future transactions and cash flows. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed are as follows:

	Group	
	2016	2015
	\$'000	\$'000
- sell US\$ (within one year)	-	13,443

As at December 31, 2015, the fair value of the forward foreign exchange contracts is estimated to be a liability of \$252,000 based on quoted forward exchange matching maturity of the contracts. Changes in the fair value of currency derivatives amounting to a loss of \$162,000 have been charged to other income in the profit or loss. The forward foreign exchange contracts are settled on a gross basis.

## 23 BORROWINGS

	Effective interest rate		Group	
	2016	2015	2016	2015
			\$'000	\$'000
<b>Bank loans</b>				
Current (Secured): <sup>(i)</sup>				
Fixed rate	4.3% to 4.5%	4.5% to 6.2%	14,213	9,980
Floating rate	2.6% to 2.8%	2.6% to 2.8%	3,119	2,997
Reclassified as held for sale (Note 14)			(17,332)	-
			-	12,977
Non-current (Secured): <sup>(i)</sup>				
Fixed rate	-	4.5% to 6.2%	-	3,922
Floating rate	2.6% to 2.8%	2.6% to 2.8%	722	886
Reclassified as held for sale (Note 14)			(722)	-
			-	4,808
Total bank loans			-	17,785



## 23 BORROWINGS (cont'd)

The borrowings are repayable as follows:

	Group	
	2016	2015
	\$'000	\$'000
Within one year	17,332	12,977
After one but within five years	722	4,733
After five years	-	75
Total	18,054	17,785

Presentation in statements of financial position:

Current liabilities	-	12,977
Classified as liabilities held for sale (Note 14)	18,054	-
Non-current liabilities	-	4,808
Total	18,054	17,785

- (i) The group's borrowings are primarily secured by personal guarantees from directors, property, plant and equipment and land use rights.

The interest rates of the bank loans are reviewed and re-priced at the discretion of the financial institutions. Management is of the view that the fair values of bank loans approximate their carrying amounts.

### Pledged assets

The following assets have been pledged for the facilities obtained from financial institutions:

	Group	
	2016	2015
	\$'000	\$'000
Land use rights (Note 13)	2,059	2,753
Carrying amount of property, plant and equipment (Note 17)	4,407	6,550

The bank loans amounting to \$7.8 million (2015 : \$13.9 million) are also secured by personal guarantees from the directors.

At December 31, 2016, the group has approximately available \$557,000 (2015 : \$1,301,000) of undrawn credit facilities which are secured by personal guarantees from the directors.



# NOTES TO FINANCIAL STATEMENTS

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## 24 RETIREMENT BENEFIT OBLIGATIONS

### Defined benefit plan

The group operates a defined benefit plan for qualifying employees of its subsidiary in the Republic of China under the Labor Standards Law that provides benefits based on an employee's length of service and average one-month salary prior to retirement. The group contribute an amount no more than 2% of salaries paid to their respective pension funds, which are administered by the Labor Pension and Supervisory Committee ("the Committee") and deposited in the name of the Committee in the Bank of Taiwan. Under the plan, the employees are entitled to retirement benefits varying between 2% to 45% of the final monthly average salary on attainment of a retirement age of 65. No other post-retirement benefits are provided.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit published by the local banks.

The plan in the Republic of China typically exposes the group to actuarial risks such as:

**Investment risk** - The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and others. Due to the long-term nature of the plan liabilities, the board of pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

**Interest risk** - A decrease in the bond interest rate will increase the plan liability, however, this will be partially offset by an increase in the return on the plan's debt investments.

**Longevity risk** - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary risk** - The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of the plan members (widow and orphan benefits) is re-insured by an external insurance company.

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2016 by Zong Qing International Consultant Co Ltd (2015 : Zong Qing International Consultant Co Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.



## 24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Valuation at	
	2016	2015
Discount rate	1.5%	1.25%
Expected return on plan assets	1.5%	1.75%
Expected rate of salary increase	2%	2%
Mortality rate	In accordance with Taiwan Standard Ordinary 2011 mortality table	In accordance with Taiwan Standard Ordinary 2011 mortality table

The amount recognised in the statement of financial position in respect of the group's defined benefit retirement benefit plan is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Present value of funded obligations	358	414
Fair value of plan assets	(304)	(360)
Reclassified as held for sale (Note 14)	(54)	–
Net liability recognised in the statement of financial position	–	54

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Service cost		
Current service cost	–	7
Past service cost and gain from settlements	–	(176)
Net interest expense	1	12
Components of defined benefit costs recognised in profit or loss	1	(157)
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	2	(2)
Actuarial gains and losses arising from changes in demographic assumptions	(1)	–
Actuarial gains and losses arising from changes in financial assumptions	(12)	58
Actuarial gains and losses arising from changes in experience adjustments	17	(433)
Components of defined benefit costs recognised in other comprehensive income	6	(377)
Total	7	(534)



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

In 2016, the credit for the year of \$1,000 (2015 : charge for the year of \$157,000) is included in profit or loss in administrative expenses under loss for the year from discontinued operations.

Changes in the present value of the defined benefit obligation are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Opening defined benefit obligation	414	994
Current service cost	–	7
Interest cost	6	20
Remeasurement (gains) losses: Actuarial gains and losses		
from changes in demographic assumptions	(1)	–
from changes in financial assumptions	(12)	58
from experience adjustments	17	(433)
Settlement payments from plan	(81)	(80)
Past service cost, including gains on curtailments	–	(176)
Exchange difference	15	24
Closing defined benefit obligation	358	414

	Group	
	2016	2015
	\$'000	\$'000
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	360	405
Interest income	5	8
Remeasurement gain:		
Return on plan assets (excluding amounts included in net interest expense)	(2)	2
Contributions by employer	7	16
Settlement payments from plan	(81)	(80)
Exchange difference	15	9
Closing fair value of plan assets	304	360



## 24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The percentage of major categories of plan assets at the end of the reporting period were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	Group	
	2016	2015
	%	%
Deposits with financial institution	20.10	17.81
Equity instruments	9.35	9.44
Short-term investment	2.75	1.52
Debt instruments	12.40	12.34
Overseas investments	43.33	38.97
Others	12.07	19.92

In 2016, the actual return on plan assets was \$2,174 (2015 : \$2,422).

The plan assets do not include any of the group's own financial instruments, nor any property occupied by, or other assets used by, the group.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected return on plan assets and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 0.25% higher (lower), the defined benefit obligation would: decrease by \$11,767 (increase by \$12,293) (2015 : decrease by \$14,773 (increase by \$15,478)).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by \$12,201 (decrease by \$11,739) (2015 : increase by \$15,324 (decrease by \$14,702)).
- If the attrition rate increases (decreases) by 10%, the defined benefit obligation would decrease by \$708 (increase by \$710) (2015 : decrease by \$878 (increase by \$881)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the group to manage its risks from prior periods.

The group's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 2% percentage of pensionable salary. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The average duration of the benefit obligation at December 31, 2016 is 14 years (2015 : 14 years).

The group expects to contribute approximately \$7,118 (2015 : \$7,493) to its defined benefit plan in the subsequent financial year.

## 25 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		\$'000	
	'000	'000		
Issued and paid up:				
At beginning of year	570,000	570,000	56,127	56,127
Issued for cash	2,500,000	–	43,260	–
Issue of shares for settlement of introducer fee	50,000	–	900	–
At end of year	3,120,000	570,000	100,287	56,127

Fully paid ordinary shares, which has no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

As disclosed in Note 14, in 2016, pursuant to a share subscription agreement and a supplementary agreement, the company issued 2,500,000,000 new shares and granted 279,764,726 option shares to Oriental Straits Fund III ("Oriental") for a consideration of \$45 million.

Management had determined the value of the option shares to be \$1.74 million. Accordingly, the company recorded an increase in share capital of \$43.26 million and option shares reserve of \$1.74 million, which is included in capital reserve (Note 28).

Oriental was introduced to the company by a third party. In accordance with the terms of the share subscription agreement, the third party was entitled to an introducer fee upon the issuance of shares by the company to Oriental. The introducer fee is to be settled by the issuance of the company's shares to the third party. Accordingly, the company issued 50 million shares at an issue price of \$0.018 per share to the third party for settlement of the introducer fee of \$0.9 million.

As at December 31, 2016, \$0.97 million of the introducer fee remains unsettled. The amount will be settled by the issuance of 53.9 million shares of the company to the introducer. Accordingly, the company recorded a capital reserve of \$0.97 million. (Note 28)

## 26 STATUTORY RESERVES

	Legal and special reserves	Reserve fund	Total
	\$'000	\$'000	\$'000
<b>Group</b>			
Balance at January 1, 2015, December 31, 2015 and December 31, 2016	2,747	5,165	7,912



## 27 OTHER RESERVE

The other reserve comprises equity reserve that represents the effects of changes in ownership interests in subsidiaries when there is no change in control (see Note 21).

## 28 CAPITAL RESERVE

The capital reserve represents the amount of introducer fee payable, which will be settled by the issuance of shares (Note 25) amounting to \$0.97 million and option shares reserve amounting to \$1.74 million in respect of the option shares granted.

## 29 REVENUE

	Group					Total 2015
	Continuing operations		Discontinued operations		Total 2016	
	2016	2015	2016	2015		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of goods	—	—	46,651	52,493	46,651	52,493

## 30 OTHER INCOME

	Group					
	Continuing operations		Discontinued operations		Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Foreign exchange gain	–	569	–	447	–	1,016
Interest income	14	–	15	865	29	865
Other income	–	5	1,212	1,202	1,212	1,207
Total	14	574	1,227	2,514	1,241	3,088

## 31 FINANCE COSTS

	Group					
	Continuing operations		Discontinued operations		Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Change in carrying amount of put option granted to non-controlling shareholder (Note 21)	–	–	–	2,720	–	2,720
Interest expense on:						
Amount due to shareholder	–	–	371	375	371	375
Bank loans	–	–	730	920	730	920
Finance leases	–	–	–	1	–	1
Total	–	–	1,101	4,016	1,101	4,016



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 32 INCOME TAX

	Group					
	Continuing operations		Discontinued operations		Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current tax income	–	–	(3)	–	(3)	–
Overprovision of deferred tax asset in prior year (Note 19)	–	–	33	–	33	–
Total	–	–	30	–	30	–

Domestic income tax is calculated at 17% (2015 : 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total credit for the year can be reconciled to the accounting loss as follows:

	Group	
	2016	2015
	\$'000	\$'000
		(restated)
Loss before income tax:		
Continuing operations	(3,836)	(787)
Discontinued operations	(5,874)	(22,051)
	<u>(9,710)</u>	<u>(22,838)</u>
Tax at statutory rate of 17% (2015 : 17%)	(1,651)	(3,882)
Non-deductible expenses	2,062	5,251
Overprovision of deferred tax asset in prior year	33	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(414)	(1,369)
Income tax expense	<u>30</u>	<u>–</u>

(a) The corporate tax rate of subsidiaries in the Republic of China ("PRC") is 25% (2015 : 25%).

(b) The corporate tax rate of the Taiwanese subsidiary is 17% (2015 : 17%).



## 33 DISCONTINUED OPERATIONS

As disclosed in Note 14, on December 30, 2016, the company resolved to dispose of EIHPL, and entered into a sale and purchase agreement with Mr. Wen for the sale of EIHPL, subject to the terms and conditions set forth in the sale and purchase agreement between the company and Mr. Wen. The assets and liabilities attributable to EIHPL and its subsidiaries, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position. The operations of EIHPL's subsidiaries forms the group's entire mechanical drilling and routing services and printed circuit board production and related processing services ("PCB operations") for segment reporting purposes.

### (i) Results from discontinued operations

	2016 \$'000	2015 \$'000 (restated)
Revenue	46,651	52,493
Cost of service and sales	(42,778)	(49,687)
Gross profit	3,873	2,806
Other income	1,227	2,514
Distribution costs	(2,003)	(1,770)
Administrative expenses	(7,780)	(8,621)
Other expenses	(90)	(12,964)
Finance costs	(1,101)	(4,016)
Loss before income tax	(5,874)	(22,051)
Income tax	(30)	–
Loss for the year	(5,904)	(22,051)
Loss attributable to:		
Owners of the company	(4,531)	(19,428)
Non-controlling interests	(1,373)	(2,623)
	(5,904)	(22,051)

### (ii) Cash flows from discontinued operations

During the year, the subsidiaries which forms the group's discontinued operations paid \$10,062,000 in respect of (2015 : contributed \$4,810,000 to) the group's net operating cash flows, contributed \$11,598,000 to (2015: paid \$545,000 in respect of) investing activities and contributed \$3,708,000 to (2015 : paid \$4,872,000 in respect of) financing activities.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 34 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Group					
	Continuing operations		Discontinued operations		Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation:						
Depreciation of property, plant and equipment	18	17	1,789	6,132	1,807	6,149
Amortisation of land use rights	–	–	74	96	74	96
	18	17	1,863	6,228	1,881	6,245
Directors' remuneration	78	546	77	324	155	870
Directors' fees	130	130	–	–	130	130
Total directors' expense	208	676	77	324	285	1,000
Employee benefits expense (including directors' remuneration):						
Defined contribution plans	20	45	62	94	82	139
Other staff costs	197	956	10,107	11,016	10,304	11,972
Total employee benefits expense	217	1,001	10,169	11,110	10,386	12,111
Allowance for doubtful debts	–	–	255	2	255	2
Reversal of allowance for inventories	–	–	(120)	(425)	(120)	(425)
Total allowance	–	–	135	(423)	135	(423)
Audit fees:						
- paid to auditors of the company	105	95	–	–	105	95
- paid to other auditors	–	–	186	111	186	111
Total audit fees	105	95	186	111	291	206
Non-audit fees paid to auditors of the company	2	2	13	–	15	2
(Gain) Loss on disposal of property, plant and equipment	–	–	(70)	1,416	(70)	1,416
Property, plant and equipment written off	–	–	–	759	–	759
Net foreign currency exchange (loss) gain	(351)	569	889	(1,585)	538	(1,016)
Cost of inventories recognised as expense in cost of sales	–	–	27,195	25,970	27,195	25,970



## 34 LOSS FOR THE YEAR (cont'd)

Other expenses include impairment of land use rights of \$Nil (2015 : \$939,000), and impairment loss on property, plant and equipment of \$Nil (2015 : \$10,024,000).

### *Compensation of directors and key management personnel*

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2016	2015
	\$'000	\$'000
Short-term benefits	818	1,586
Post-employment benefits	26	16
	<u>844</u>	<u>1,602</u>

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 35 LOSS PER SHARE

From continuing and discontinued operations

	Group	
	2016	2015
	\$'000	\$'000
		(restated)
Loss attributable to owners of the company (\$'000)	<u>(8,367)</u>	<u>(20,215)</u>
Weighted average number of ordinary shares ('000)	<u>1,207,500</u>	<u>570,000</u>
Loss per share (cents)	<u>(0.69)</u>	<u>(3.55)</u>

As disclosed in Note 14, the second tranche of the share subscription has yet to be issued and the company has granted option shares and bond subscription option to Oriental Straits Fund III. There are also outstanding introducer shares to be issued as disclosed in Note 25. The calculation for diluted earnings per share is not presented as the effects of these potential ordinary shares are antidilutive for the periods presented.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 35 LOSS PER SHARE (cont'd)

### From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary owners of the company is based on the following data.

Loss figures are calculated as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
		(restated)
Loss attributable to owners of the company (\$'000)	(8,367)	(20,215)
Less:		
Loss for the year from discontinued operations	(4,531)	(19,428)
Loss for the purposes of basic loss per share from continuing operations	(3,836)	(787)
Weighted average number of ordinary shares ('000)	1,207,500	570,000
Loss per share (cents)	(0.32)	(0.14)

### From discontinued operations

Basic loss per share for the discontinued operations is 0.38 cents per share (2015: 3.41 cents per share), based on the loss for the year from discontinued operations of \$4,531,000 (2015: \$19,428,000) and the denominators detailed above for both basic and diluted earnings per share.

## 36 OPERATING LEASE ARRANGEMENTS

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Minimum lease payments under operating leases recognised as an expense during the year	115	265

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	91	162
In the second to fifth years inclusive	30	103
Total	121	265

Operating lease payments represent rental payable by the group for certain of its office premises, land use rights and plant and equipment. Leases are negotiated for an average term of seven years.



## 37 SEGMENT INFORMATION

For management purposes, the group is organised into two major reportable segments - mechanical drilling and routing services and printed circuit boards production and related processing services ("PCB operations"). The segments are the basis on which the group reports to its chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### (a) Analysis by Reportable Segment

Segment revenue and expense are revenue and expense reported in the group's profit or loss that are either directly attributable to a segment or can be allocated on a reasonable basis to a segment.

Segment assets are all operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Information regarding the group's reportable segments prepared based on measurement principles of FRS is presented below.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 37 SEGMENT INFORMATION (cont'd)

(a) Analysis by Reportable Segment (cont'd)

Revenue and expenses (by business segments)	Continuing Operations		Discontinued Operations			
	Corporate		Mechanical drilling and routing services		PCB operations	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
<b>Segment revenue to external parties</b>	-	-	1,869	5,468	44,782	47,025
<b>Segment results</b>	-	-	(2,514)	(8,989)	(3,467)	(11,365)
Other income	14	574			1,227	2,514
Unallocated corporate expenses	(3,850)	(1,361)			(19)	(195)
Finance costs	-	-			(1,101)	(9,016)
Loss before income tax	(3,836)	(787)			(5,874)	(22,051)
Income tax expense	-	-			(30)	-
Net loss attributable to the group	(3,836)	(787)			(5,904)	(22,051)
<b>Assets and liabilities</b>						
Segment assets	-	-	9,422	25,989	52,457	38,949
Unallocated corporate assets	46,047	1,994			805	-
Consolidated total assets	46,047	1,994			62,684	64,938
Segment liabilities	-	-	1,161	4,246	36,870	42,175
Unallocated corporate liabilities	391	-			38,031	46,421
Consolidated total liabilities	391	-			35,708	24,253
					73,739	70,674
Additions to property, plant and equipment	-	-	839	458	1,208	3,345
Property, plant and equipment written off	-	-	-	-	-	759
(Gain)/loss on disposal of property, plant and equipment	-	-	-	-	(70)	1,416
Depreciation	-	-	736	4,121	1,053	2,011
Amortisation of land use rights	-	-	35	44	39	52
Impairment of land use rights	-	-	-	939	-	-
(Reversal of) Allowance for inventories	-	-	(28)	(52)	(92)	(373)
(Reversal of) Allowance for doubtful debts	-	-	(68)	(17)	323	19
Impairment loss on property, plant and equipment (net)	-	-	-	5,649	-	4,375
Impairment of goodwill	-	-	-	-	-	82
Unallocated corporate expenditure:						
Depreciation	18	17			-	-
					-	-
					18	17



## 37 SEGMENT INFORMATION (cont'd)

### (a) Analysis by Reportable Segment (cont'd)

The accounting policies of the reportable segments are the same as the group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' remuneration, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### (b) Analysis by Geographical Information

Segment revenue is analysed based on the location of customers.

Total revenue and non-current assets (excluding investment in associates, other financial assets, deferred tax assets and goodwill) are analysed based on the location of those assets.

#### Revenue and non-current assets (by geographical segments)

	Republic of China		People's Taiwan		Singapore		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	34,027	41,380	12,624	11,113	–	–	46,651	52,493
Segment non-current tangible assets	–	19,005	–	3,246	–	750	–	23,001

#### Information about major customers

Included in revenues of the PCB operations are revenues of approximately \$9,785,000 and \$8,208,000 (2015 : \$9,079,000 and \$8,002,000) which arose from sales to the group's two largest customers. In 2015, one of the major customer is owned by a shareholder of the company.

## 38 COMMITMENTS

	Group	
	2016	2015
	\$'000	\$'000
Commitments for the acquisition of a company	499	–

On December 29, 2016, the group entered into a conditional sale and purchase agreement with a third party to acquire the entire issued and paid-up capital of BJ Vast Universe Culture Communication Co., Ltd ("BJ Vast"), subject to terms and conditions set forth in the sale and purchase agreement between the company and the third party.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

## 39 RESTATEMENTS AND COMPARATIVE FIGURES

Management has restated the obligation in respect of the option to require the company to purchase back Hongta's investment in Zhuo Kai (Note 21) to recognise a gross obligation at an amount equal to the present value of the amount that could be required to be paid to Hongta on initial recognition of the put option.

The restatements are as follows:

	Group	
	Previously reported	After restatement
	\$'000	\$'000
<b>December 31, 2015</b>		
<b>Group</b>		
<b><i>Statements of financial position</i></b>		
Obligation under put option	12,747	23,642
Reserves	(53,628)	(64,523)
<b><i>Consolidated of statement of profit or loss and other comprehensive income</i></b>		
Other expenses	(14,518)	(12,964)
Finance cost	(1,296)	(4,016)
Loss for the year	(21,672)	(22,838)
<b><i>Statements of changes in equity</i></b>		
Other reserves	(2,993)	(19,164)
Accumulated losses	(50,419)	(45,143)
<b>January 1, 2015</b>		
<b>Group</b>		
<b><i>Statements of financial position</i></b>		
Obligation under put option	11,193	20,922
Reserves	(35,504)	(45,233)
<b><i>Statements of changes in equity</i></b>		
Other reserves	(2,993)	(19,164)
Accumulated losses	(31,747)	(25,305)



## SUMMARY OF PROPERTIES

Held by	Location and description	Tenure	Usage of property
Eucon Investment Holding Pte Ltd	80 Marine Parade Road #11-02 Parkway Parade Singapore 449269	Leasehold 99 years commencing from August 1979	Office
LGANG Optronics Technology Co., Ltd	19 Her-Jun North Road Chung-Li Industrial Park Chung-Li City Taoyuan County Taiwan	Freehold	Manufacturing Plant
Shanghai Zeng Kang Electronic Co., Ltd	1150 Caoxin Road Xuhang Town Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant
Shanghai Zhuo Kai Electronic Technology Co., Ltd	399 Baoqian Road Xuhang Industrial Park Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant
Shanghai Eu Ya Electronic Technology Co., Ltd	419 Baoqian Road Xuhang Industrial Park Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant



# STATISTICS OF SHAREHOLDINGS

As at 20 March 2017

## SHARE CAPITAL

Number of Issued Shares	:	3,120,000,000
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings <sup>(1)</sup> )	:	3,120,000,000
Number of Treasury Shares	:	0
Number of Subsidiary Holdings	:	0
Percentage of Treasury Shares and Subsidiary Holdings	:	0.00% <sup>(2)</sup>
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	:	One vote per share

**Note:**

<sup>(1)</sup> "Subsidiary Holdings" means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore).

<sup>(2)</sup> Percentage calculated against the number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.08	89	0.00
100 – 1,000	255	9.63	141,779	0.00
1,001 – 10,000	1,037	39.15	5,028,760	0.16
10,001 – 1,000,000	1,304	49.23	135,010,683	4.33
1,000,001 AND ABOVE	51	1.91	2,979,818,689	95.51
<b>TOTAL</b>	<b>2,649</b>	<b>100.00</b>	<b>3,120,000,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,502,889,200	80.22
2	UOB KAY HIAN PRIVATE LIMITED	113,245,900	3.63
3	SUNNY WORLDWIDE INTERNATIONAL LTD	108,362,000	3.47
4	WEN YAO LONG	41,147,747	1.32
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	25,343,800	0.81
6	CITIBANK NOMINEES SINGAPORE PTE LTD	18,300,800	0.59
7	CIMB SECURITIES (SINGAPORE) PTE. LTD.	16,375,099	0.52
8	YEO KAN YEN	15,266,500	0.49
9	CHEN WEN-CHIN	9,762,000	0.31
10	CHEN CHENG HSIUNG	8,136,800	0.26
11	LEE YING-CHI	7,140,000	0.23
12	KWA CHING TZE	6,700,000	0.21
13	JENG HUANG FONG MAAN	6,188,800	0.20
14	CHIEN WAN HSIN	5,857,800	0.19
15	CHEN CHU-TSU	5,796,500	0.19
16	PHILLIP SECURITIES PTE LTD	5,237,800	0.17
17	DBS NOMINEES (PRIVATE) LIMITED	5,047,400	0.16
18	WANG JUNG HSIN	5,000,000	0.16
19	WEN YAO-CHOU	4,794,643	0.15
20	CHUANG TSU LI	4,609,800	0.15
	<b>TOTAL</b>	<b>2,915,202,589</b>	<b>93.43</b>



## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Oriental Straits Fund III <sup>(1)</sup>	2,500,000,000	80.13	–	–
Sun Quan <sup>(2)</sup>	–	–	2,500,000,000	80.13

### Note:

<sup>(1)</sup> Shares held through DBS Vickers Securities (Singapore) Pte Ltd as nominee.

<sup>(2)</sup> By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Mr Sun Quan is deemed to be interested in the 2,500,000,000 Shares owned by Oriental Straits Fund III in the Company. Please refer to the disclosure on page 22 of the Annual Report.

## SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 20 March 2017, approximately 14.93% of the issued ordinary shares of the Company excluding treasury shares are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.



# NOTICE OF ANNUAL GENERAL MEETING

Dated 5 April 2017

**NOTICE IS HEREBY GIVEN** that the Fifteenth Annual General Meeting of Eucon Holding Limited (the “Company”) will be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 20 April 2017 at 10.00 a.m. to transact the following businesses:

## Ordinary Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditor’s Report thereon. **Resolution 1**
2. To re-elect Mr Er Kwong Wah, who is retiring by rotation in accordance with Article 89 of the Constitution of the Company and who, being eligible, offers himself for re-election. **[See Explanatory Note 1]** **Resolution 2**
3. To re-elect the following Directors who are retiring in accordance with Article 88 of the Constitution of the Company and who, being eligible, offer themselves for re-election:
  - (a) Mr Ji Zenghe; **Resolution 3**
  - (b) Mr Fan Xianyong; **Resolution 4**
  - (c) Mr Zhang Wei; **Resolution 5**
  - (d) Mr Sun Quan; and **Resolution 6**
  - (e) Mr Zhao Xichen. **Resolution 7****[See Explanatory Note 2]**
4. To approve payment of Directors’ fees by the Company of S\$130,000 for the financial year ended 31 December 2016 (2015: S\$130,000). **Resolution 8**

## Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolution as Ordinary Resolution:

5. **SHARE ISSUE MANDATE** **Resolution 9**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Act”) and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors to:

  - (a) (i) issue shares of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,



# NOTICE OF ANNUAL GENERAL MEETING

Dated 5 April 2017

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors 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 while this resolution was in force,

provided that:

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

BY ORDER OF THE BOARD

LIM HENG CHONG BENNY  
DAI LINGNA  
Joint Company Secretaries

Singapore, 5 April 2017



# NOTICE OF ANNUAL GENERAL MEETING

Dated 5 April 2017

## EXPLANATORY NOTES:

1. **Resolution 2** – Mr Er Kwong Wah will, upon re-election, remain as Independent Director, Chairman of the Nominating Committee, and a member of each of the Audit Committee and Remuneration Committee. Mr Er is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr Er can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s 2016 Annual Report. There are no relationships (including immediate family relationships) between Mr Er and the Directors, the Company or its 10% shareholders.
2. **Resolutions 3 to 7** – Article 88 of the Company’s Constitution permits the Directors to appoint any person to be a Director either as an additional Director or to fill a casual vacancy. Any person so appointed by the Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election. Mr Zhang Wei and Messrs Ji Zenghe, Fan Xianrong, Sun Quan and Zhao Xichen were appointed on 26 September 2016 and 12 October 2016 respectively, and are seeking re-election at the forthcoming 15th Annual General Meeting.
  - (a) Mr Ji Zenghe will, upon re-election, remain as Executive Chairman and Chief Executive Officer.
  - (b) Mr Fan Xianrong will, upon re-election, remain as Executive Director.
  - (c) Mr Zhang Wei will, upon re-election, remain as Executive Director.
  - (d) Mr Sun Quan will, upon re-election, remain as Non-Executive Non-Independent Director.
  - (e) Mr Zhao Xichen will, upon re-election, remain as Independent Director, and is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information on these directors can be found under “Board of Directors” and “Corporate Governance Report” in the Company’s 2016 Annual Report. Save as disclosed in those sections, there are no relationships (including immediate family relationships) between each of these Directors and the other Directors, the Company or its 10% shareholders.

3. **Resolution 9** – Resolution 9, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50% of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders’ approval will be required for any consolidation or subdivision of shares.

## NOTES:

1.
  - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
  - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269 not less than 48 hours before the time fixed for holding the Annual General Meeting.



# NOTICE OF ANNUAL GENERAL MEETING

Dated 5 April 2017

## Personal Data Privacy:

By submitting 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 or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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# EUCON HOLDING LIMITED

(Incorporated in the Republic of Singapore)

## Proxy Form Annual General Meeting

### IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Notes 3 and 4).
2. For investors who have used their CPF monies to buy the Company's shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

I/We, \_\_\_\_\_ (Name) of

\_\_\_\_\_ (Address)

being a member/members of EUCON HOLDING LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing the person/persons, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Fifteenth Annual General Meeting ("AGM") of the Company, to be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 20 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM 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 determine on any other matter arising at the AGM.

No.	Resolutions relating to:	*No. of Votes "For"	*No. of Votes Against
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016, together with the Auditor's Report thereon		
2	Re-election of Mr Er Kwong Wah as a Director		
3	Re-election of Mr Ji Zenghe as a Director		
4	Re-election of Mr Fan Xianying as a Director		
5	Re-election of Mr Zhang Wei as a Director		
6	Re-election of Mr Sun Quan as a Director		
7	Re-election of Mr Zhao Xichen as a Director		
8	Approval of the payment of Directors' fees of S\$130,000 for the financial year ended 31 December 2016		
9	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST		

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

### TOTAL NUMBER OF SHARES HELD IN:

(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Shareholder(s)  
or Common Seal of Corporate Shareholder





**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have 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 of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined in Note (4) below) shall be entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.
3. A member of the Company who is a relevant intermediary (as defined in Note (4) below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him.
4. Pursuant to Section 181 of the Companies Act (Cap. 50), a "relevant intermediary" means:-
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A proxy need not be a member of the Company. Where a member (other than a relevant intermediary) appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as alternate to the first named or at the Company's option to treat this proxy form as invalid.
6. This Proxy Form must be under the hand of the appointor or by his attorney duly authorised in writing. Where the member is a corporation, the instrument appointing the proxy or proxies must be executed under its seal or the hand of its attorney or duly authorised officer.
7. This Proxy Form must be deposited at the registered office of the Company at 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269 not less than 48 hours before the time appointed for holding the above AGM.
8. The Company shall be entitled to reject an instrument of proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 5 April 2017.





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