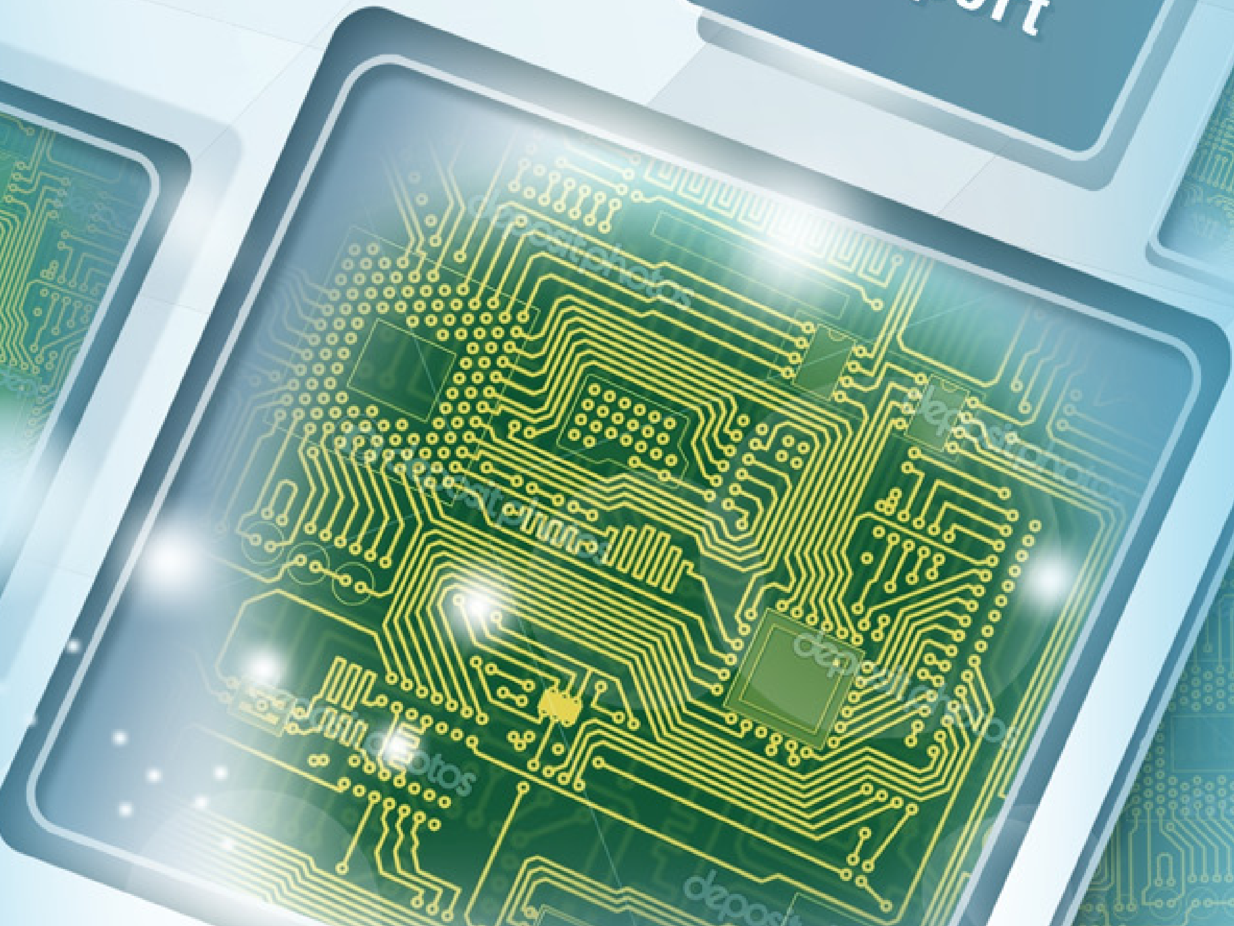
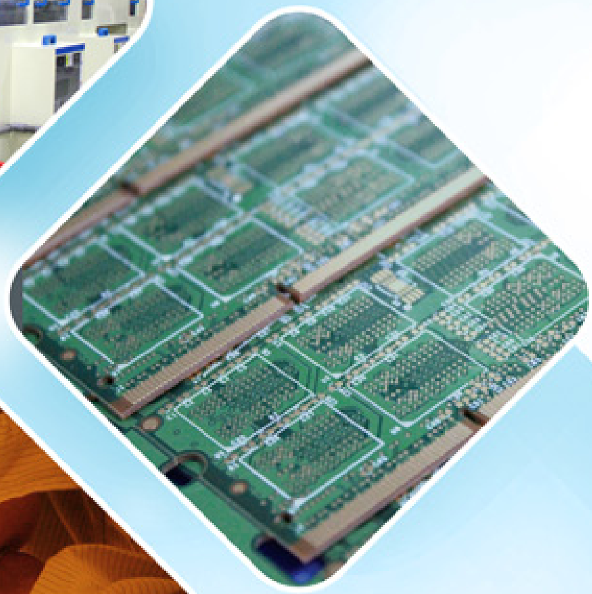
EUCON HOLDING LIMITED

2014 Annual Report



A Dynamic Progression



Contents

Vision

To be recognised as the market leader in offering outsourced high quality turnkey printed circuit board (“PCB”) related services to the PCB manufacturing industry

Mission

To provide technologically advanced high-quality one-stop PCB solutions to fulfill our customers’ evolving needs and create value for our stakeholders

Corporate Information

BOARD OF DIRECTORS

Executive Director

Wen Yao-Long (Executive Chairman and CEO)

Independent Directors

Ong Sim Ho (Lead Independent Director)

Seow Han Chiang, Winston

Er Kwong Wah

AUDIT COMMITTEE

Ong Sim Ho (Chairman)

Seow Han Chiang, Winston

Er Kwong Wah

NOMINATING COMMITTEE

Er Kwong Wah (Chairman)

Seow Han Chiang, Winston

Ong Sim Ho

REMUNERATION COMMITTEE

Seow Han Chiang, Winston (Chairman)

Ong Sim Ho

Er Kwong Wah

COMPANY SECRETARY

Tan Cheng Siew

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

80 Marine Parade Road

#11-02 Parkway Parade

Singapore 449269

Tel: (65) 6345 6078

Fax: (65) 6345 6079

Website: www.euconholding.com

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place, #32-01

Singapore Land Tower, Singapore 048623

AUDITORS

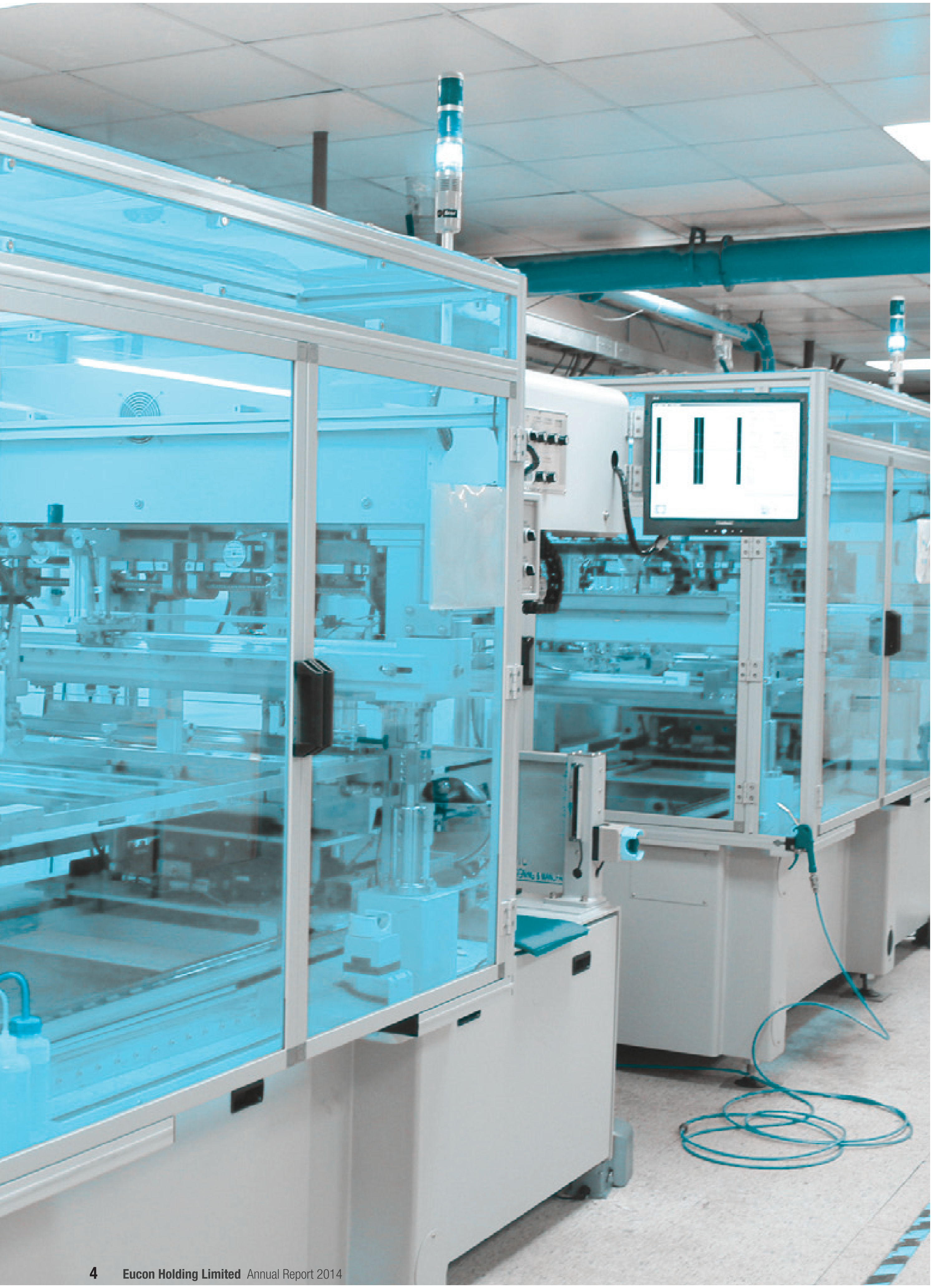
Deloitte & Touche LLP

Chartered Accountants

6 Shenton Way, OUE Downtown 2

#33-00, Singapore 068809

Partner-in-charge: Ang Poh Choo
Date of Appointment: 20 August 2013



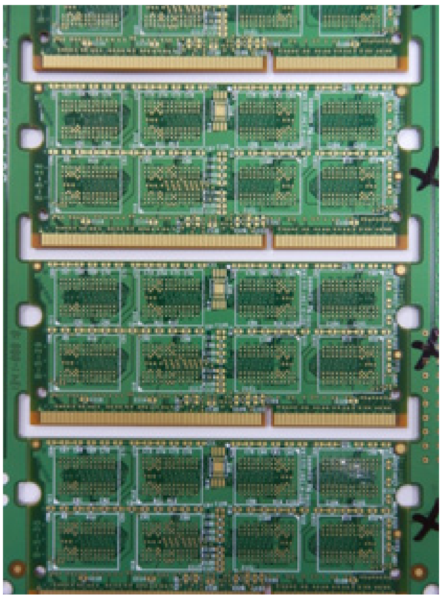
Corporate Profile

One of the largest independent PCB drilling service providers in China

SGX Mainboard-listed Eucon Holding Limited ("Eucon" or "the Group") is an integrated PCB service provider, with expertise in manufacturing via both traditional and embedded PCB technologies. Its suite of PCB solutions being mechanical drilling, routing and PCB manufacturing are provided through its 6 plants, 1 located in Taiwan and 5 in Shanghai, China.

In Taiwan, LGANG Optronics Technology Co., Ltd ("LGANG") will be focusing on PCB manufacturing. In China, the Group has dedicated 2 of the plants in Shanghai to handle the entire process of PCB manufacturing. Shanghai Zhuo Kai Electronic Technology Co., Ltd ("Zhuo Kai") handles outer-layer PCB manufacturing, while Shanghai Eu Ya Electronic Technology Co., Ltd ("Eu Ya") focuses on mass lamination production. The rest of the Shanghai plants are equipped with mechanical drilling and routing machines to handle both in-house demand from PCB operations and external customers. They are Shanghai Zeng Kang Electronic Technology Co., Ltd, Shanghai Yaolong Electronic Technology Co., Ltd and Shanghai Lian Han Xin Electronic Technology Co., Ltd. To-date, Zhuo Kai does employ embedded PCB technologics in PCB manufacturing.

In Singapore, a wholly owned subsidiary, Emerging Technology Pte. Ltd. which is a trading company was incorporated in August 2012.



Chairman's Message

"During the year in review, Eucon undertook a restructuring exercise for its PCB Operations to maintain its customer base above a specific profit margin. Besides that, we also focused on cost restructuring."

Wen Yao-Long

Executive Chairman and CEO

Dear Shareholders,

For the financial year ended 31 December 2014 ("FY2014"), the world economy experienced lacklustre growth, plagued by weak and uneven recovery across various regions. With the exception of a strengthening US, other major economies such as China, Japan and Europe contended with ongoing weaknesses. This dampens the overall business conditions for the Group.

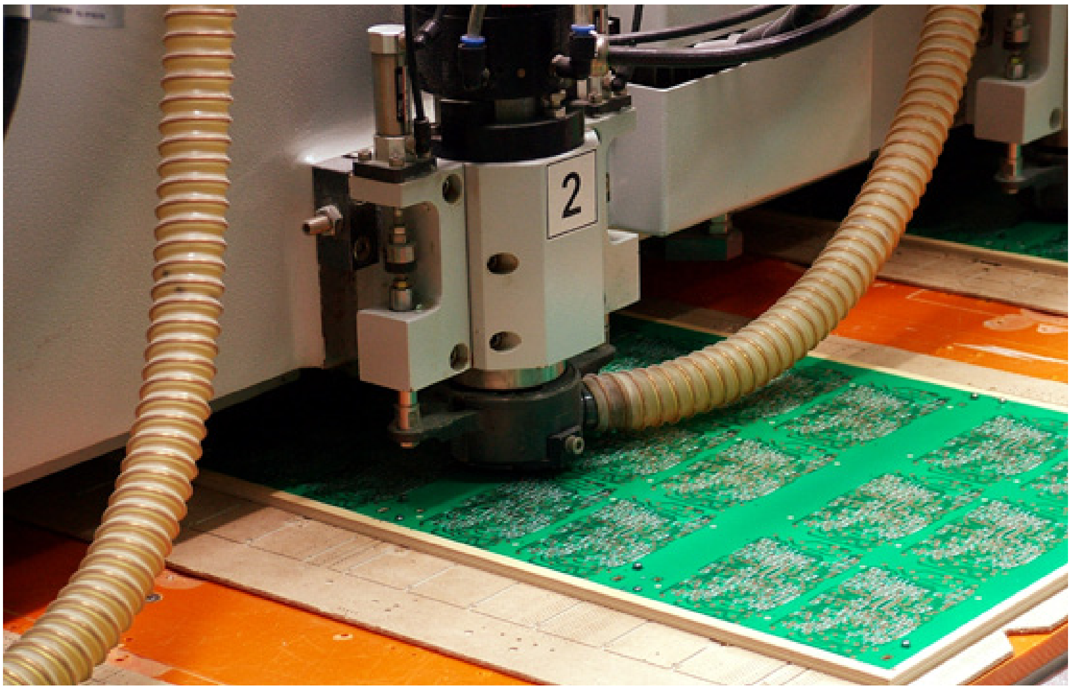
As a result of anaemic economic conditions, the Group's growth was impeded, resulting in a dip in our revenue by 12%, from $65.8 million for the financial year ended 31 December 2013 ("FY2013") to $57.8 million this year. Sales volumes fell across all segments, with PCB operations bearing the brunt. Despite the decrease in revenue, we saw a 50% rise in our gross profit, from $3.8 million in FY2013 to $5.7 million for the year in review. This was due to the restructuring exercise we undertook for the PCB Operations segment to maintain its customer base above a specific profit margin, combined with a decrease in depreciation expense for machineries following the cessation of our laser drilling business segment and the disposal of related machines.

Streamlining Costs and Operations

During the year in review, Eucon undertook a restructuring exercise for its PCB Operations to maintain its customer base above a specific profit margin. Besides that, we also focused on cost restructuring. This was following our cost-saving initiatives that we implemented in FY2013. These measures for internal restructuring saw us successfully improve our cost management, with a better streamlined cost structure.

For the first half of the year in review, the Group kept our focus on quality and cost control, and have made considerable improvements in these two aspects. With regard to quality control, rate of wastage and chargebacks for items below our quality standards have been largely reduced. As for cost control, we have been able to manage our costs and expenses within the ideal range. As such, from the second half of FY2014, we channelled our energies towards strengthening sales and marketing of products to improve revenue.

"We will continue to closely monitor our cost structure and seek to enhance revenue"



Strategy and Outlook

The outlook for major global economies continues to be lacklustre, with the pace of recovery likely to be uneven across various countries. Business sentiment is also expected to be less optimistic. As such, we will adopt a cautious and stable approach, ramping up our efforts to improve our sales and boost our bottom line.

In the face of ever-changing consumer demand in the electronics industry, it is crucial not only to keep ahead of the competition with technological expertise and knowledge, but also to differentiate oneself and generate sales. Eucon recognises this; thus we developed our capabilities in embedded PCB manufacturing in the last year, and are simultaneously focused on boosting sales.

The general business environment for PCB operations has been trying in FY2014 with sales of our embedded PCB being delayed. Since the cessation of the laser drilling operations, LGANG Optronics Technology Co,. Ltd ("LGANG"), our Taiwan subsidiary, has been transformed and will focus on traditional and embedded PCB manufacturing going forward. We believe that the performance of our PCB operations will pick up in FY2015.

Through continual cost restructuring, we are able to mitigate the pressure of rising material and manpower costs, achieving improved productivity and operational efficiency. We will continue to closely monitor our cost structure and seek to enhance revenue. The Group will also keep a lookout for opportunities in order to exit from the SGX-ST Watch-List.

A Note of Appreciation

On behalf of the Board and management, I would like to express my gratitude towards all esteemed shareholders for placing your continued trust in us. I also wish to thank our customers, business associates and employees for their commitment and support for the Group through these years. I believe the strategic focus of the Group to streamline our costs and operations, as well as to boost sales revenue will enable Eucon to persist through the challenges and pave the way for future growth.

Wen Yao-Long
Executive Chairman and CEO

Operations Review

Overview

Sales volumes fell across all segments, with PCB operations bearing the brunt. Despite the decrease in revenue, we saw a 50% rise in our gross profit, from \$3.8 million in FY2013 to \$5.7 million for the year in review. This was due to the restructuring exercise we undertook for the PCB Operations segment to maintain its customer base above a specific profit margin, combined with a decrease in depreciation expense for machineries following the cessation of our laser drilling business segment and the disposal of related machines.

PCB Operations

In FY2014, we continued to derive the bulk of our Group revenue from our PCB operations, with it contributing 89% of the total Group sales. However, the sluggish general business environment for our PCB operations saw its revenue decrease 10%, from the \$57.1 million attained in FY2013 to \$51.4 million this year.

Mechanical Drilling and Routing Services

The mechanical drilling and routing segment is mainly made up of sub-contracted sales which are subject to the volatility of the fluctuations in market demand. In FY2014, revenue from this segment suffered a 6% dip, from \$6.8 million in FY2013 to \$6.4 million for the year in review and accounted for 11% of total Group sales.

Geographical Markets

China operations remained the main contributor to our Group revenue in FY2014, with 94% of total revenue coming from the China operations. This was a marginal decrease of 1% from 95% in FY2013.

Since the cessation of our laser drilling business segment, we have made a strategic shift, transforming our plant in Taiwan to focus on the manufacture of traditional and embedded PCB. We expect that our PCB operations will grow and business will pick up in the next financial year.

Developing Streamlined Operations

For the year in review, a weak and uneven global economic recovery in turn affected Eucon's overall business operations. Loss before tax for FY2014 from continuing operations rose to $10.1 million, an increase of 66% from the loss before tax of $6.1 million correspondingly last year.

We disposed of our laser drilling business segment in December 2013. As such, the Group's business now comprise of PCB operations as well as mechanical drilling and routing services.

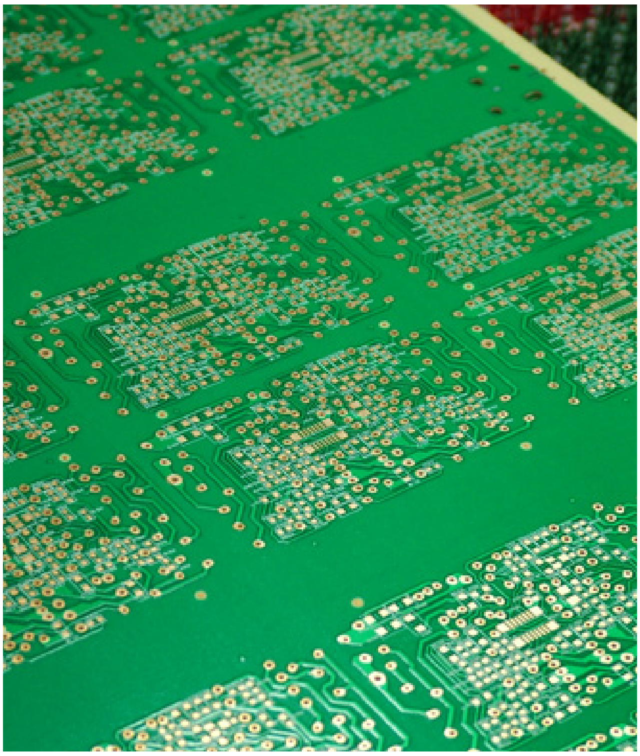
We made this tactical decision to focus on PCB operations, particularly in the research and development of embedded PCB technology. In addition to traditional PCB manufacturing, our Taiwan plant has been refurbished with new equipment and machinery to cater to embedded PCB technology and fulfilling sales orders for embedded PCB manufacturing.

Eucon also undertook a restructuring exercise during the year for our PCB operations to maintain its customer base above a specific profit margin. This restructuring exercise brought about an increase in our overall gross profit by 50%, despite a dip in revenue.

Proceeding with Renewed Focus

Continuing our cost restructuring strategy, we looked into quality and cost control. In FY2014, we managed to successfully reduce rates of production inaccuracies, defects and wastages, and contain costs and expenses within the ideal range.

We also send staff for regular training and upgrading courses while implementing stringent quality control procedures to improve quality standards and output, as well as productivity. These measures will help cushion the impact of rising manpower costs.



"We believe that the renewed focus will help drive the Group forward in attaining better sales volume and an improved market presence."

With ongoing cost control measures bearing fruit, we have shifted our focus on improving the sales and marketing aspects of the business. Going forward, this will be Eucon's focus, so as to be able to increase our revenue and strengthen our bottom line.

We believe that the renewed focus will help drive the Group forward in attaining better sales volume and an improved market presence and capture opportunities ahead.

Board of Directors

FROM TOP LEFT TO RIGHT:

WEN YAO-LONG
Founder, Executive Chairman and Chief Executive Officer

ONG SIM HO
Lead Independent Director

SEOW HAN CHIANG, WINSTON
Independent Director

ER KWONG WAH
Independent Director

WEN YAO-LONG

Founder, Executive Chairman and Chief Executive Officer

Mr Wen has been instrumental in charting out business directions and spearheading the Company's growth. He is responsible for the overall management of the Group. He 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 20 years of experience in the PCB industry.

ONG SIM HO

Lead Independent Director

Mr Ong is a practising lawyer specialising in tax laws. He is currently running his own law firm, Messrs Ong Sim Ho Advocates & Solicitors. He is the Non-Executive Chairman of Tokio Marine Life Insurance Singapore Ltd and a member of the Board of Bluefield Energy Pte Ltd, Emirates National Oil Company (Singapore) Pte Ltd, Prairie Fire Pte Ltd, Sunningdale Tech Limited and Tokio Marine Insurance Singapore Ltd. Mr Ong also serves as an Advisory Board Member of the School of Accountancy at the Singapore Management University. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law of Lincoln's Inn, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

SEOW HAN CHIANG, WINSTON

Independent Director

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 ICP Ltd., ITE Electric Co Ltd and Sound Global Ltd.

ER KWONG WAH

Independent Director

Mr Er is an Executive Director of East Asia Institute of Management. He is also an Independent Director for several public listed companies including CFM Holdings Limited, China Essence Group Ltd., China Oilfield Technology Services Group Ltd, China Sky Chemical Fiber Co., Ltd., COSCO Corporation (Singapore) Limited, C Y Foundation Group 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.

Management Team

CHAN HUI-CHUNG

Vice General Manager of Shanghai Zhuo Kai

Ms Chan is the spouse of our Executive Chairman and Chief Executive Officer, Mr Wen Yao-Long. She is responsible for the financial function at Shanghai Zhuo Kai and assists the General Manager in its operations since 2004. Subsequent to November 2008, she manages the financial functions for all China subsidiaries. Before assuming her current responsibilities, she was the Finance Manager of LGANG from 1993 to 2000, and vice General Manager of LGANG from 2000 to 2003. Ms Chan is a high school graduate.

YANG TE-FA

Vice General Manager of LGANG

Mr Yang heads the overall operations of the Group. His responsibilities include sales and marketing, as well as production functions of LGANG . Prior to joining LGANG in 2014, he was the General Manager of Jia Hong Technology Co., Ltd. Mr Yang is a high school graduate.

HSING CHIN-SHENG

Vice General Manager of Shanghai Zhuo Kai

Mr Hsing is responsible for the production functions of Shanghai Zhuo Kai. Prior to joining Shanghai Zhuo Kai in 2013, he was the Plant Manager of Huashen (JiangSu) Electronic Co., Ltd. Mr Hsing graduated from the Republic of China Military Academy.

WU YUN-HAI

Operation Manager of Shanghai Yaolong, Shanghai Zeng Kang and Shanghai Lian Han Xin

Mr Wu heads the operations of Shanghai Yaolong, Shanghai Zeng Kang and Shanghai Lian Han Xin. His responsibilities include sales and marketing, as well as production functions. He is one of the pioneers having joined Shanghai Yaolong in 2001 as the Assistant Operation Manager, and was involved in the setting up of Shanghai Yaolong. He was promoted to his current position in 2003. Since 2009, he is also the Operation Manager of Shanghai Zeng Kang and Shanghai Lian Han Xin. Mr Wu is a high school graduate.

CHIEN WAN-HSIN

Chief Financial Officer

Mr Chien is responsible for the accounting, financial and taxation functions of the Group. Prior to joining LGANG as Finance Manager in June 2001, he was an audit partner with a public accounting firm in Taiwan. Mr Chien holds a Bachelor Degree in Business Administration from the National Taiwan University, Taiwan and is a member of Taipei Certified Public Accountants Association.

TAY AI LI

Finance Manager

Ms Tay's responsibilities include assisting the Chief Financial Officer on Group financial matters as well as managing Eucon's investor relations. She joined the Group in July 2009 and 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.

Subsidiaries

SHANGHAI ZENG KANG ELECTRONIC CO., LTD

Offers mechanical drilling services

SHANGHAI ZHUO KAI ELECTRONIC TECHNOLOGY CO., LTD

Manufacturing of PCB boards and provision of related processing services on outsourced PCBs to PCB manufacturers

SHANGHAI EU YA ELECTRONIC TECHNOLOGY CO., LTD

Provides lamination services on PCB boards

SHANGHAI LIAN HAN XIN ELECTRONIC TECHNOLOGY CO., LTD

Offers mechanical drilling services

SHANGHAI YAOLONG ELECTRONIC TECHNOLOGY CO., LTD

Offers routing services

EMERGING TECHNOLOGY PTE. LTD.

Trading company

LGANG OPTRONICS TECHNOLOGY CO., LTD

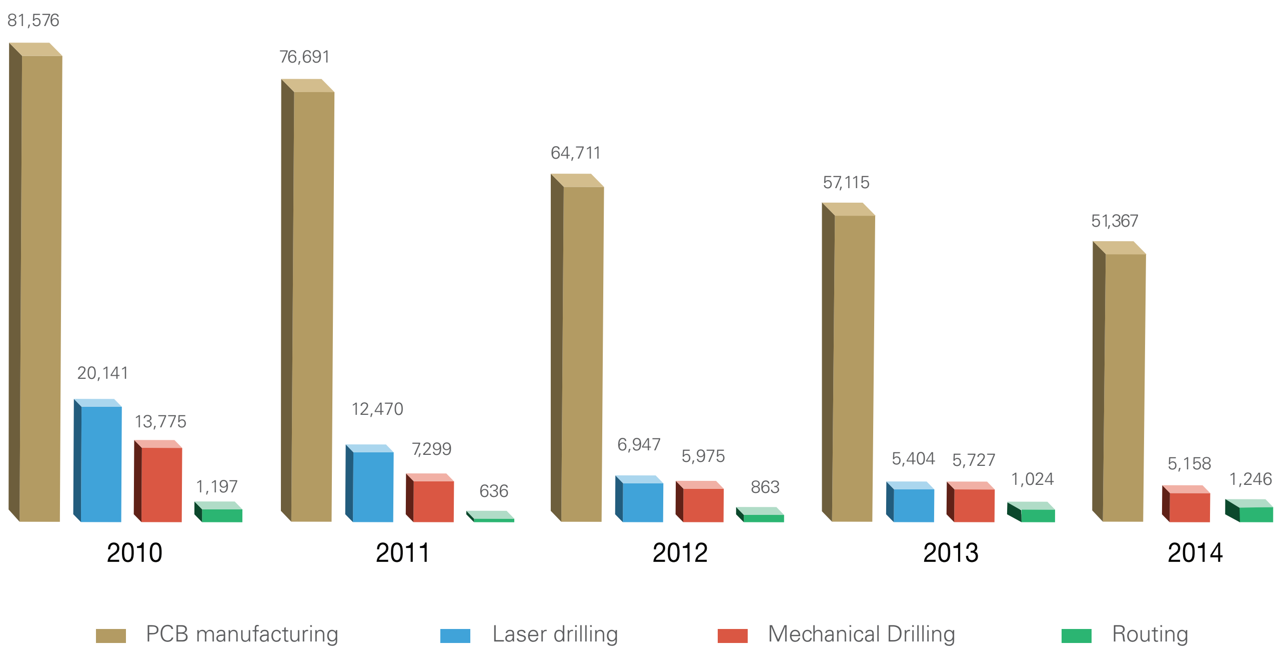
Manufacturing of PCB boards

5 Year Financial Highlights

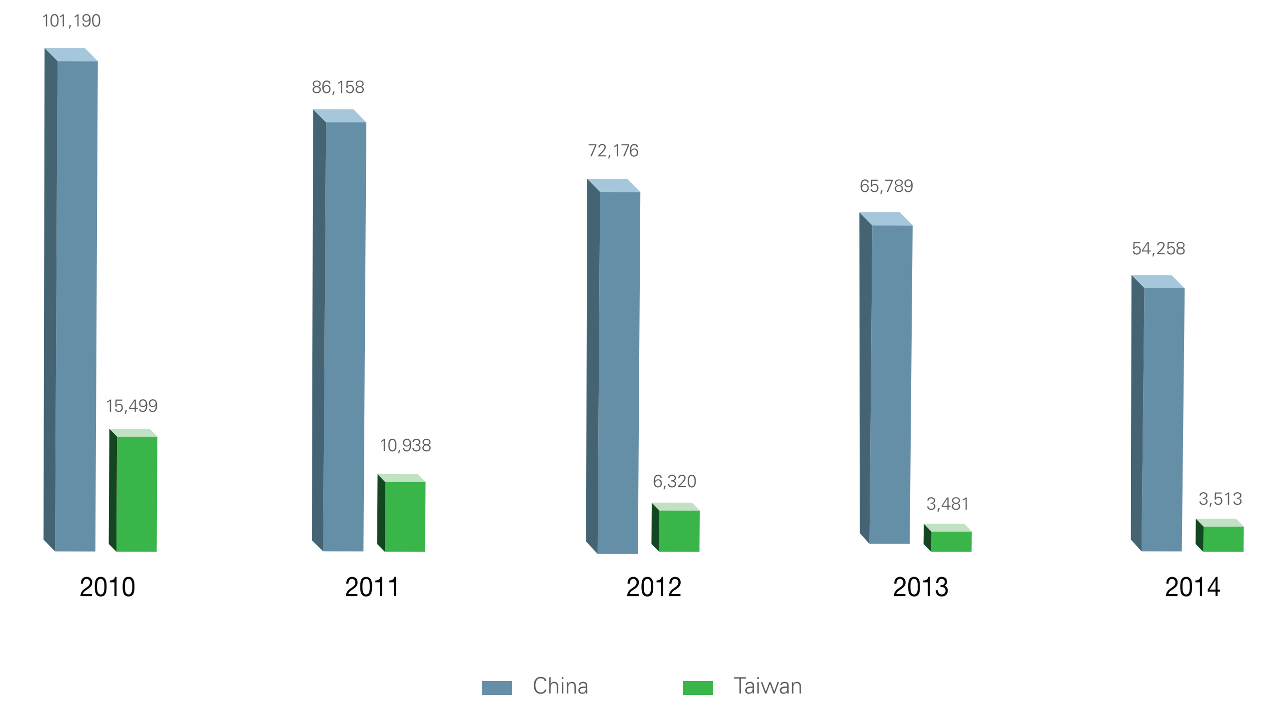
CONSOLIDATED PROFIT & LOSS ($'M) (for the year ended December 31)	**2014**	2013	2012	2011	2010
Revenue	**57.8**	69.3	78.5	97.1	116.7
Gross Profit	**5.7**	3.9	2.9	12.3	21.1
(Loss) / Profit before tax	**(10.1)**	(7.8)	(25.0)	(3.8)	2.4
(Loss) / Profit attributable to shareholders	**(10.6)**	(7.9)	(23.8)	(4.2)	1.2
CONSOLIDATED FINANCIAL POSITION ($'M) (for the year ended December 31)					
Property, plant and equipment	**33.7**	43.3	57.3	75.9	85.0
Cash and cash equivalents	**6.9**	19.0	17.5	18.4	15.2
Other assets	**53.9**	39.7	45.6	48.4	59.2
TOTAL ASSETS	**94.5**	102.0	120.4	142.7	159.4
Equity attributable to owners of the company	**20.6**	31.6	38.3	64.3	67.3
Total borrowings	**19.8**	16.9	24.9	28.8	33.5
Other liabilities	**47.1**	46.2	50.1	40.5	50.1
Non-controlling interests	**7.0**	7.3	7.1	9.1	8.5
TOTAL LIABILITIES AND EQUITY	**94.5**	102.0	120.4	142.7	159.4
FINANCIAL RATIOS					
Return on shareholders' equity (%)	**(51.5)**	(25.0)	(62.1)	(6.5)	1.8
Return on assets (%)	**(10.7)**	(7.6)	(20.8)	(2.7)	1.5
Net gearing ratio	**(0.1)**	(0.1)	0.2	0.2	0.3
Working capital ratio	**1.2**	1.1	1.0	0.9	0.9
PER SHARE DATA (CENTS)					
Earnings after tax	**(1.77)**	(1.39)	(4.17)	(0.73)	0.16
Net assets	**3.6**	5.54	6.33	10.88	11.42

Financial Charts

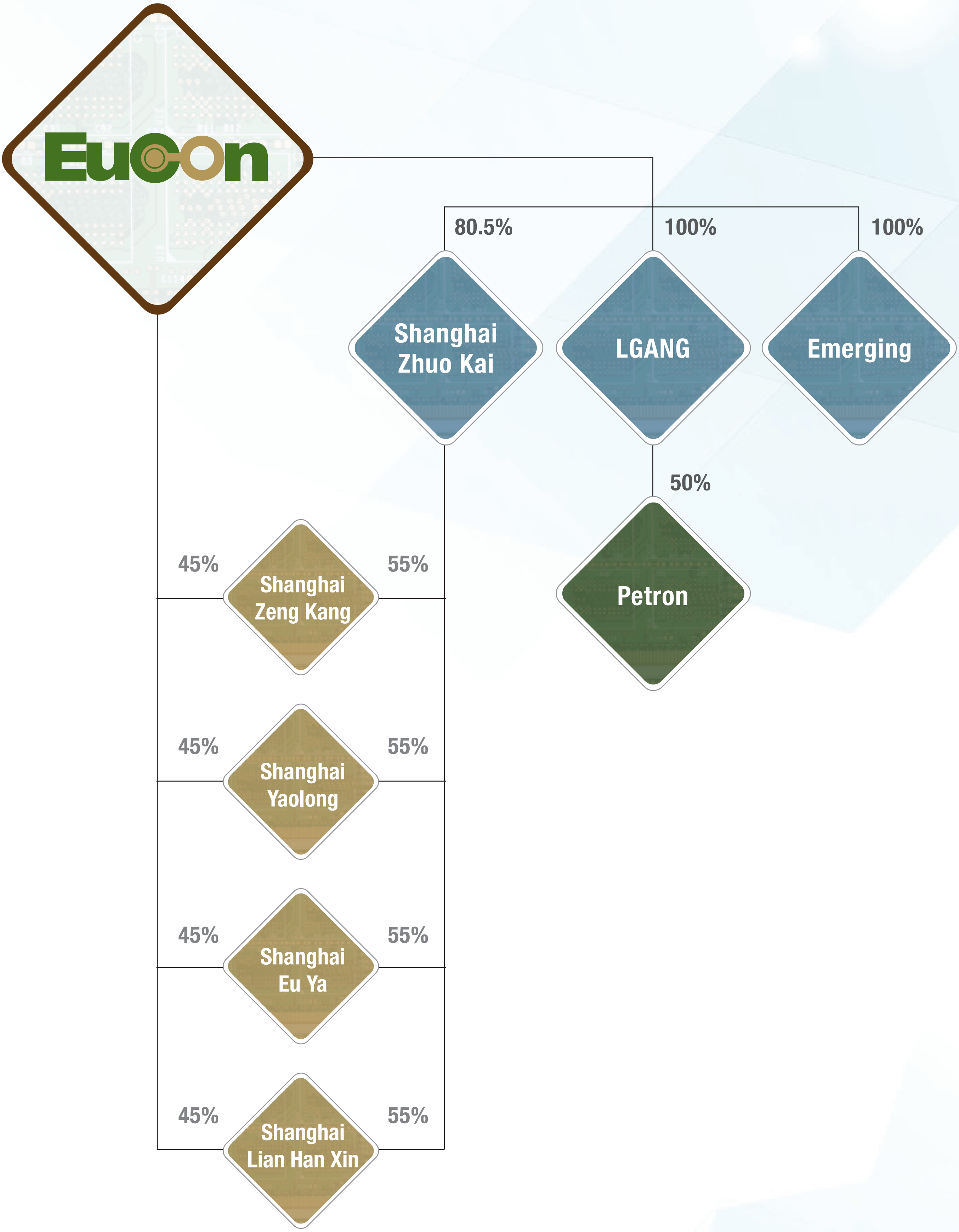
REVENUE MIX BY SEGMENTS

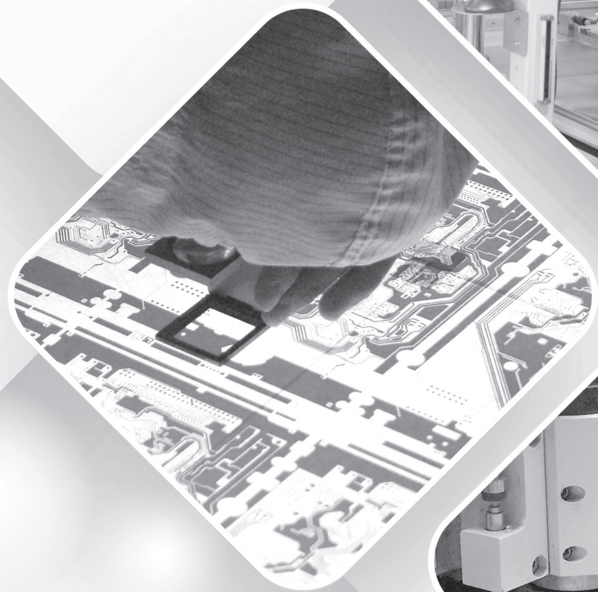


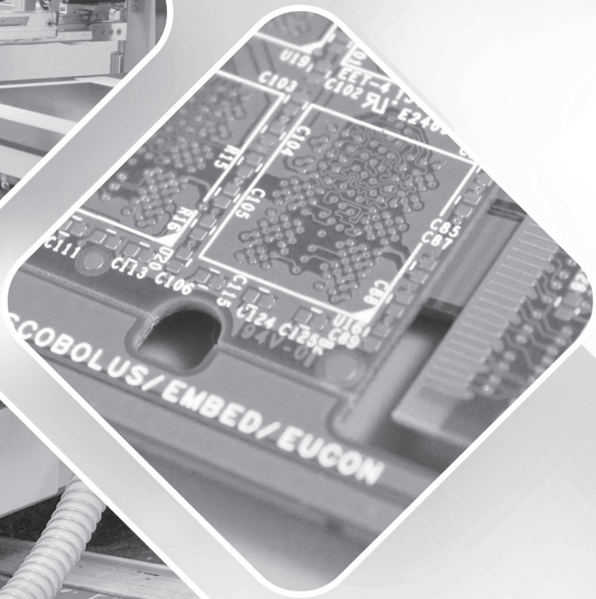
REVENUE MIX BY GEOGRAPHICAL



Group Structure







Financial Contents

Corporate Governance Report

The Company recognises the importance of and is committed to setting and maintaining high standards of corporate governance to protect shareholders' interest and enhance shareholders' value and corporate transparency. This report outlines the Company's corporate governance processes and activities during the financial year, with specific reference to the Code of Corporate Governance (the "Code").

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board of Directors is entrusted with the responsibility for the overall management of the business and affairs of the Company and its subsidiaries (the "Group"). It delegates day-to-day operations to management, while reserving certain key matters for its approval.

Key functions of the Board include providing entrepreneurial leadership, setting of strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives; establishing a framework of prudent and effective controls which enables risk to be assessed and managed; reviewing management performance; setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met. The Board regularly reviews the business plans and the financial performance of the Group.

The directors together with the company secretary are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The company secretary administers, attends and prepares minutes of all Board and specialised committee meetings. She assists the Chairman in ensuring that the Board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhance long-term shareholder value. She is also the primary channel of communication between the Company and the Singapore Exchange.

To facilitate effective management, the Board delegates certain functions to the various Board Committees (Nominating Committee, Remuneration Committee and Audit Committee), each of which is subject to the Board's approved terms of reference and whose actions are reported to and monitored by the Board.

The Board's approval is required for matters such as corporate strategy, mergers and acquisitions, announcements, approval of the Group's quarterly results, annual results and accounts, interested person transactions of a material nature, authorisation of major transactions, declaration of interim dividends and proposal of final dividends, appointment or removal of company secretary and auditors, and convening of shareholders' meetings.

The Company has adopted a set of Approval Authority Limits, setting out the level of authorisation required for specified transactions, including those that require Board's approval.

All new directors appointed to the Board will have the opportunity to visit the Group's factories and facilities and will be briefed on the Group's business activities and its strategic direction. They will also be given all relevant corporate materials and documents such as latest Annual Report and Summary Financial Statements to assist them to better understand the structure and operations of the Group.

Directors and senior management are encouraged to attend training programmes organised by Singapore Exchange Limited, Singapore Institute of Directors and other external professional organisations to update them on relevant new laws and regulations relating to their duties and responsibilities as directors.

The Board meets at least 4 times a year regularly on a quarterly basis and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. The Company's Articles of Association allows a board meeting to be conducted by way of telephone conference or videoconference. Details of the number of board meetings held in a year as well as the attendance of each board member at those meetings and meetings of the various Board Committees are disclosed below.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Period covering January to December 2014

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. Held	Attended	No. Held	Attended	No. Held	Attended	No. Held	Attended
Wen Yao-Long	5	5	–	–	–	–	–	–
Wen Yao-Chou (Resigned on 31 December 2014)	5	4	–	–	–	–	–	–
Ong Sim Ho	5	5	4	4	1	1	1	1
Seow Han Chiang, Winston	5	5	4	4	1	1	1	1
Er Kwong Wah	5	5	4	4	1	1	1	1

Principle 2: Board Composition and Guidance

Currently, the Board has four directors comprising one executive director and three independent non-executive directors. They are Wen Yao-Long (Executive Chairman and CEO), Ong Sim Ho, Seow Han Chiang, Winston and Er Kwong Wah respectively.

The independence of each director is reviewed annually by the Nominating Committee ("NC"). The NC is satisfied that more than one-third of the Board comprises independent directors.

The NC has assessed the independence of the independent directors, Mr Ong Sim Ho, Mr Seow Han Chiang, Winston and Mr Er Kwong Wah after considering the recommendations set out in the Code. Notwithstanding that Mr Ong Sim Ho and Mr Seow Han Chiang, Winston have served the Board since July 2004 and July 2005 respectively, the Board is fully satisfied that they have demonstrated complete independence, robustness of character and judgement as Board members. Despite the 9 years' time frame, Mr Ong Sim Ho and Mr Seow Han Chiang, Winston had continued to be and are deemed to be independent and have the requisite qualifications, experience and integrity as independent directors. The Board believes that Mr Ong Sim Ho and Mr Seow Han Chiang, Winston who have been discharging their duties and responsibilities with the utmost commitment in upholding the interest of the non-controlling shareholders, are able to serve the present needs of the Group.

The NC is of the view that the current Board size is appropriate, taking into account the nature and scope of the business and operations of the Group. The Board consists of high caliber members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, law, business and general corporate matters.

The Board has determined that no director who is fully employed may serve on the Board of more than 5 public listed companies and no director who is not fully employed may serve on the Board of more than 10 public listed companies.

The non-executive directors constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

Principle 3: Chairman and Chief Executive Officer ("CEO")

Currently, Mr Wen Yao-Long serves as the Group's Executive Chairman and CEO. In the opinion of the Board, the scale of the business does not warrant a division of these positions. Further, the Company had appointed Mr Ong Sim Ho, an independent non-executive director, as lead independent director. The lead independent director is available to shareholders in circumstances where shareholders' concerns raised through normal channels to the Chairman and CEO or Chief Financial Officer has failed to resolve or where such contact is inappropriate.

The Chairman's principal role is to manage the business of the Board; lead the Board to ensure its effectiveness on all aspects of its role and set its agenda; ensure that the directors receive accurate, timely and clear information; ensure effective communication with shareholders; encourage constructive relations between the Board and management; facilitate the effective contribution of non-executive directors in particular; encourage constructive relations between executive directors and non-executive directors; and promote high standard of corporate governance. The Chairman also advises on the Group's business strategy.

The CEO bears executive responsibility for the day-to-day operations of the Group.

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

Currently, the members of the NC are Er Kwong Wah (Committee Chairman), Seow Han Chiang, Winston and Ong Sim Ho, all of whom are independent non-executive directors. Mr Er Kwong Wah is not, nor directly associated with, a substantial shareholder.

The Terms of Reference of the NC include:-

- making recommendations to the Board on all Board appointments and re-appointments,
- reviewing and determining the independence of each director and ensure that at least one-third of the Board comprises independent directors,
- reviewing and evaluating whether or not a director is able to and has been adequately carrying out his duties as director of the Company, when he has multiple board representations,
- reviewing the skills required by the Board, and the size of the Board annually,
- determining how the Board's performance may be evaluated, and proposing performance criteria to assess effectiveness of the Board as a whole and contribution of each director,
- formal assessment of the effectiveness of the Board as a whole and individual director, and
- formulating succession plan.

The NC has adopted internal guidelines to address competing time commitments faced by directors serving on multiple boards.

In the nomination and selection process for new directors, the NC will identify the key attributes that an incoming director should have based on the attributes of the existing Board and the requirement of the Group. Then, the NC will tap on the resources of the Board's personal contacts and recommendations of potential candidates, and goes through a shortlisting process. Interviews will be conducted with potential candidates to assist NC members to make their recommendation to the Board.

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

Article 89 of the Company's Articles of Association requires at least one-third of the directors to retire from office at the Company's Annual General Meeting (the "AGM"). In addition, Article 88 of the Company's Articles of Association provides that a newly appointed director must submit himself for re-election at the AGM following his appointment.

The dates of initial appointment and last re-election of each director are set out as follows:-

Name of Director	Current appointment	Date of initial appointment	Date of last re-election	Due for re-election at next AGM
Wen Yao-Long	Executive	2 January 2003	25 April 2013	NA
Wen Yao-Chou (Resigned on 31 December 2014)	Executive	2 January 2003	24 April 2014	NA
Ong Sim Ho	Non-Executive / Independent	19 July 2004	26 April 2012	Retirement by Rotation (Article 89)
Seow Han Chiang, Winston	Non-Executive / Independent	7 July 2005	24 April 2014	NA
Er Kwong Wah	Non-Executive / Independent	8 September 2006	25 April 2013	Retirement by Rotation (Article 89)

Other key information on the individual directors of the Company is set out in the "Board of Directors" section of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors.

The NC has adopted a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each director. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, top management and standard of conduct. For individual director evaluation, the NC assessed whether the directors continue to contribute effectively and demonstrate commitment to their roles, including attendance at the Board and committee meetings, their industrial knowledge and/or functional expertise and any other duties. The NC has adopted an open discussion approach which has facilitated their cohesive approach towards a common goal and contributed well towards better performance of the Company.

Principle 6: Access to Information

Management provides adequate and timely information to the Board on the Group's affairs and business issues which require the Board's decisions. Quarterly reports, as well as ongoing reports of the Group's financial and operational performances are also provided to the Board.

Prior to each board meeting, the management will prepare and send board papers to the Board so that the board members can better understand the matters before the board meeting. This also assists the Board to focus on relevant issues and concerns during the board meeting.

Where a physical board meeting is not possible, timely communication with members of the Board is effected through other means, such as electronic mail and teleconferencing.

The directors have separate and independent access to the Company's senior management and the company secretary at all times. The Company adopts a policy which welcomes directors to request for explanations and briefings from or informal discussions with management on any aspects of the Group's operations or business issues. The Chairman and CEO will make the necessary arrangements to accede to these requests.

The Board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman and CEO, directors, whether as a Group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

Remuneration Committee ("RC")

Currently, the members of the RC are Seow Han Chiang, Winston (Committee Chairman), Ong Sim Ho and Er Kwong Wah, all of whom are independent non-executive directors.

The RC has access to expert advice, inside and/or outside the Company, in the field of executive compensation where required.

The RC meets at least once a year and when necessary. The Terms of Reference of the RC include:-

- recommending to the Board a framework of remuneration for the Board and the CEO with a goal to retain and motivate them through competitive compensation and progressive policies, and determining specific remuneration packages and terms of employment for each of the directors and the CEO, taking into consideration all aspects of remuneration (including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind) and remuneration packages within the industry and comparable companies,

- ensuring that remuneration packages for employees related to directors, CEO or substantial shareholders of the Company is in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes, levels of responsibilities and levels of performance,

- reviewing the remuneration of senior management, and

- recommending executives' and employees' share option scheme or any other long term incentive schemes which may be set up from time to time.

No director is involved in deciding his own remuneration. Directors' fees are recommended to the Board for approval at the Company's AGM.

The independent directors and non-executive director receive a basic fee and an additional fee for serving on any of the committees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. The total amount of directors' fees is subject to the approval of the shareholders at the AGM.

The executive director does not receive director's fees. The executive director's service contract was renewed on 6 August 2013 based on its current terms. The executive director's remuneration comprises a basic salary component and incentive bonus based on the consolidated profit before tax of the Group, if it equals or exceeds S$10 million. The remuneration for the 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.

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2014, is as follows:-

Remuneration	Directors' Fees (S$)	Salary (S$)	Other Benefits (S$)	Total (S$)
Directors				
Wen Yao-Long**	–	1,176,000	107,000	1,283,000
Wen Yao-Chou** (Resigned on 31 December 2014)	–	420,000	98,000	518,000
Ong Sim Ho	50,000	–	–	50,000
Seow Han Chiang, Winston	40,000	–	–	40,000
Er Kwong Wah	40,000	–	–	40,000

** Wen Yao-Long and Wen Yao-Chou are brothers.

The remuneration of the management personnel of the Group (who are not directors) for the financial year ended 31 December 2014 is shown in the following bands:-

Remuneration	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Management Personnel				
S$250,000 to S$499,999				
Chien Wan-Hsin	91	4	5	100
Below S$250,000				
Chan Hui-Chung (1)	91	9	–	100
Yang Te-Fa	89	8	3	100
Hsing Chin-Sheng	92	8	–	100

The aggregate amount of the total remuneration paid to the management personnel (who are not directors or the CEO) is approximately S$763,000.

(1) Chan Hui-Chung is the wife of Wen Yao-Long, who is the Executive Chairman and CEO, and substantial shareholder of the Company.

The RC also administers the Eucon Employee Share Option Scheme (the "ESOS"). Details of the ESOS are set out in the Report of the Directors. No options have been granted under the ESOS since listing. In evaluating long-term incentive schemes, the RC takes into consideration the costs and benefits of such schemes.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Company has adopted quarterly results reporting since its listing. The Company may hold media and analyst briefing of its quarterly and full-year results, when deemed fit. The press releases and the quarterly and full-year results will be published through the SGX-NET for the public and shareholders' information.

Corporate Governance Report

Principle 11: Audit Committee ("AC")

Currently, the members of the AC are Ong Sim Ho (Committee Chairman), Seow Han Chiang, Winston and Er Kwong Wah, all of whom are independent non-executive directors.

All members bring with them invaluable experience in the finance, legal and business management spheres. The Board is of the opinion that they have sufficient financial expertise to discharge the AC's functions.

The AC meets at least once every quarter and when necessary. The AC also meets with the external auditors and the respective internal assessment personnel, without the presence of the Company's management.

The AC is guided by the Terms of Reference, which include, amongst other responsibilities: reviewing quarterly and full year financial statements, audit plans of internal and external auditors, effectiveness of the internal audit function, adequacy of the internal controls and risk management policies and systems established by management, effectiveness and independence of external auditors, interested person transactions, potential conflict of interest; investigating suspected fraud or irregularity; and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors. The AC reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

The AC has explicit authority to investigate any matters within its Terms of Reference and has full access to and co-operation from management, full discretion to invite any director or executive officer to attend its meetings, direct access to internal and external auditors and reasonable resources to enable it to discharge its functions.

The AC conducted an annual review of the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors and had also undertaken a review of the volume of non-audit services provided by the external auditors. The AC assessed whether the nature and extent of those services might prejudice the independence and objectivity of the external auditors before confirming its re-nomination. The AC was satisfied that such services did not affect the independence of the external auditors. The Board confirms that the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms.

The AC has put in place a whistle-blowing policy and procedures by which staff of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

The AC keeps abreast of changes to the accounting standards and issues which have a direct impact on the financial statements by regular communication with the management, the external auditors and the internal auditors.

Principle 12: Internal Controls

The Company's internal auditors have conducted an annual review in accordance with their audit plans, of the effectiveness and adequacy of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and procedures. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC has also reviewed the effectiveness of the actions taken by the management on the recommendations made by the external auditors in this respect.

The Board has also received assurance from the CEO and the Chief Financial Controller that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems in place are effective.

Risk Management

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures, and highlights all significant matters to the AC and Board.

Principle 13: Internal Audit

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the management and the internal audit function is out-sourced to an international public accounting firm. The internal audit function reports primarily to the Chairman of the AC.

The internal auditors plan its internal audit schedules in consultation with the AC. The audit plan will be submitted to the AC for approval prior to the commencement of the internal audit. The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of improvements required on identified internal control weaknesses. The AC will ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and will review the effectiveness of the internal audit function annually. The AC ensures that the internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC has reviewed the Company's risk assessment and based on the internal audit reports and management controls in place, it is satisfied that there are adequate internal controls in the Group, including financial, operational and compliance controls, and risk management policies and systems.

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

Pursuant to SGX-ST's Listing Rules and the Companies Act, and in line with continuous disclosure obligations of the Company, the Board's policy is that shareholders should be informed promptly of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis, through annual reports that are issued to all shareholders within the mandatory period, quarterly and full-year financial statements, notice of and explanatory memorandums for Annual General Meetings and Extraordinary General Meetings, press releases and disclosures through SGXNET. The Company takes all reasonable efforts to ensure that it does not practice selective disclosure of material information. Material information is excluded from any briefing or is first publicly released, either before the Company meets with investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website at www.euconholding.com.

The Board welcomes shareholders to raise issues at the shareholders' meetings or on an ad hoc basis. The Chairman of the AC, NC and RC will be present and available at the general meetings to address queries raised by shareholders. The external auditors will also be present to address shareholders' queries relating to the conduct of the audit and the preparation and content of their auditors' report.

The Articles of Association of the Company allow a shareholder to appoint one or two proxies to attend and vote on his/her behalf.

The company secretary prepares minutes or notes of general meetings which include the comments and queries from shareholders and responses from the Board and management, and these minutes or notes are available to shareholders upon their request. Separate resolutions are passed at general meetings on each substantial issue.

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 for the financial year ended 31 December 2014 as the Group is in a loss making position.

Corporate Governance Report

DEALING IN SECURITIES

The Company adopted an internal Code of Best Practices on Securities Dealings on 10 September 2004 which is modeled on the Listing Rule 1207(19) of the Listing Manual of the SGX-ST (formerly known as "The Best Practices Guide").

The Company implemented a policy prohibiting its officers and company from dealing in the Company's shares while in possession of unpublished material price sensitive information; on short-term considerations; and during the period commencing 2 weeks before the announcement of the Company's quarterly results and one month before the announcement of the full-year results, and ending on the date of the announcement of the results.

INTERESTED PERSON TRANSACTIONS

The Company has an internal policy in respect of interested person transactions of the Company ("IPT Policy"). All division heads are required to familiarise themselves with IPT Policy, and highlight any such transactions to the Company's finance department. The finance department is in charge of keeping a register of the Company's interested person transactions. The IPT Policy also sets out the levels and procedures to obtain approval for such transactions.

The aggregate value of all interested person transactions entered into during the financial year ended 31 December 2014 are tabulated hereunder pursuant to Rule 907 of the SGX-ST Listing Manual:

Name of interested person	Aggregate value of all interested person transactions 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 interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Loan guarantees provided by Mr Wen Yao-Long, Mr Wen Yao-Chou and Ms Chan Hui-Chung to various financial institutions to secure credit facilities for the Group	Total facilities granted as at 31.12.2014: S$14.8 million Amount outstanding as at 31.12.2014: S$13.9 million	–
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 31.12.2014 is S$10.7 million)	Interest for the 12 months ended 31.12.2014: S$0.33 million	–
Loan from Mr Wen Yao-Long (Amount outstanding as at 31.12.2014 is S$5.2 million)	Interest-free loan	–

OTHER INFORMATION

Material Contract

No material contract to which the Company or any related company is a party which involve the interest of the Chief Executive Officer, each director or controlling shareholder subsisted at, or have been entered into since the end of the previous financial year.

Report of the Directors

The directors present their report 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, 2014.

1 DIRECTORS

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

Wen Yao-Long
Ong Sim Ho
Seow Han Chiang, Winston
Er Kwong Wah

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.

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:

	Shareholdings registered in the name of the directors		Shareholdings in which the directors are deemed to have interests	
Name of directors and companies in which interests are held	At January 1, 2014	At December 31, 2014	At January 1, 2014	At December 31, 2014
The company				
Ordinary shares				
Wen Yao-Long	24,224,747	31,447,747	108,362,000	108,362,000
Wen Yao-Chou (resigned on December 31, 2014)	4,797,643	4,797,643	–	–
Ong Sim Ho	1,220,000	1,220,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Wen Yao-Long is deemed to have an interest in all the related corporations of the company.

The directors' interests in the shares of the company as at January 21, 2015 were the same at December 31, 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

a) At the Extraordinary Meeting held on July 14, 2004, the shareholders approved the adoption of the Eucon Employee Share Option Scheme (the "ESOS"). The ESOS is administered by the Remuneration Committee, comprising the following independent directors:

Seow Han Chiang, Winston (Chairman)
Ong Sim Ho
Er Kwong Wah

b) Under the ESOS, an option entitles the option holder to subscribe for a specific number of new ordinary shares of the company comprised in the option at a subscription price per share determined with reference to the market price of the share at the time of grant of the option. The Remuneration Committee may at its discretion, fix that subscription price at a discount up to 20% off market price but not lower than $0.05. The consideration for the grant of an option is $1.00.

Options granted with the subscription price set at the market price shall only be exercised after the first anniversary but before the tenth anniversary (fifth anniversary for non-executive directors) of the date of grant of that option, subject to the following:

i) up to 50% only of the shares in respect of which that option is granted may be exercised after the first anniversary of the date of grant of that option; and

ii) the remaining 50% of the shares in respect of which that option is granted may be exercised after the second anniversary of the date of grant of that option.

Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary but before the tenth anniversary (fifth anniversary for non-executive directors) of the date of grant of that option, subject to the following:

i) up to 50% only of the shares in respect of which that option is granted may be exercised after the second anniversary of the date of grant of that option; and

ii) the remaining 50% of the shares in respect of which that option is granted may be exercised after the third anniversary of the date of grant of that option.

The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee of the company or any company of the group subject to certain exceptions at the discretion of the company.

As at the date of this report, no options have been granted under the ESOS.

5 SHARE OPTIONS (cont'd)

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

d) At the end of the financial year, there were no unissued shares of the company or any subsidiaries under option.

6 BOARD OPINION ON THE ADEQUACY OF INTERNAL CONTROLS ADDRESSING FINANCIAL, OPERATIONAL AND COMPLIANCE RISKS

Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board with the concurrence of the Audit Committee is satisfied that as at December 31, 2014, there are adequate internal controls systems in the group in addressing financial, operational and compliance risks.

The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the company's management that was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

7 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:

Ong Sim Ho (Chairman)
Seow Han Chiang, Winston
Er Kwong Wah

The Audit Committee has met three 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 (external and internal) 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 statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the directors of the company and the 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;

v. the cooperation and assistance given by the management to the group's external auditors; and

vi. the re-appointment of the external auditors of the group and the company.

7 AUDIT COMMITTEE (cont'd)

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 has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group and the company at the forthcoming Annual General Meeting of the company.

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Ong Sim Ho

March 26, 2015

Statement of Directors

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 34 to 89 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2014, and of the results, 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.

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Ong Sim Ho

March 26, 2015

Independent Auditor's Report

To the Members of Eucon Holding Limited

Report on the Financial Statements

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, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 89.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2014 and of the results, changes in equity and cash flows of the group, and changes in equity of the company for the year ended on that date.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which indicates that the group incurred a net loss and the company's current liabilities exceed its current assets. These conditions indicate the existence of a material uncertainty which may cast significant doubt on (a) the group's and company's ability to generate sufficient operating cash flows in order to enable the group and the company to operate as going concerns and (b) the group's ability to generate sufficient revenue and operating cash flows in respect of the asset impairment assessment such that the recoverable amount is not lower than the carrying amounts of the property, plant and equipment and goodwill of the group. Our opinion is not modified in respect of these matters.

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 have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 26, 2015

Statements of Financial Position

December 31, 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	6,916	18,997	404	459
Pledged bank deposits	7	363	609	–	–
Structured deposits	8	20,220	–	–	–
Trade receivables	9	20,925	22,560	–	–
Other receivables and prepayments	10	2,652	1,841	4,816	9,601
Inventories	11	4,668	4,635	–	–
Assets classified as held for sale	12	–	3,332	–	–
Derivative financial instruments	34	–	459	–	–
Land use rights	13	98	96	–	–
Total current assets		55,842	52,529	5,220	10,060
Non-current assets					
Other receivables	10	794	1,244	–	–
Land use rights	13	4,012	4,034	–	–
Investment in subsidiaries	14	–	–	45,339	71,949
Investment in associate	15	–	205	–	–
Property, plant and equipment	16	33,719	43,265	751	740
Goodwill	17	82	82	–	–
Deferred tax assets	18	33	619	–	–
Total non-current assets		38,640	49,449	46,090	72,689
Total assets		94,482	101,978	51,310	82,749
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	19	24,554	24,223	13,489	15,897
Provision	20	11,193	10,479	11,193	10,479
Derivative financial instruments	34	88	–	–	–
Borrowings	21	11,299	11,115	–	41
Finance leases	22	21	29	–	–
Total current liabilities		47,155	45,846	24,682	26,417
Non-current liabilities					
Other payables	19	10,684	10,995	10,684	10,995
Borrowings	21	8,447	5,740	–	–
Retirement benefit obligation	23	589	456	–	–
Finance leases	22	–	21	–	–
Total non-current liabilities		19,720	17,212	10,684	10,995
Capital, reserves and Non-controlling interests					
Share capital	24	56,127	56,127	56,127	56,127
Reserves		(35,504)	(24,514)	(40,183)	(10,790)
Equity attributable to owners of the company		20,623	31,613	15,944	45,337
Non-controlling interests		6,984	7,307	–	–
Total equity		27,607	38,920	15,944	45,337
Total liabilities and equity		94,482	101,978	51,310	82,749

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Comprehensive Income

Year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Continuing operations			
Revenue	27	57,771	65,789
Cost of service and sales		(52,108)	(61,973)
Gross profit		5,663	3,816
Other income	28	2,356	3,391
Distribution costs		(1,616)	(2,732)
Administrative expenses		(11,603)	(7,875)
Other expenses	32	(3,673)	(1,501)
Share of loss of associate	15	(20)	–
Finance costs	29	(1,158)	(1,174)
Loss before income tax		(10,051)	(6,075)
Income tax expense	30	(595)	(761)
Loss for the year from continuing operations		(10,646)	(6,836)
Discontinued operation			
Loss for the year from discontinued operation	31	–	(1,756)
Loss for the year	32	(10,646)	(8,592)
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefits obligations	23	77	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(744)	2,056
Other comprehensive income (loss) of the year, net of tax		(667)	2,056
Total comprehensive loss for the year		(11,313)	(6,536)
Loss attributable to:			
Owners of the company		(10,101)	(7,915)
Non-controlling interests		(545)	(677)
		(10,646)	(8,592)
Total comprehensive loss attributable to:			
Owners of the company		(10,990)	(6,699)
Non-controlling interests		(323)	163
		(11,313)	(6,536)
Loss per share (cents):			
From continuing and discontinued operations:			
- Basic	33	(1.77)	(1.39)
- Diluted	33	(1.77)	(1.39)
From continuing operations:			
- Basic	33	(1.77)	(1.08)
- Diluted	33	(1.77)	(1.08)

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended 31 December 2014

	Share capital	Currency translation reserves	Statutory reserves	Other reserves	Accumulated profits (losses)	Total attributable to equity holders of the company	Minority interests	Total
	$'000	$'000	$'000 (Note 25)	$'000 (Note 26)	$'000	$'000	$'000	$'000
Group								
Balance at January 1, 2013	56,127	(8,737)	7,750	(2,993)	(13,835)	38,312	7,144	45,456
Total comprehensive loss for the year:								
Loss for the year	–	–	–	–	(7,915)	(7,915)	(677)	(8,592)
Other comprehensive income for the year	–	1,152	–	–	64	1,216	840	2,056
Total	–	1,152	–	–	(7,851)	(6,699)	163	(6,536)
Transfer to statutory reserves	–	–	31	–	(31)	–	–	–
Balance at December 31, 2013	56,127	(7,585)	7,781	(2,993)	(21,717)	31,613	7,307	38,920
Total comprehensive loss for the year:								
Loss for the year	–	–	–	–	(10,101)	(10,101)	(545)	(10,646)
Other comprehensive (loss) income for the year	–	(1,091)	–	–	202	(889)	222	(667)
Total	–	(1,091)	–	–	(9,899)	(10,990)	(323)	(11,313)
Transfer to statutory reserves	–	–	131	–	(131)	–	–	–
Balance at December 31, 2014	56,127	(8,676)	7,912	(2,993)	(31,747)	20,623	6,984	27,607

	Share capital	Currency translation reserves	Accumulated profits (losses)	Total
	$'000	$'000	$'000	$'000
Company				
Balance at January 1, 2013	56,127	(1,283)	(11,171)	43,673
Total comprehensive (loss) income for the year:				
Loss for the year	–	–	(1,222)	(1,222)
Other comprehensive income for the year	–	2,886	–	2,886
Total	–	2,886	(1,222)	1,664
Balance at December 31, 2013	56,127	1,603	(12,393)	45,337
Total comprehensive loss for the year:				
Loss for the year	–	–	(29,174)	(29,174)
Other comprehensive loss for the year	–	(219)	–	(219)
Total	–	(219)	(29,174)	(29,393)
Balance at December 31, 2014	56,127	1,384	(41,567)	15,944

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Group 2014 $'000	Group 2013 $'000
Operating activities		
Loss before income tax	(10,051)	(7,808)
Adjustments for:		
Depreciation expense	9,024	11,758
Impairment of property, plant and equipment	1,197	–
Impairment loss on goodwill	–	2,144
Impairment of investment in associate	185	–
Share of loss of associate	20	–
Reversal of allowance for doubtful debts - net	(42)	(1,162)
Allowance for (Reversal of allowance for) inventories	588	(895)
Defined benefits obligations	234	25
Loss on fair value of financial derivatives	643	–
Amortisation of land use rights	96	96
Provision for loss on share buy-back	714	774
Interest income	(58)	(159)
Interest expense	1,158	1,409
Net foreign exchange gain	(2,040)	(1,190)
Property, plant and equipment written off	4	75
Loss (Gain) on disposal of property, plant and equipment	1,329	(1,956)
Operating profit before working capital changes	3,001	3,111
Trade receivables	1,677	7,013
Other receivables and prepayments	(361)	127
Inventories	(621)	2,240
Trade payables	(358)	(4,392)
Other payables	(1,392)	(23)
Cash generated from operations	1,946	8,076
Interest received	58	159
Interest paid	(1,158)	(1,409)
Income tax paid	(15)	–
Net cash from operating activities	831	6,826
Investing activities		
Investment in structured deposits	(20,220)	–
Purchase of property, plant and equipment	(3,170)	(2,917)
Investment in associate	–	(205)
Proceeds on disposal of property, plant and equipment	4,799	6,789
Net cash (used in) from investing activities	(18,591)	3,667
Financing activities		
Decrease (Increase) in pledged bank deposits	246	(463)
New bank loans raised	20,588	6,768
Repayment of bank loans	(17,575)	(13,426)
Repayment of finance lease obligations	(21)	(1,540)
New loans/advances from shareholders	3,561	758
Repayment to shareholders	(1,182)	(1,123)
Net cash from (used in) financing activities	5,617	(9,026)
Net (decrease) increase in cash and cash equivalents	(12,143)	1,467
Cash and cash equivalents at beginning of year	18,997	17,395
Effect of exchange rate changes on the balances of cash held in foreign currencies	62	135
Cash and cash equivalents at end of year	6,916	18,997

See accompanying notes to financial statements.

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 14 to the financial statements.

The group incurred a net loss of $10,646,000 and $8,592,000 for the years ended December 31, 2014 and 2013 respectively and, as of that date, the company's current liabilities exceed its current assets by $19,462,000 (2013 : $16,357,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on (a) the group's and company's ability to generate sufficient operating cash flows in order to enable the group and the company to operate as going concerns and (b) the group's ability to generate sufficient revenue and operating cash flows in respect of the asset impairment assessment such that the recoverable amount is not lower than the carrying amounts of the property, plant and equipment and goodwill of the group.

Management is of the view that the going concern assumption continues to be appropriate and adequate provision for impairment loss on the property, plant and equipment has been made and no additional provision for goodwill is required based on the management financial forecast and projections prepared using the following key assumptions:

- Ability of the group to continue to generate sufficient cash flow from its future operations with an improvement in economic conditions in order to meet its day-to-day expenditure; and

- Continued revolving credit facilities from the group's lenders to be available over the next twelve months or as and when is required.

Should the group and company be unable to continue in operational existence in the foreseeable future, the group and the company may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than in the amounts which they are currently recorded in the statements of financial position.

In addition, the group and company may have to provide for additional impairment loss for the property, plant and equipment and goodwill, provide for further liabilities that may arise and to reclassify non-current assets and liabilities to current. No adjustments have been made in the financial statements in respect of this.

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, 2014 were authorised for issue by the Board of Directors on March 26, 2015.

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 ("FRS").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 Payments*, 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- 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

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS – On January 1, 2014, 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.

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

- FRS 109 *Financial Instruments*

- FRS 115 *Revenue from Contracts with Customers*

- Amendments to FRS 19 (2011) *Defined Benefit Plans : Employee Contributions*

- Improvements to Financial Reporting Standards (January 2014)

- Improvements to Financial Reporting Standards (February 2014)

- Improvements to Financial Reporting Standards (November 2014)

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 through profit or loss (FVTPL). 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 the financial liability that is attributable to changes in the credit risk of that liability is 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 a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- 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.

The group is currently evaluating the impact of the changes in the period of their initial adoption.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The group is currently evaluating the impact of the changes in the period of their initial adoption.

<u>Amendments to FRS 19 (2011) *Defined Benefit Plans: Employee Contributions*</u>

The Amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not solely linked to current year service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

The group is currently evaluating the impact of the above amendment.

<u>Improvements to Financial Reporting Standards (January 2014)</u>

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after July 1, 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 102 *Share Based Payments*	Definition of vesting condition	Amended definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. Amendments apply prospectively to share-based payment transactions with a grant date on or after July 1, 2014, with earlier application permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standard	Topic	Key amendment
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

Improvements to Financial Reporting Standards (February 2014)

Standard	Topic	Key amendment
FRS 113 *Fair Value Measurement*	Scope of portfolio exception	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32. Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.

Improvements to Financial Reporting Standards (November 2014)

Standard	Topic	Key amendment
FRS 19 Employee Benefits	Discount rate: Regional market issue	The amendments to FRS 19 classify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The group is currently evaluating the impact of the above Improvements to Financial Reporting Standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power:

- 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.

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 a subsidiary that do not result in the group losing control 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 subsidiary. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the group loses control of a subsidiary, the profit 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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 in accordance with FRS 39 Financial Instruments: Recognition and Measurement, or FRS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's and company's statements of financial position when the group and the company becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

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 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", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

<u>Financial assets at fair value through profit or loss ("FVTPL")</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- it is a 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.

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 consolidated statement of profit or loss. Fair value is determined in the manner described in Note 4.

Loans and receivables

Trade 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 recognition of interest would be immaterial.

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

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 expired.

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 34 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 (weighted average method) 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

STRUCTURED DEPOSITS – Structured deposits are recorded at amortised cost.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss 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.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold buildings and improvement	-	5 to 74 years
Fixtures and equipment	-	5 years
Plant and machinery	-	5 to 10 years
Motor vehicles	-	10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

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.

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), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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 is classified as held for sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. 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 or a joint venture. 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.

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.

Rendering of services

Revenue from provision of services for short duration is recognised when the services have been rendered.

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 proportionate basis, by reference to the principal outstanding and at the 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. Remeasuement, 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.

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 profit or loss 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, and are accounted for using the balance sheet liability method. 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 for taxable temporary differences arising on investments in subsidiaries and associate, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

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). The functional currency of the company is 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. The choice of presentation currency is to present the consolidated financial statements in a currency that is more relevant and useful to its stakeholders, the majority who are based in Singapore.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Before distributing a dividend or making any other distribution to stockholders, the Company 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 Company'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 Company. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of the Company'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 - Cash and cash equivalents comprise cash and bank balances and bank deposits, and 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 to the financial statements, 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.

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

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.

a) Going concern assumption

As highlighted in Note 1 to the financial statements, management has prepared the financial statements on a going concern basis as management is of the view that it will be able to generate operating cash flows from the production and manufacturing of traditional Printed Circuit Board ("PCB") products and future operations with expected improvements in economic conditions and to obtain continued financing from lenders in order to able to meet its liabilities as and when they fall due.

b) Accounting for right granted under Sale and Purchase agreement

As highlighted in Note 20 to the financial statements, as part of the company's divestment of 19.5% equity interest of a subsidiary group, the company has granted a third party ("Hongta") the option to require the company to purchase back its investment at the end of the 5 year period ending October 2015 if this subsidiary group did not achieve a certain stipulated milestone. The consideration payable at the end of the vesting period if the milestone is not met is estimated to be RMB102.5 million ($20.1 million).

Management has exercised its judgment in assessing the probability of Hongta exercising the option to require the company to buy back the 19.5% equity interest of a subsidiary and have estimated a provision of $11.2 million (2013 : $10.5 million) for loss on share buy-back. The amount represents the shortfall between the consideration payable and the 19.5% net asset value of the subsidiary group.

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 9 to the financial statements.

b) Allowance for inventories

In determining the net realisable value of the group 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 11 to the financial statements.

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

Key sources of estimation uncertainty (cont'd)

c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Based on the recoverable amounts determined from the value-in-use calculations, management concluded that there is no impairment charge required in respect of goodwill associated with the printed circuit board production cash-generating unit. Management has impaired the goodwill of $2.1 million for the year ended December 31, 2013 attributed to the drilling and routing services cash-generating unit as the group was no longer expected to derive any future economic benefits from the laser drilling business. The carrying amount of goodwill at the end of the reporting period is disclosed in Note 17 to the financial statements.

d) Impairment of property, plant and equipment

The group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations in (c) above. These calculations require the use of judgement and estimates on the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The management has estimated future cash flows based on the assumption that the group is able to generate positive cash flow and meet its revenue target from the existing business. Actual revenue generated may be lower than management projection. Based on the recoverable amounts determined, management concluded that there is an additional impairment charge required in respect of property, plant and equipment amounting to $2,029,000 during the year. The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in Note 16 to the financial statements.

e) 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. Management has estimated the recoverable amount based on the same value-in-use calculations in (c) above. The value-in-use calculations require the company to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The carrying amounts of the company's investments in subsidiaries and the group's investment in associate are disclosed in Notes 14 and 15 to the financial statements respectively.

f) 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.

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	30,501	43,123	5,212	10,049
Structured deposits	20,220	–	–	–
Derivative financial instruments	–	459	–	–
Financial liabilities				
Payables and borrowings at amortised cost	66,787	63,058	35,366	37,412
Derivative financial instruments	88	–	–	–

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

The group and the company does 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.

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.

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

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

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
United States dollar	1,533	15,089	12,693	15,657
Singapore dollar	26,677	13,158	407	212
Company				
United States dollar	1,353	13,477	5	267
Singapore dollar	26,264	13,158	407	203

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 34 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.

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% (2013 : 5%) with all other variables held constant, loss will decrease (increase) by:

	United States dollar		Singapore dollar	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Loss for the year	558	28	(1,314)	(647)
Company				
Loss for the year	(67)	(661)	(1,293)	(648)

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

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

There will be a similar and corresponding opposite impact if the relevant foreign currency weakens against functional currencies of the respective entities by 5% (2013 : 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 and company has borrowings at variable rates totalling $3,952,000 (2013 : $1,827,000) and $Nil (2013 : $41,000) respectively and is therefore exposed to interest rate risks arising from the variability of cash flows.

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, 2014 would increase/decrease by $40,000 (2013 : loss for the year increase/decrease by $18,000), and the company's loss for the year ended December 31, 2014 would increase/decrease by $Nil (2013 : loss for the year increase/decrease by $410). This is mainly attributable to the group's and company'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 53% (2013 : 56%) of the total revenue of the group in 2014. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

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

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

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 banks with high credit-ratings assigned by international credit-rating agencies.

The company's other receivables are mainly due from subsidiaries. The company has not recognised any 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 9 and 10 to the financial statements respectively.

Liquidity risk management

The group is in a net current asset position of $8,687,000 (2013 : $6,683,000) and the company is in a net current liabilities position of $19,462,000 (2013 : $16,357,000) respectively as at December 31, 2014. Liquidity risk is managed by matching the payment and receipt cycle and by obtaining continual revolving credit facilities from financial institutions (Note 21) to fund its working capital requirements as and when is required.

At the end of the reporting period, the Company's current liabilities exceed its current assets by $19,462,000 (2013: $16,357,000). As at December 31, 2014, the Company's current liabilities of $24,682,000 (2013: $26,417,000) include amount due to subsidiaries amounting to $7,749,000 (2013: $9,649,000). The Company is the ultimate holding company for all its subsidiaries and based on the lines of funding available and the ability to control the timing of repayment for the liabilities owing to its subsidiaries, management is satisfied that the Company is able to meet its existing and prospective funding requirements and continue to operate as a going concern.

Undrawn credit facilities are disclosed in Note 21 to the financial statements.

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.

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

(c) Financial risk management policies and objectives (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
Group						
2014						
Non-interest bearing	–	35,747	589	–	–	36,336
Variable interest rate instruments	2.7	2,723	–	1,467	(238)	3,952
Fixed interest rate instruments	3.3 - 6.2	8,833	18,767	–	(1,122)	26,478
Finance lease liability (fixed rate)	8.0	21	–	–	–	21
		47,324	19,356	1,467	(1,360)	66,787
2013						
Non-interest bearing	–	35,158	3,117	–	–	38,275
Variable interest rate instruments	2.7 - 6.0	1,110	748	–	(31)	1,827
Fixed interest rate instruments	4.5 - 6.6	10,005	13,617	–	(716)	22,906
Finance lease liability (fixed rate)	8.0	29	23	–	(2)	50
		46,302	17,505	–	(749)	63,058
Company						
2014						
Non-interest bearing	–	24,682	–	–	–	24,682
Fixed interest rate instruments	4.5	–	11,165	–	(481)	10,684
		24,682	11,165	–	(481)	35,366
2013						
Non-interest bearing	–	26,376	3,117	–	–	29,493
Variable interest rate instruments	5.6 - 6.0	41	–	–	–	41
Fixed interest rate instruments	4.5	–	8,233	–	(355)	7,878
		26,417	11,350	–	(355)	37,412

Non-derivative financial assets

Other than the other receivables of the group amounting to $794,000 (2013 : $1,244,000) due within 2 to 5 years which are non-interest bearing, the non-derivative financial assets of the group and company are all on demand or due within 1 year.

Derivative financial instruments

The derivative financial instruments are all due within 12 months and the maturity analysis is disclosed in Note 34 to the financial statements.

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

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

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) 2014 Assets	2014 Liabilities	2013 Assets	2013 Liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial instruments (see Note 34)								
1) Foreign currency forward contracts	–	88	459	–	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 2013 and 2014.

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

(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 2013.

5 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.

During the year, the group entered into the following trading activities with a related party:

	Sales		Amount owed by related party	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Entity with a common shareholder	88	90	–	110

Sales to a related party was made at the group's usual listing price. The amount outstanding was unsecured and settled in cash. No expense had been recognised in the period for bad or doubtful debts in respect of the amount owed by related parties.

The compensation of directors and key management personnel is disclosed in Note 32 to the financial statements.

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash and bank balances	6,916	18,997	404	459

7 PLEDGED BANK DEPOSITS

As at December 31, 2014, the group has bank deposits amounting to $363,000 (2013 : $609,000) that are pledged to certain banks as security for banking facilities (Note 21). The deposits carry fixed interest rate at 2.8% (2013 : 5%) per annum with an original maturity of twelve months or less.

8 STRUCTURED DEPOSITS

	Group	
	2014	2013
	$'000	$'000
Structured deposits	20,220	–

Short-term structured deposits with banks bear interest at rates ranging from 0% to 5.2% per annum and typically have a maturity period of 30 to 365 days.

9 TRADE RECEIVABLES

	Group	
	2014	2013
	$'000	$'000
Outside parties	21,270	22,947
Less: Allowance for doubtful debts	(345)	(387)
Net	20,925	22,560

Movement in the allowance for doubtful debts:

Balance at beginning of the year	387	5,961
Amounts written off during the year	–	(4,412)
Reversal of allowance recognised in profit or loss - net	(42)	(1,162)
Balance at end of the year	345	387

Certain receivables from outside parties amounting to $Nil (2013 : $550,000) are pledged to secure banking facilities (Note 21).

The credit period on rendering of services ranges from 45 to 150 days (2013 : 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 $2,884,000 (2013 : $774,000) which are past due at the reporting date for which the group has not provided 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.

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

	Group	
	2014	2013
	$'000	$'000
Not past due and not impaired	18,041	21,786
Past due but not impaired (i)	2,884	774
	20,925	22,560
Impaired receivables - collectively assessed (ii)	345	387
Less: Allowance for impairment	(345)	(387)
	–	–
Total trade receivables - net	20,925	22,560

9 TRADE RECEIVABLES (cont'd)

(i) Ageing of trade receivables that are past due but not impaired:

	Group	
	2014	2013
	$'000	$'000
45 to 90 days	2,797	534
91 to 149 days	50	231
>150 days	37	9
Total	2,884	774

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

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deposits for acquisition of property, plant and equipment	113	210	–	1
Prepayments	460	866	8	11
Subsidiaries (Note 14)	–	–	4,808	9,589
Deferred expenditure	689	1,262	–	–
Other receivables	2,184	747	–	–
Total	3,446	3,085	4,816	9,601
Presentation in statements of financial position:				
Current assets	2,652	1,841	4,816	9,601
Non-current assets	794	1,244	–	–
Total	3,446	3,085	4,816	9,601

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. No allowance for the amounts due from subsidiaries was made, reflecting the net recoverable amounts from subsidiaries.

Non-current other receivables include deferred expenditure and deposits.

No allowance has been provided for other receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

11 INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Finished goods	944	1,201
Work in process	2,362	2,028
Raw materials and consumable supplies	1,362	1,406
Total	4,668	4,635
Movement in the allowance for inventories:		
Balance at beginning of the year	944	1,839
Increase (Decrease) in allowance	588	(895)
Balance at end of the year	1,532	944

The cost of inventories recognised has been reduced by $588,000 in respect of the allowance of inventories to net realisable value. In 2013, cost of inventories has increased by $895,000 in respect of the reversal of allowance of inventories due to subsequent sale of inventories. The allowance for inventories as at December 31, 2014 is $1,532,000 (2013 : $944,000).

12 ASSETS CLASSIFIED AS HELD FOR SALE

In December 2013, the management resolved to cease its laser drilling operation and dispose of the group's machinery and equipment for laser drilling. Negotiations with several interested parties have subsequently taken place. The machinery and equipment attributable to the laser drilling operation, which are expected to be sold within twelve months, have been classified as held for sale and are presented separately in the statement of financial position. The laser drilling operation had been a reportable business segment and is disclosed under Note 36 of the financial statements.

In 2014, the proceeds of disposal exceeded the net carrying amount of the relevant machinery and equipment and, accordingly, no impairment loss has been recognised on the classification of these machinery and equipment as held for sale.

13 LAND USE RIGHTS

	Group 2014	Group 2013
	$'000	$'000
Cost:		
At January 1	4,796	4,496
Exchange difference	89	300
At December 31	4,885	4,796
Accumulated amortisation:		
At January 1	666	534
Amortisation	96	96
Exchange difference	13	36
At December 31	775	666
Carrying amount	4,110	4,130
Presentation in statements of financial position:		
Current assets	98	96
Non-current assets	4,012	4,034
Total	4,110	4,130

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 $4,110,000 (2013 : $4,130,000) are pledged to secure bank loans (Note 21).

14 INVESTMENT IN SUBSIDIARIES

	Company 2014	Company 2013
	$'000	$'000
Unquoted equity shares, at cost	79,869	79,869
Impairment loss	(34,530)	(7,920)
Net	45,339	71,949
Movement in the impairment loss:		
Balance at beginning of the year	7,920	7,424
Exchange difference	(1,340)	496
Increase in impairment loss	27,950	–
Balance at end of the year	34,530	7,920

14 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 by Group		Cost of investment		Principal activities/ Country of incorporation and operation
	2014	2013	2014	2013	
	%	%	$'000	$'000	
LGANG Optronics Technology Co., Ltd[(1)]	100	100	11,008	11,008	Manufacturing of PCB boards/ Taiwan
Shanghai Zeng Kang Electronic Co., Ltd[(1)]	89.275	89.275	8,302	8,302	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Yaolong Electronic Technology Co., Ltd[(1)]	89.275	89.275	6,009	6,009	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Zhuo Kai Electronic Technology Co., Ltd[(1)]	80.5	80.5	36,991	36,991	Manufacturing of PCB boards and provision of related processing services on outsourced PCBs to PCB manufacturers/ People's Republic of China
Shanghai Eu Ya Electronic Technology Co., Ltd[(1)]	89.275	89.275	10,080	10,080	Provision of laminating services on PCB boards/ People's Republic of China
Shanghai Lian Han Xin Electronic Technology Co., Ltd[(1)]	89.275	89.275	7,478	7,478	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Emerging Technology Pte Ltd[(2)]	100	100	1	1	Inactive/Singapore
			79,869	79,869	

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

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

15 INVESTMENT IN ASSOCIATE

	Group 2014	Group 2013
	$'000	$'000
Cost of investment in associate	205	205
Share of post-acquisition results and reserve, net of dividend received	(20)	–
Impairment of investment in associate	(185)	–
	–	205

Details of the group's associate at December 31, 2014 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2014	Proportion of ownership interest 2013	Proportion of voting power held 2014	Proportion of voting power held 2013	Principal activity
		%	%	%	%	
Petron Co., Ltd*	Taiwan	50	50	50	50	Provision of services for machinery

* Not audited as deemed not material to the group.

Management had not accounted for Petron Co., Ltd's ("Petron") results for the year ended December 31, 2013, as it was of the view that the contribution of Petron was not significant to the group.

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

	Group 2014
	$'000
Total assets	369
Total liabilities	6
Net assets	363
Group's share of associate's net assets	181
Revenue	–
Group's share of associate's results for the year	(20)

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold buildings and improvement	Fixtures and equipment	Plant and machinery	Motor vehicles	Construction -in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost:							
At December 31, 2012	2,659	25,361	2,191	146,981	38	39	177,269
Additions	–	615	189	908	32	1,173	2,917
Transfer	–	–	(10)	396	–	(386)	–
Disposals	–	–	(152)	(30,085)	–	–	(30,237)
Write-off	–	–	(1)	(679)	–	–	(680)
Reclassified as held for sale (Note 12)	–	–	–	(11,339)	–	–	(11,339)
Exchange differences	12	1,556	115	7,397	2	22	9,104
At December 31, 2013	2,671	27,532	2,332	113,579	72	848	147,034
Additions	–	18	156	2,532	–	464	3,170
Transfer	–	13	39	1,040	–	(1,092)	–
Disposals	–	–	(206)	(31,087)	–	–	(31,293)
Write-off	–	–	(6)	(12)	–	–	(18)
Exchange differences	(38)	430	31	11,857	1	(8)	12,273
At December 31, 2014	2,633	27,993	2,346	97,909	73	212	131,166
Accumulated depreciation:							
At December 31, 2012	–	11,532	1,549	102,712	5	–	115,798
Depreciation	–	1,772	176	9,807	3	–	11,758
Disposals	–	–	(136)	(24,075)	–	–	(24,211)
Write-off	–	–	(1)	(604)	–	–	(605)
Reclassified as held for sale (Note 12)	–	–	–	(8,007)	–	–	(8,007)
Exchange differences	–	713	81	5,014	–	–	5,808
At December 31, 2013	–	14,017	1,669	84,847	8	–	100,541
Depreciation	–	1,654	155	7,207	8	–	9,024
Disposals	–	–	(184)	(24,981)	–	–	(25,165)
Write-off	–	–	(6)	(8)	–	–	(14)
Exchange differences	–	355	36	8,188	–	–	8,579
At December 31, 2014	–	16,026	1,670	75,253	16	–	92,965
Accumulated impairment:							
At December 31, 2012	–	–	–	4,213	–	–	4,213
Reversal of impairment due to disposal	–	–	–	(1,193)	–	–	(1,193)
Exchange differences	–	–	–	208	–	–	208
At December 31, 2013	–	–	–	3,228	–	–	3,228
Reversal of impairment due to disposal	–	–	–	(832)	–	–	(832)
Impairment during the year	–	–	–	2,029	–	–	2,029
Exchange differences	–	–	–	57	–	–	57
At December 31, 2014	–	–	–	4,482	–	–	4,482
Carrying amount:							
At December 31, 2014	2,633	11,967	676	18,174	57	212	33,719
At December 31, 2013	2,671	13,515	663	25,504	64	848	43,265

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold buildings and improvement	Fixtures and equipment	Total
	$'000	$'000	$'000
Company			
Cost:			
At December 31, 2012	815	112	927
Exchange differences	55	8	63
At December 31, 2013	870	120	990
Additions	–	14	14
Disposal	–	(4)	(4)
Exchange differences	16	6	22
At December 31, 2014	886	136	1,022
Accumulated depreciation:			
At December 31, 2012	107	112	219
Depreciation	13	1	14
Exchange differences	10	7	17
At December 31, 2013	130	120	250
Depreciation	13	2	15
Exchange differences	6	–	6
At December 31, 2014	149	122	271
Carrying amount:			
At December 31, 2014	737	14	751
At December 31, 2013	740	–	740

For the group and company, property, plant and equipment with carrying amount of $5,535,000 (2013 : $3,855,000) and $Nil (2013 : $740,000) respectively are pledged to secure bank loans (Note 21).

17 GOODWILL

	Group	
	2014	2013
	$'000	$'000
At beginning of year	82	2,226
Impairment loss recognised during the year	–	(2,144)
At end of year	82	82

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	
	2014	2013
	$'000	$'000
Drilling and routing services (comprise several CGUs)	2,144	2,144
Printed circuit board production (single CGU)	82	82
	2,226	2,226

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budget approved by management for financial year ending December 31, 2015, derived from past financial years result. The forecast is then projected at zero growth rate up to the expected end of lives of the key assets of each CGU.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rates used to discount the respective cash flows ranges from 9.64% to 10.21% (2013 : 10.47% to 12.05%) per annum.

As at December 31, 2014, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

In December 2013, management resolved to cease its laser drilling business. Accordingly, the goodwill allocated to the drilling and routing services CGU amounting to $2,144,000 has been impaired.

18 DEFERRED TAX ASSETS

	Group	
	2014	2013
	$'000	$'000
Deferred tax assets	33	619

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

	Tax losses	Others	Total
	$'000	$'000	$'000
At December 31, 2012	1,220	135	1,355
Charge to profit or loss	(649)	(135)	(784)
Exchange difference	48	–	48
At December 31, 2013	619	–	619
Charge to profit or loss	(580)	–	(580)
Exchange difference	(6)	–	(6)
At December 31, 2014	33	–	33

The tax losses will expire between 2017 to 2022.

At the reporting date, temporary differences associated with the undistributed earnings of one subsidiary for which deferred tax liabilities have not been recognised is $Nil (2013 : $372,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	14,108	14,466	–	–
Non-trade:				
Due to shareholders (Note 5)	15,995	14,115	15,995	14,115
Due to related party (Note 5)	–	110	–	110
Accruals	3,666	3,232	320	464
Other payables	1,469	3,295	109	2,554
Subsidiaries (Note 14)	–	–	7,749	9,649
Total	35,238	35,218	24,173	26,892

19 TRADE AND OTHER PAYABLES (cont'd)

Presentation in statements of financial position:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current liabilities	24,554	24,223	13,489	15,897
Non-current liabilities	10,684	10,995	10,684	10,995
Total	35,238	35,218	24,173	26,892

The balance due to a shareholder, Sunny Worldwide International Limited, amounting to $10,684,000 (2013 : $7,878,000) as at December 31, 2014, is unsecured, bears fixed interest at 4.5% (2013 : 4.5%) per annum and repayable after 12 months (2013 : repayable after 12 months).

The balance due to two shareholders, Wen Yao-Long and Wen Yao-Chou, amounting to $5,206,000 and $105,000 (2013 : $5,584,000 and $653,000) respectively as at December 31, 2014, is unsecured and interest-free. The amounts of $Nil (2013 : $2,509,000) to Wen Yao-Long and $Nil (2013 : $498,000) to Wen Yao-Chou are repayable after 12 months.

20 PROVISION

	Group and Company	
	2014	2013
	$'000	$'000
At beginning of year	10,479	9,705
Provision made during the year	714	774
At end of year	11,193	10,479

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 a 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.

The consideration payable at the end of the vesting period if the milestone is not met is estimated to be RMB102.5 million ($20.1 million).

Management has exercised its judgment in assessing the probability of Hongta exercising the option to require the company to buy back the 19.5% equity interest of a subsidiary and have estimated a provision of $11.2 million (2013 : $10.5 million) for loss on share buy-back. The amount represents the shortfall between the consideration payable and the 19.5% net asset value of the subsidiary group.

21 BORROWINGS

	Effective interest rate		Group		Company	
	2014	2013	2014	2013	2014	2013
			$'000	$'000	$'000	$'000
Bank loans						
Current (Secured): [(i)]						
Fixed rate	3.3% to 6.2%	5.8% to 6.6%	8,588	10,005	–	–
Floating rate	2.7%	2.7% to 6.0%	2,711	1,110	–	41
			11,299	11,115	–	41
Non-current (Secured): [(i)]						
Fixed rate	3.3% to 6.2%	5.8% to 6.6%	7,206	5,023	–	–
Floating rate	2.7%	2.7% to 6.0%	1,241	717	–	–
			8,447	5,740	–	–
Total bank loans			19,746	16,855	–	41

The borrowings are repayable as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year	11,299	11,115	–	41
After one but within five years	7,206	5,740	–	–
After five years	1,241	–	–	–
Total	19,746	16,855	–	41
Presentation in statements of financial position:				
Current liabilities	11,299	11,115	–	41
Non-current liabilities	8,447	5,740	–	–
Total	19,746	16,855	–	41

(i) The group's borrowings are primarily secured by personal guarantees from directors, pledged bank deposits, property, plant and equipment, land use rights and trade receivables. The company's borrowings are secured by property, plant and equipment.

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.

21 BORROWINGS (cont'd)

Pledged assets

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Pledged bank deposits (Note 7)	363	609	–	–
Trade receivables (Note 9)	–	550	–	–
Land use rights (Note 13)	4,110	4,130	–	–
Carrying amount of property, plant and equipment (Note 16)	5,535	3,855	–	740

The bank loans amounting to $13.9 million (2013 : $12.1 million) are also secured by personal guarantees from the directors.

At December 31, 2014, the group has approximately available $640,000 (2013 : $16,688,000) of undrawn credit facilities which are secured by personal guarantees from the directors.

22 FINANCE LEASES

	Minimum lease payments		Fair value of minimum lease payments	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Within one year	21	32	21	29
In the second to fifth year inclusive	–	22	–	21
Total	21	54	21	50
Less: Future finance charges	–	(4)	–	–
Present value of lease obligations	21	50	21	50
Less: Amount due within 12 months			(21)	(29)
Amount due after 12 months			–	21

(a) The average lease term is 3 years. The average effective borrowing rate was 8% (2013 : 8%) per annum for the group. Interest rates are fixed at the contract date, and thus expose the group and the company to fair value interest rate risk. All leases are on a fixed repayment basis, secured by machineries and no arrangements have been entered into for contingent rental payments.

(b) The finance leases of the subsidiaries amounting to $21,000 (2013 : $50,000) are guaranteed by two directors of the company and another director of a subsidiary.

(c) The fair value of the group's lease obligations approximates their carrying amounts.

23 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 potion of the plan asserts 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 most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2014 by 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.

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

	Valuation at	
	2014	2013
Discount rate	1.75%	2%
Expected return on plan assets	2%	1.75%
Expected rate of salary increase	2%	2%

23 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

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

	2014	2013
	$'000	$'000
Group		
Present value of funded obligations	994	829
Fair value of plan assets	(405)	(373)
Net liability recognised in the statement of financial position	589	456

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

	Group	
	2014	2013
	$'000	$'000
Service cost		
Current service cost	261	13
Past service cost and (gain)/loss from settlements	(42)	–
Net interest expense	15	12
Components of defined benefit costs recognised in profit or loss	234	25
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(1)	–
Actuarial gains and losses arising from changes in demographic assumptions	2	–
Actuarial gains and losses arising from changes in experience adjustments	(78)	–
Components of defined benefit costs recognised in other comprehensive income	(77)	–
Total	157	25

Of the charge for the year, $234,000 (2013 : $25,000) is included in profit or loss in administrative expenses.

23 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

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

	Group	
	2014	2013
	$'000	$'000
Opening defined benefit obligation	829	799
Current service cost	261	13
Interest cost	22	17
Remeasurement (gains)/losses: Actuarial gains and losses		
from changes in demographic assumptions	2	–
from experience adjustments	(78)	–
Past service cost, including gains on curtailments	(42)	–
Closing defined benefit obligation	994	829

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	373	357
Interest income	7	5
Remeasurement gain:		
Return on plan assets (excluding amounts included in net interest expense)	1	–
Contributions by employer	24	11
Closing fair value of plan assets	405	373

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	
	2014	2013
	%	%
Deposits with financial institution	18.82	22.86
Equity instruments	10.78	8.41
Short-term investment	2.5	4.1
Debt instruments	11.53	9.37
Overseas investments	36.87	34.31
Others	19.5	20.95

In 2014, the actual return on plan assets was $1,157.

23 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

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 $30,345 (increase by $31,725).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $31,646 (decrease by $30,418).
- If the attrition rate increases (decreases) by 10%, the defined benefit obligation would decrease by $1,688 (increase by $1,693).

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.

The average duration of the benefit obligation at December 31, 2014 is 14 years (2013 : 14 years).

The group expects to contribute approximately $15,000 (2013: $17,500) to its defined benefit plan in the subsequent financial year.

24 SHARE CAPITAL

	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
	'000	'000		
Group and Company				
Issued and paid up:				
At beginning and end of year	570,000	570,000	56,127	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.

25 STATUTORY RESERVES

	Legal and special reserves	Reserve fund	Total
	$'000	$'000	$'000
Group			
Balance of December 31, 2012	2,585	5,165	7,750
Transfer from accumulated losses	31	–	31
Balance at December 31, 2013	2,616	5,165	7,781
Transfer from accumulated losses	131	–	131
Balance at December 31, 2014	2,747	5,165	7,912

26 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 20).

27 REVENUE

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Rendering of services	57,771	65,789	–	3,481	57,771	69,270

28 OTHER INCOME

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Gain on disposal of property, plant and equipment	–	–	–	2,525	–	2,525
Foreign exchange gain	1,119	2,233	–	27	1,119	2,260
Interest income	58	155	–	4	58	159
Other income	1,179	1,003	–	56	1,179	1,059
Total	2,356	3,391	–	2,612	2,356	6,003

29 FINANCE COSTS

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Interest expense on:						
Bank loans	826	916	–	148	826	1,064
Finance leases	4	–	–	87	4	87
Amount due to a shareholder (Note 5)	328	258	–	–	328	258
Total	1,158	1,174	–	235	1,158	1,409

30 INCOME TAX EXPENSE

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Current tax expense	15	–	–	–	15	–
Deferred tax expense	580	761	–	23	580	784
Total	595	761	–	23	595	784

Domestic income tax is calculated at 17% (2013 : 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 charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2014	2013
	$'000	$'000
Loss before income tax:		
Continuing operations	(10,051)	(6,075)
Discontinued operations	–	(1,733)
	(10,051)	(7,808)
Tax at statutory rate of 17% (2013 : 17%)	(1,709)	(1,327)
Non-deductible expenses	2,604	1,934
Deferred expense	28	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(328)	177
Income tax expense	595	784

(a) The corporate tax rate of subsidiaries in the Republic of China ("PRC") is 25% (2013 : 25%).

(b) The corporate tax rate of the Taiwanese subsidiary is 17% (2013 : 17%).

31 DISCONTINUED OPERATION

In December 2013, the management resolved to cease its laser drilling operation and dispose of the group's machinery and equipment for laser drilling.

The loss for the year from the discontinued operation is analysed as follows:

	Group 2013 $'000
Loss of laser drilling operation for the year	(2,137)
Impairment loss on goodwill	(2,144)
Gain on sale of plant and equipment	2,525
	(1,756)

The results of the laser drilling operation for the period from January 1, 2013 to December 31, 2013 are as follows:

	Group 2013 $'000
Revenue	3,481
Cost of service and sales	(3,394)
Other income	2,612
Administrative expenses	(2,047)
Other expenses	(2,150)
Finance costs	(235)
Loss before tax	(1,733)
Income tax expense	(23)
Loss for the year (attributable to owners of the company)	(1,756)

During the year, the laser drilling operations generated $Nil (2013 : $1,353,000) of the group's net operating cash flows, received $Nil (2013 : $5,604,000) in respect of investing activities and paid $Nil (2013 : $7,328,000) in respect of financing activities.

32 LOSS FOR THE YEAR

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

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation and amortisation:						
Depreciation of property, plant and equipment	9,024	10,455	–	1,303	9,024	11,758
Amortisation of land use rights	96	96	–	–	96	96
Total depreciation and amortisation	9,120	10,551	–	1,303	9,120	11,854
Directors' remuneration	1,801	1,290	–	323	1,801	1,613
Directors' fees	130	130	–	–	130	130
Total directors' expense	1,931	1,420	–	323	1,931	1,743
Employee benefits expense (including directors' remuneration):						
Defined contribution plans	160	55	–	134	160	189
Other staff costs	13,895	15,522	–	1,945	13,895	17,467
Total employee benefits expense	14,055	15,577	–	2,079	14,055	17,656
Reversal of Allowance for doubtful debts	(42)	(1,162)	–	–	(42)	(1,162)
Allowance for (Reversal of allowance for) inventories	588	(895)	–	–	588	(895)
Total allowance	546	(2,057)	–	–	546	(2,057)
Audit fees:						
- paid to auditors of the company	92	77	–	–	92	77
- paid to other auditors	106	80	–	25	106	105
Total audit fees	198	157	–	25	198	182
Non-audit fees paid to auditors of the company	2	2	–	–	2	2
Loss (Gain) on disposal of property, plant and equipment	1,329	569	–	(2,525)	1,329	(1,956)
Net foreign currency exchange gain	(1,120)	(2,233)	–	(27)	(1,120)	(2,260)
Cost of inventories recognised as expense in cost of sales	32,927	40,025	–	3	32,927	40,028
Provision for loss on share buy-back	714	774	–	–	714	774

Other expenses include provision for loss on share buy-back of $714,000 (2013 : $774,000).

32 LOSS FOR THE YEAR (cont'd)

Compensation of directors and key management personnel

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

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Short-term benefits	2,573	1,986	–	203	2,573	2,189
Post-employment benefits	121	–	–	16	121	16
	2,694	1,986	–	219	2,694	2,205

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

33 LOSS PER SHARE

	Group					
	Continuing Operations		Discontinued Operation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Loss attributable to owners of the company ($'000)	(10,101)	(6,159)	–	(1,756)	(10,101)	(7,915)
Number of ordinary shares ('000)					570,000	570,000
Earnings per share (cents)	(1.77)	(1.08)	–	(0.31)	(1.77)	(1.39)

There is no dilution of earnings per share as no share options were granted.

34 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	
	2014	2013
	$'000	$'000
Forward foreign exchange contracts		
- sell US$ (within one year)	28,500	22,500
- buy US$ (within one year)	723	–

34 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The fair value of the forward foreign exchange contracts is estimated to be a liability of $87,909 (2013 : asset of $459,000) based on quoted forward exchange matching maturity of the contracts. Changes in the fair value of currency derivatives amounting to a loss of $555,000 (2013 : gain of $183,000) have been charged to other income in the profit or loss. The forward foreign exchange contracts are settled on a gross basis.

35 OPERATING LEASE ARRANGEMENTS

	Group	
	2014	2013
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense during the year	298	539

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

	Group	
	2014	2013
	$'000	$'000
Within one year	106	71
In the second to fifth years inclusive	43	–
Total	149	71

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.

36 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"). Laser drilling operations has been discontinued in December 2013. 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 assets exclude interest-producing assets.

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. Segment liabilities exclude interest-bearing liabilities and income tax liabilities.

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

36 SEGMENT INFORMATION (cont'd)

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

Revenue and expenses (by business segments)	Continuing Operations: Mechanical drilling and routing services 2014	2013	PCB operations 2014	2013	Total 2014	2013	Discontinued Operation: Laser drilling services 2014	2013	Total 2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue to external parties	6,404	6,751	51,367	59,038	57,771	65,789	–	3,481	57,771	69,270
Segment results	(3,708)	(5,190)	(5,503)	(445)	(9,211)	(5,635)	–	(4,110)	(9,211)	(9,745)
Other income					2,356	3,391	–	2,612	2,356	6,003
Unallocated corporate expenses					(2,038)	(2,657)	–	–	(2,038)	(2,657)
Finance costs					(1,158)	(1,174)	–	(235)	(1,158)	(1,409)
Loss before income tax					(10,051)	(6,075)	–	(1,733)	(10,051)	(7,808)
Income tax expense					(595)	(761)	–	(23)	(595)	(784)
Net loss attributable to the group					(10,646)	(6,836)	–	(1,756)	(10,646)	(8,592)
Assets and liabilities										
Segment assets	34,355	23,733	58,914	69,276	93,269	93,009	–	7,747	93,269	100,756
Unallocated corporate assets					1,213	1,222	–	–	1,213	1,222
Consolidated total assets					94,482	94,231	–	7,747	94,482	101,978
Segment liabilities	8,107	3,186	42,842	41,307	50,949	44,493	–	3,146	50,949	47,639
Unallocated corporate liabilities					15,926	15,419	–	–	15,926	15,419
Consolidated total liabilities					66,875	59,912	–	3,146	66,875	63,058
Additions to non-current assets:										
- Property, plant and equipment	2,485	784	671	1,396	3,156	2,180	–	737	3,156	2,917
Depreciation	5,768	3,719	3,240	6,722	9,008	10,441	–	1,303	9,008	11,744
Amortisation of land use rights	44	9	52	87	96	96	–	–	96	96
(Reversal of) Allowance for inventories	–	–	–	(895)	–	(895)	–	–	–	(895)
(Reversal of) Allowance for doubtful debts	(63)	3	21	(1,165)	(42)	(1,162)	–	–	(42)	(1,162)
Impairment loss on property, plant and equipment	(102)	–	1,299	–	1,197	–	–	–	1,197	–
Unallocated corporate expenditure:										
Capital expenditure					14	–			14	–
Depreciation					16	14			16	14

36 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)	Continuing Operations								Discontinued Operation			
	People's Republic of China		Taiwan		Singapore		Total		Taiwan		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue	54,170	65,789	3,513	–	88	–	57,771	65,789	–	3,481	57,771	69,270
Segment non-current assets	33,569	41,781	3,409	–	751	740	37,729	42,521	–	4,778	37,729	47,299

Information about major customers

Included in revenues of the PCB operations are revenues of approximately $24,281,000 and $4,017,000 (2013 : $24,969,000 and $9,922,000) which arose from sales to the group's two largest customers. One of the major customer is owned by a shareholder of the company.

37 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the statement of financial position, statement of cash flows and the related notes to the financial statements. Comparative figures have been adjusted to the current year's presentation.

37 RECLASSIFICATIONS AND COMPARATIVE FIGURES (cont'd)

The items were reclassified as follows:

	Group	
	Previously reported 2013	After reclassification 2013
	$'000	$'000
Statement of financial position		
Current assets		
Other receivables and prepayments	2,300	1,841
Derivative financial instruments	–	459
Current liabilities		
Trade and other payables	24,679	24,223
Non-current liabilities		
Retirement benefit obligations	–	456

Summary of Properties

Held by	Location and description	Tenure	Usage of property
Eucon Holding Limited	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 13 March 2015

Issued share capital	:	SGD56,127,017/-
Number of shares	:	570,000,000
Number/percentage of treasury shares	:	Nil
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.03	88	0.00
100 - 1,000	258	8.72	145,578	0.02
1,001 - 10,000	1,115	37.69	5,457,060	0.96
10,001 - 1,000,000	1,525	51.56	160,690,784	28.19
1,000,001 AND ABOVE	59	2.00	403,706,490	70.83
TOTAL	**2,958**	**100.00**	**570,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SUNNY WORLDWIDE INTERNATIONAL LTD	108,362,000	19.01
2	UOB KAY HIAN PRIVATE LIMITED	80,393,800	14.10
3	WEN YAO LONG	31,447,747	5.52
4	CHEN CHU-TSU	16,875,600	2.96
5	CHEN WEN CHIN	9,762,000	1.71
6	CHEN CHENG HSIUNG	8,136,800	1.43
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,948,400	1.39
8	LEE YING-CHI	7,140,000	1.25
9	PHILLIP SECURITIES PTE LTD	6,754,800	1.19
10	KWA CHING TZE	6,500,000	1.14
11	JENG HUANG FONG MAAN	6,188,800	1.09
12	CHIEN WAN HSIN	5,857,800	1.03
13	DBS NOMINEES (PRIVATE) LIMITED	5,160,200	0.91
14	WANG JUNG HSIN	5,000,000	0.88
15	WEN YAO-CHOU	4,794,643	0.84
16	LINSI	4,392,000	0.77
17	CITIBANK NOMINEES SINGAPORE PTE LTD	4,290,000	0.75
18	LAI YU CHUNG	4,243,600	0.74
19	LIN JIA LUH	4,243,600	0.74
20	WEN SHU FEN	3,850,000	0.68
	TOTAL	**331,341,790**	**58.13**

Statistics of Shareholdings

As at 13 March 2015

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	No. of Shares	
Name of Shareholders	Direct Interest	Deemed Interest
Sunny Worldwide Int'l Ltd	108,362,000	–
Wen Yao-Long (1)	31,447,747	108,362,000

Note:-

(1) Sunny Worldwide Int'l Ltd ("Sunny Worldwide") is an investment holding company incorporated in Mauritius. It is beneficially owned by Mr Wen Yao-Long, Mr Wen Yao-Chou and their family members. Mr Wen Yao-Long is deemed to have an interest in the shares held by Sunny Worldwide by virtue of his 20.3% direct interest in Sunny Worldwide. Mr Wen Yao-Long is the only director of Sunny Worldwide.

Percentage of Shareholding in Public's Hand

Based on information available to the Company as at 13 March 2015, 73.74% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Eucon Holding Limited (the "Company") will be held at Grand Mercure Roxy Hotel, Frankel Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 23 April 2015 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **[Resolution 1]**

2. To approve the Directors' Fees of S$130,000/- for the financial year ended 31 December 2014 (2013:S$130,000/-). **[Resolution 2]**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   (a) Mr Ong Sim Ho {retiring pursuant to Article 89} **[Resolution 3(a)]**

   (b) Mr Er Kwong Wah {retiring pursuant to Article 89} **[Resolution 3(b)]**

   Mr Ong Sim Ho will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a Member of the Nominating Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Er Kwong Wah will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a Member of the Audit Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and they are hereby authorised to issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) 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 provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per centum of the total number of issued shares excluding treasury shares, in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per centum of the total number of issued shares excluding treasury shares, in the capital of the Company at the time of the passing of this Resolution and that such authority shall continue in force until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company."
   [See Explanatory Note] **[Resolution 5]**

Notice of Annual General Meeting

BY ORDER OF THE BOARD

Tan Cheng Siew
Company Secretary
Singapore, 7 April 2015

EXPLANATORY NOTE ON SPECIAL BUSINESS TO BE TRANSACTED:

The proposed Resolution 5, if passed, will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares excluding treasury shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

The percentage of the issued share capital is based on the total number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this Resolution after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

A Member is entitled to appoint up to two proxies to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged 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 the Meeting.

EUCON HOLDING LIMITED

(Company Registration No.: 200107762R)
(Incorporated in the Republic of Singapore with Limited Liability)

Important

1. For investors who have used their CPF monies to buy Eucon Holding Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We ____

of ____

being a *member/members of Eucon Holding Limited, hereby appoint

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

and/or (delete as appropriate)

as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at the Grand Mercure Roxy Hotel, Frankel Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 23 April 2015 at 10.00 a.m. and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Report of the Directors and Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon.		
2.	To approve payment of Directors' Fees.		
3.	(a) To re-elect Mr Ong Sim Ho as a Director.		
	(b) To re-elect Mr Er Kwong Wah as a Director.		
4.	To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
5.	To authorise the Directors to issue/allot shares in the Company.		

Signed this __________ day of ________________ 2015

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

____
Signature(s) of Member(s)
or Common Seal of Corporate Shareholder

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member appoints two proxies, he must specify the proportion of his shareholding to be represented by each proxy, failing which the nomination shall be deemed to be alternative.

3. The instrument appointing a proxy must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or a duly authorised officer of the corporation.

4. A corporation which is a member may also appoint by resolution of its Directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.

5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company, 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269 at least 48 hours before the time fixed for holding the Annual General Meeting.

6. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the numbers of Ordinary Shares in the respective boxes provided in the instrument of proxy. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

EUCON HOLDING LIMITED

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