EUCON HOLDING LIMITED

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Tapping ON Strong Fundamentals

Annual Report 2011

EUCON HOLDING LIMITED

From Challenges to Opportunities...

"Facing a challenging business environment, we seek to extend our focus on research and development for new business opportunities and avenues, so as to achieve sustainable growth."

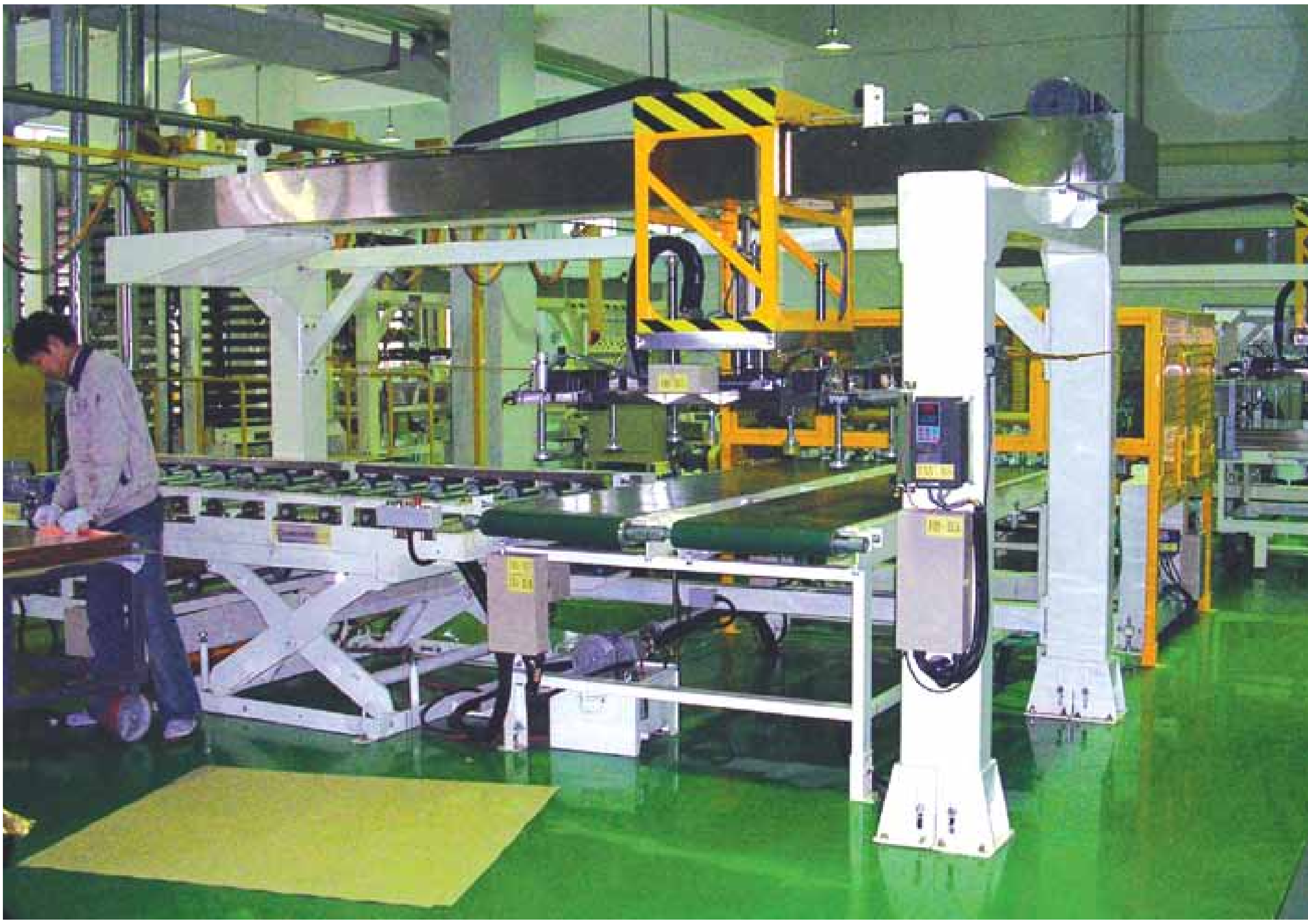
CONTENTS

VISION

To be recognised as the market leader in offering outsourced high quality turnkey 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



One of the largest independent PCB drilling service providers in Taiwan and China.



Research and development has and always will be a main focus by the Group. Coupled with relevant knowledge and sufficient capital funding, Eucon successfully produced its first in-house LED emitter in 2011.

SGX Mainboard-listed Eucon Holding Limited ("Eucon" or "the Group") is an integrated PCB service provider and a LED emitter manufacturer. Its suite of PCB solutions being mechanical drilling, laser drilling, routing and PCB manufacturing are provided through its six plants, 1 located in Taiwan and 5 in Shanghai, China. Whereas LED emitter production is currently carried out in its Taiwan plant.

Today, Eucon is one of the largest independent laser drilling service providers in Taiwan. In China, the Group has dedicated 2 of the plants in Shanghai to handle the entire process of PCB manufacturing. 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.

Research and development has and always will be a main focus by the Group. Coupled with relevant knowledge and sufficient capital funding, Eucon successfully produced its first in-house LED emitter in 2011.

Extending Focus, Delivering Value

Dear Shareholders,

FY2011 was a year filled with mixed economic signals. It started with encouraging growth, which, slowed down significantly in the second half of the year due to worries over the sovereign debt crisis in Europe and weak growth in USA and Japan.

We saw improvements during our first quarter of the financial year but towards the second half of the year, fewer work orders and saturation in the Printed Circuit Board ("PCB") industry eroded our bottom line. The Group suffered a net loss of $4.2 million on the back of a 17% drop in revenue, from $116.7 million in FY2010 to $97.1 million in FY2011. This was an across-the-board decrease in revenue for all segments. The significant decrease in revenue were from the mechanical drilling segment and the laser drilling segment, where we experienced great volatility due to short turnover time.

Going forward, we will continue to focus on research and development to develop new business opportunities both in our core businesses in the PCB industry as well as our budding business in the Light-Emitting Diode ("LED") market.

Tapping Fundamentals, Venturing Beyond

With growing competition intensity within our industry, we are gradually shifting our focus to high end PCBs and addressing rising raw material and labour costs as we seek to attain sustainable development. We are capitalising on our core competencies in the manufacture of PCBs and providing mechanical and laser drilling services to extend towards cloud-based products and services which we believe would be prevalent in this connected community.

As cloud computing and mobile internet develop, the traditional PC market will shrink by market share. Smartphones and tablets sales will gather pace. The cloud concept of creating communities where data is stored, modified and exchanged more quickly and efficiently is a recurring theme today and we are taking the first steps towards becoming an important cloud-based services provider for the engineering community.

We are currently working closely with our potential clients as they are currently testing our products. This shift towards cloud computing would create new windows of opportunity in the near future.

During the year, we expanded into the LED market via our Taiwan subsidiary, LGANG Optronics Technology Co., Ltd ("LGANG"). LGANG's business operations now include laser drilling services to PCB manufacturers and manufacturing and sales of LED emitters and LED-related lighting products.

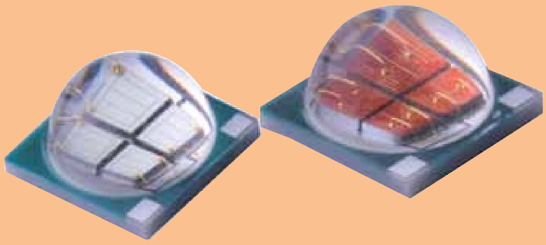
We commenced research and development work to manufacture LED emitters in LGANG in April 2010. A year later, LGANG successfully produced its first in-house Single-LED emitter and Quad-LED emitter. Patents were filed and relevant certifications obtained. We believe that this diversification will complement our core business, while bringing a new source of revenue and enhancing shareholder value.

Strategy and Outlook

With uncertainty in market demand, cost of materials, and foreign exchange rates, we maintain our conservative outlook for the coming year.

The cost of raw materials, such as copper and labour, in China had grown by over 30 percent in the past one to two years. To remain competitive, makers have been boosting production, upgrading processes and improving services.

According to the forecast by Industrial Economics and Knowledge Research Centre (IEK), a government-backed Industrial Technology Research Institute (ITRI) in Taiwan, the strong demand for mobile computing devices such as smartphones, tablet PCs and Ultrabook PCs will continue to boost usage of the high-end high density interconnect (HDI), multi-layer and flexible PCBs, which we intend to develop in the near future.



In addition, according to DisplaySearch, a leading global market research and consulting firm specialising in display supply chain, the total average LED market penetration rate in lighting was 1.4% in 2010 and is forecast to reach 9.3% in 2014. There is high penetration in the area of spot lights, due to halogen replacements. Government policies are expected to accelerate LED penetration in street lights after 2011. Moreover, the research firm also predicted that Taiwan would overtake Korea as the top LED supply country after 2011.

However, with renewed uncertainties in the global financial markets and signs of instability in many parts of the world, we expect the weak business sentiment to extend into the first half of 2012. We will continue to be cautious and vigilant in our operations. Going forward, Eucon will continue to focus on research and development and source for new business opportunities.

Acknowledgements

On behalf of the Board and the management, I would like to express my sincere appreciation to our employees, customers and business associates for their strong support and our valued shareholders for their firm belief in us. We believe that the high morale and dedication of our employees remains the driver of our success and we will continue to work towards growth and enhance shareholder value.

Wen Yao-Long
Executive Chairman and CEO

Operations Review

PCB Operations

In FY2011, PCB operations continued to be the major contributor accounting for 79% of our Group's revenue. With fewer orders received from original equipment manufacturers, PCB revenue dropped marginally by 6% from $81.6 million in FY2010 to $76.7 million in FY2011.

This reduction in PCB revenue was a result of weak global manufacturing growth and the ripple effects of the Eurozone sovereign debt crisis, coupled with uncertain demand in the electronics industry and stiffer competition. According to Japan Electronics and Information Technology Industries Association ("JEITA"), production by the global electronics and IT industries was flat in 2011. Economic stimulus measures fell short of expectations and severe competition pushed down prices of end products. This resulted in 2011 global production by the industries to dip 1% from the previous year. As PCBs are vital components in almost all electronics products, this inevitably caused a decline in the demand for our PCBs.

Mechanical Drilling And Routing Services

With fewer orders received, revenue from mechanical drilling and routing services decreased by 47% from $15.0 million in FY2010 to $7.9 million in FY2011.

Laser Drilling

As many of our customers scaled down their production, particularly, in the second half of FY2011, we received fewer laser drilling sub-contracting work. This resulted in revenue from our laser drilling services decreasing by 38% from $20.1 million in FY2010 to $12.5 million in FY2011.

Geographical Markets

China operations remained the key contributor to Group's revenue in FY2011. The proportion of revenue contributed by our China operations increased by 2% from 87% in FY2010 to 89% in FY2011.

Our Taiwan operations remained focused on laser drilling services. Laser drilling business commanded a higher margin, however, the market demand in this business was inherently more volatile when compared to our PCB business. This was due, inter alia, to the significantly shorter turnover time for this business. During the second half of FY2011, the decrease in revenue generated from laser drilling business was significantly higher than other businesses.

Stepping up on Research and Development

Due to the volatile global economy and slower demand, we reported a net loss of $4.2 million. We experienced a significant decrease in our gross profit margin from 18.1% to 12.7% due to a shift in revenue mix where a significant decrease was noted in our highest profit margin generating business, namely laser drilling. Furthermore, mechanical drilling business incurred a gross loss, resulting from high fixed costs that mainly comprised of depreciation for machineries and equipment.

To cope with the intense competition and weaker demand, we planned for a strategic shift to high-end PCBs. We intend to develop high-end PCBs that support cloud-based services. We believe these high-end PCBs are necessary for the future of a connected community. We are currently working closely with big global brands. We believe that business opportunities lie in this market.

In FY2011, PCB operations continued to be the major contributor accounting for 79% of our Group's revenue.



Exploring New Opportunities

During the year, our Taiwan subsidiary, LGANG Optronics Technology Co., Ltd ("LGANG") diversified its business to include the manufacture and sales of LED emitters and LED-related lighting products.

After a year of research and development, LGANG successfully produced its first in-house Single-LED emitter and Quad-LED emitter in April 2011. Patents were filed and relevant certifications obtained. We believe that with greater environmental protection awareness, there will be a significant demand for products that are energy-saving or energy efficient. This new business may bring a new source of revenue for the Group.

Adopting Cost Strategies

Our China subsidiaries have been under constant pressure from increasing costs such as electricity rationing, increasing labour costs and increasing cost of raw materials.

The management is currently exploring various ways of improving operational and production efficiency to reduce costs. In view of the escalating price of copper and labour costs, our PCB operations quality control team will be adopting stricter standards in supervision and inspection during the production process, so as to minimise inaccuracies and wastage. We are planning to raise productivity by training our staff.

We seek to achieve a balance in all business segments so as to attain a diversified earnings base that could cushion significant changes in the market. We will make regular evaluation of the various markets and allocate resources to prepare for future demand growth.

We believe there are many untapped opportunities emerging in the market and we will strengthen our business development strategies and work closely with clients and partners to clinch more contracts. With the new strategies in place, we look forward to an eventful 2012.

Board of Directors

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 laser drilling, PCB operations, routing and mass lamination. A high school graduate, Mr Wen has more than 20 years of experience in the PCB industry.

WEN YAO-CHOU

Co-Founder and Executive Director

With more than 20 years of experience in the PCB industry, Mr Wen is responsible for the Group's business development and strategic planning. He heads the operations of the manufacturing plant in Taiwan, LGANG Optronics Technology Co., Ltd. He is also responsible for the sales and marketing functions of the Group. Mr Wen is a high school graduate.

ONG SIM HO

Lead Independent Director

Mr Ong is a Director at Drew & Napier LLC where he heads the Tax & Private Client Services Group. He is the Non-Executive Chairman of Tokio Marine Life Insurance Singapore Ltd and a member of the Board of Emirates National Oil Company (Singapore) Pte Ltd, Innovalues Limited, 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 Certified Public Accountants in Singapore and a member of the Singapore Institute of Directors.

SEOW HAN CHIANG, WINSTON

Independent Director

Mr Seow is a partner of RHT Law Taylor Wessing LLP. He was called to the Singapore Bar in 1995 and has been a practising advocate and solicitor of the Supreme Court of Singapore since then. He holds a Bachelor of Law (Honours) degree from the National University of Singapore. Mr Seow is also an Independent Director of Sound Global Ltd and Goldtron Limited.

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 China Essence Group Ltd, China Oilfield Technology Services Group Ltd, COSCO Corporation (S) Ltd, Van Der Horst Energy Ltd, Unidux Electronics Ltd and Hartawan Holdings Ltd. 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



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.

CHAN HUI-CHUNG

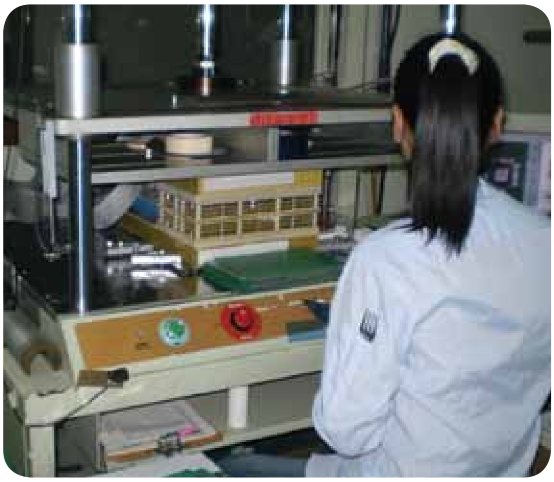
Vice General Manager of Shanghai Zhuo Kai

Ms Chan is the spouse of our Chairman/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. She also manages the financial functions for all China subsidiaries since November 2008. 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.

TAY AI LI

Group Accountant

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 firm. She is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Bachelor Degree in Accountancy from Nanyang Technological University, Singapore. She is currently a member of the Punggol North Citizens Consultative Committee.



LEE TUNG-CHEN

Vice General Manager of Shanghai Zhuo Kai and Shanghai Eu Ya

Mr Lee heads the operations of Shanghai Zhuo Kai and Shanghai Eu Ya. His responsibilities includes sales and marketing as well as production functions. Prior to this, he was the Vice General Manager of Circuitech Electronics Inc and Ching Shi Technology Co. Ltd. Mr Lee holds a Diploma in Chemical Engineering from Lunghwa Junior College of Technology.

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 includes 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 high school graduate.

Subsidiaries

LGANG Optronics Technology Co., Ltd

Offers laser drilling services to PCB manufacturers in Taiwan, manufacturing and sales of LED emitters and LED-related lighting products.

Shanghai Zeng Kang Electronic Co., Ltd

Offers mechanical drilling and routing services to customers in Northern Shanghai

Shanghai Zhuo Kai Electronic Technology Co., Ltd

Provides PCB manufacturing and laser drilling services

Shanghai Eu Ya Electronic Technology Co., Ltd

Manufactures laminate boards for use in the production of PCBs

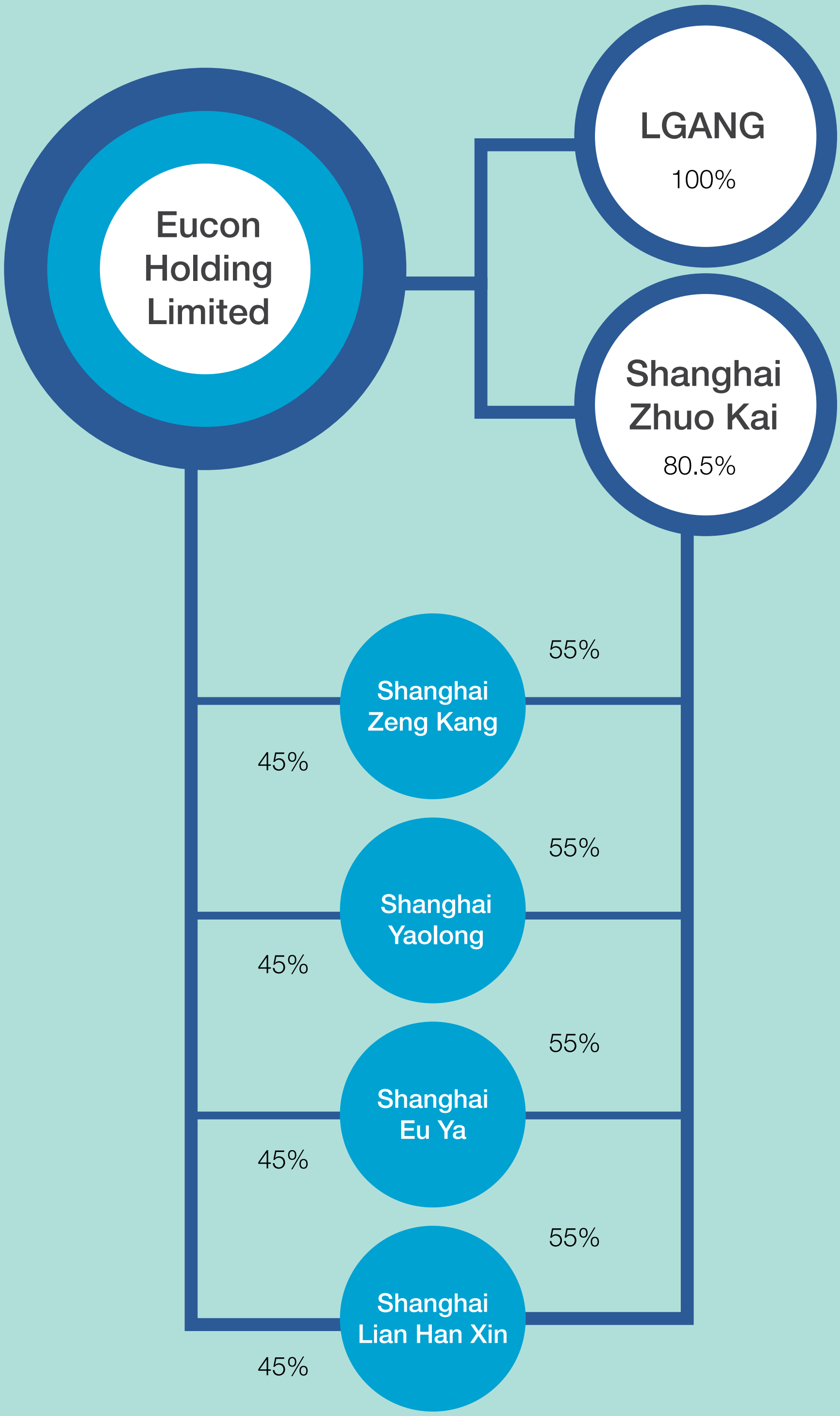
Shanghai Lian Han Xin Electronic Technology Co., Ltd

Offers mechanical drilling services

Shanghai Yaolong Electronic Technology Co., Ltd

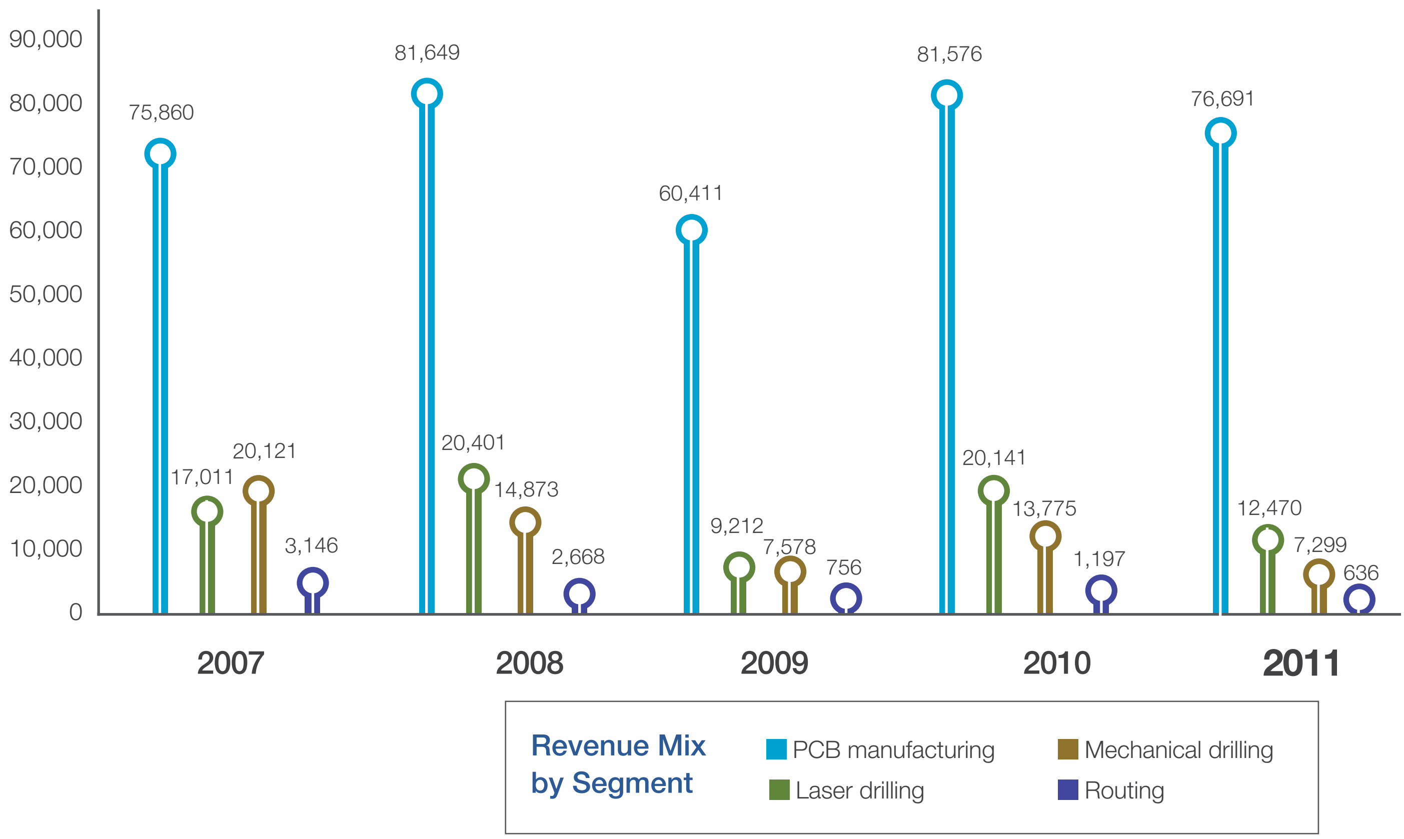
Offers mechanical drilling and routing services to customers in Southern Shanghai

Group Structure



5 Year Financial Highlights

Group Profit & Loss ($'m) (for the year ended December 31)	2011	2010	2009	2008	2007
Revenue	**97.1**	116.7	78.0	119.6	116.1
Gross profit	**12.3**	21.1	3.4	11.9	18.7
(Loss) / Profit before tax	**(3.8)**	2.4	(13.1)	(11.1)	7.3
(Loss) / Profit attributable to shareholders	**(4.2)**	1.2	(12.8)	(10.7)	6.6
Group Balance Sheet ($'m) (for the year ended December 31)					
Property, plant and equipment	**75.9**	85.0	103.9	125.9	129.4
Cash and banks	**18.4**	15.2	9.2	24.2	27.1
Other assets	**48.4**	59.2	52.8	52.2	78.9
Total Assets	**142.7**	159.4	165.9	202.3	235.4
Equity attributable to owners of the company	**64.3**	67.3	71.0	84.9	92.8
Total borrowings	**28.8**	33.5	39.1	65.7	84.9
Other liabilities	**40.5**	50.1	50.0	45.4	51.3
Non-controlling interests	**9.1**	8.5	5.8	6.3	6.4
Total Liabilities And Equity	**142.7**	159.4	165.9	202.3	235.4
Financial Ratios					
Return on shareholders' equity (%)	**(5.9)**	3.6	(18.5)	(13.1)	7.9
Return on assets (%)	**(2.9)**	0.8	(7.7)	(5.3)	3.4
Net gearing ratio	**0.2**	0.3	0.5	0.5	0.6
Working capital ratio	**0.9**	0.9	0.6	0.7	0.9
Per Share Data (Cents)					
Earnings after tax	**(0.73)**	0.16	(2.20)	(1.88)	1.16
Net assets	**10.88**	11.42	12.06	14.50	15.60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80,000
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50,000
40,000
30,000
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10,000
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75,860
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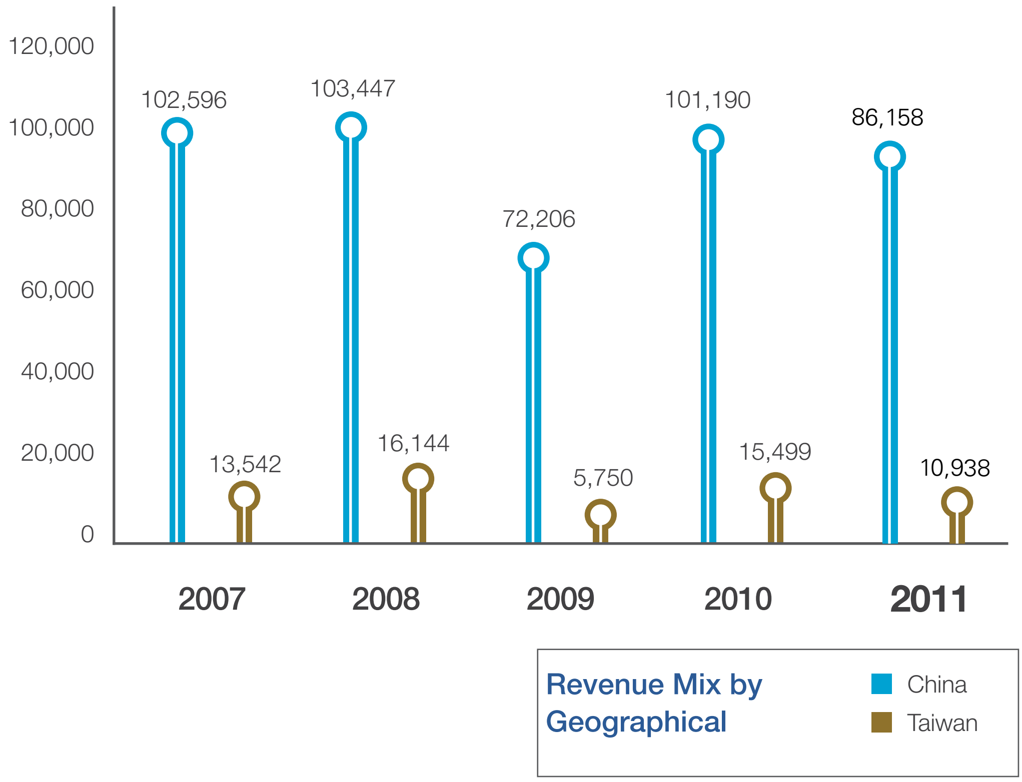
20,121
3,146
81,649
20,401
14,873
2,668
60,411
9,212
7,578
756
81,576
20,141
13,775
1,197
76,691
12,470
7,299
636
2007
2008
2009
2010
2011
Revenue Mix by Segment
PCB manufacturing
Mechanical drilling
Laser drilling
Routing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40,000
20,000
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102,596
13,542
103,447
16,144
72,206
5,750
101,190
15,499
86,158
10,938
2007
2008
2009
2010
2011
Revenue Mix by Geographical
China
Taiwan

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Wen Yao-Long *(Chairman & CEO)*
Wen Yao-Chou

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

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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
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Partner-in-charge: Ng Peck Hoon
Date of Appointment: 29 April 2009

Financial Contents

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.

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 organizations 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 2011

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. Held**	**Attended**	**No. Held**	**Attended**	**No. Held**	**Attended**	**No. Held**	**Attended**
Wen Yao-Long	5	5	–	–	–	–	–	–
Wen Yao-Chou	5	3	–	–	–	–	–	–
Chen Ming-Hsing (Resigned on 24 February 2011)	5	1	–	–	1	1	–	–
Ong Sim Ho	5	4	4	3	–	–	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 five directors comprising two executive directors and three independent non-executive directors. They are Wen Yao-Long (Executive Chairman/CEO), Wen Yao-Chou, 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 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 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/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 determine 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.

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. 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 Annual General Meeting 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	27 April 2011	NA
Wen Yao-Chou	Executive	2 January 2003	27 April 2010	Retirement by Rotation (Article 89)
Ong Sim Ho	Non-Executive / Independent	19 July 2004	29 April 2009	Retirement by Rotation (Article 89)
Seow Han Chiang, Winston	Non-Executive / Independent	7 July 2005	27 April 2011	NA
Er Kwong Wah	Non-Executive / Independent	8 September 2006	27 April 2010	NA

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 decision. Quarterly reports, as well as ongoing reports of the Group's financial and operational performance 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/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/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 directors do not receive directors' fees. The executive directors' service contracts were renewed on 1 July 2010. The executive directors' 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 key senior executives 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 2011, is as follows:-

Remuneration	Directors' Fees (%)	Salary (%)	Variable Incentive Bonus (%)	Total (%)
S$1,000,000 – S$1,249,999				
Wen Yao-Long**	–	100	–	100
S$250,000 – S$499,999				
Wen Yao-Chou**	–	100	–	100
Below S$250,000				
Ong Sim Ho	100	–	–	100
Seow Han Chiang, Winston	100	–	–	100
Er Kwong Wah	100	–	–	100

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

The remuneration of the senior key executives of the Group (who are not directors) for the financial year ended 31 December 2011 is shown in the following bands:-

Remuneration	Salary (%)	Bonus (%)	Other employment benefits (%)	Total (%)
S$250,000 to S$499,999				
Chien Wan-Hsin	84	11	5	100
Below S$250,000				
Chan Hui-Chung (1)	93	7	–	100
Lee Tung-Chen	91	9	–	100

(1) Chan Hui-Chung is the wife of Wen Yao-Long who is the Executive Chairman/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.

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.

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.

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 AC is satisfied that 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.

Principle 13: Internal Audit

The Board recognizes 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 annually the effectiveness of the internal audit function. 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 to the SGX. 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.

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.

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 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 familiarize 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 2011 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. 2011: S$50.1 million Amount outstanding as at 31.12. 2011: S$27.6 million	–
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 31.12. 2011 is S$7.0 million)	Interest for the 12 months ended 31.12. 2011: S$0.25 million	–
Loan from Mr Wen Yao-Long (Amount outstanding as at 31.12. 2011 is S$5.3 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.

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, 2011.

1 DIRECTORS

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

Wen Yao-Long
Wen Yao-Chou
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 which interests are held	**At January 1, 2011**	**At December 31, 2011**	**At January 1, 2011**	**At December 31, 2011**
The company				
Ordinary shares				
Wen Yao-Long	24,224,747	24,224,747	108,362,000	108,362,000
Wen Yao-Chou	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, 2012 were the same at December 31, 2011.

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 as disclosed in the financial statements.

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 Scheme.

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 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; and

v. the re-appointment of the external auditors of the company.

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.

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Wen Yao-Chou

March 23, 2012

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 80 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, 2011, 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

Wen Yao-Chou

March 23, 2012

Independent Auditors' 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 statements of financial position of the group and the company as at December 31, 2011, and the profit and loss statement, statement of 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 notes, as set out on pages 34 to 80.

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, 2011 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.

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
Certified Public Accountants

Singapore
March 23, 2012

Statements of Financial Position

December 31, 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	17,872	14,579	201	1,062
Pledged bank deposits	7	559	628	–	–
Trade receivables	8	28,626	39,740	–	–
Other receivables and prepayments	9	2,420	1,477	10,293	11,978
Financial assets at fair value through profit or loss	10	–	752	–	–
Inventories	11	7,829	7,688	–	–
Land use rights	12	94	90	–	–
Total current assets		57,400	64,954	10,494	13,040
Non-current assets					
Other receivables	9	1,615	1,697	–	–
Land use rights	12	4,160	4,044	–	–
Investment in subsidiaries	13	–	–	70,814	67,308
Property, plant and equipment	14	75,898	85,021	758	731
Goodwill	15	2,226	2,226	–	–
Deferred tax assets	16	1,406	1,469	–	–
Total non-current assets		85,305	94,457	71,572	68,039
Total assets		142,705	159,411	82,066	81,079
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	17	40,613	50,111	23,276	21,713
Borrowings	18	22,941	22,062	59	3,498
Current portion of finance leases	19	1,610	1,473	–	–
Total current liabilities		65,164	73,646	23,335	25,211
Non-current liabilities					
Borrowings	18	2,781	8,552	100	164
Finance leases	19	1,444	1,432	–	–
Total non-current liabilities		4,225	9,984	100	164
Capital, reserves and non-controlling interests					
Share capital	20	56,127	56,127	56,127	56,127
Reserves		8,130	11,195	2,504	(423)
Equity attributable to owners of the company		64,257	67,322	58,631	55,704
Non-controlling interests		9,059	8,459	–	–
Total equity		73,316	75,781	58,631	55,704
Total liabilities and equity		142,705	159,411	82,066	81,079

See accompanying notes to financial statements.

Consolidated Profit and Loss Statement

Year ended December 31, 2011

	Note	Group 2011 $'000	Group 2010 $'000
Revenue	23	97,096	116,689
Cost of service and sales		(84,767)	(95,564)
Gross profit		12,329	21,125
Other income	24	1,987	805
Distribution costs		(4,521)	(4,508)
Administrative expenses		(10,628)	(10,719)
Other expenses		(1,070)	(2,142)
Finance costs	25	(1,851)	(2,170)
(Loss) Profit before income tax		(3,754)	2,391
Income tax expense	26	(395)	(1,222)
(Loss) Profit for the year	27	(4,149)	1,169
Attributable to:			
Owners of the company		(4,177)	921
Non-controlling interests		28	248
(Loss) Profit for the year		(4,149)	1,169
(Loss) Profit per share (cents):			
- Basic	28	(0.73)	0.16
- Diluted	28	(0.73)	0.16

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2011

	Note	Group 2011 $'000	Group 2010 $'000
(Loss) Profit for the year		(4,149)	1,169
Other comprehensive income:			
Foreign currency translation		1,684	(2,601)
Cash flow hedges	29	–	456
Other comprehensive loss for the year		1,684	(2,145)
Total comprehensive loss for the year		(2,465)	(976)
Total comprehensive loss attributable to:			
Owners of the company		(3,065)	(681)
Non-controlling interests		600	(295)
		(2,465)	(976)

See accompanying notes to financial statements.

	Share capital $'000	Currency translation reserves $'000	Hedging reserves $'000	Statutory reserves $'000 (Note 21)	Equity reserve $'000 (Note 22)	Accumulated profits $'000	Attributable to owners of the company $'000	Non-controlling interests $'000	Total $'000
Group									
Balance at January 1, 2010	56,127	(5,602)	(456)	5,735	–	15,192	70,996	5,761	76,757
Effects of disposing part of a subsidiary to non-controlling interests (Note 13)	–	–	–	–	(2,993)	–	(2,993)	2,993	–
Total comprehensive loss for the year	–	(2,058)	456	1,759	–	(838)	(681)	(295)	(976)
Balance at December 31, 2010	56,127	(7,660)	–	7,494	(2,993)	14,354	67,322	8,459	75,781
Total comprehensive loss for the year	–	1,112	–	–	–	(4,177)	(3,065)	600	(2,465)
Transfer to statutory reserves	–	–	–	256	–	(256)	–	–	–
Balance at December 31, 2011	56,127	(6,548)	–	7,750	(2,993)	9,921	64,257	9,059	73,316

	Share capital $'000	Currency translation reserve $'000	Hedging reserves $'000	Accumulated profits $'000	Total $'000
Company					
Balance at January 1, 2010	56,127	1,549	(456)	6,103	63,323
Total comprehensive loss for the year	–	(3,038)	456	(5,037)	(7,619)
Balance at December 31, 2010	56,127	(1,489)	–	1,066	55,704
Total comprehensive income for the year	–	2,903	–	24	2,927
Balance at December 31, 2011	56,127	1,414	–	1,090	58,631

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2011

	Group	
	2011	**2010**
	$'000	**$'000**
Operating activities		
(Loss) Profit before income tax	(3,754)	2,391
Adjustments for:		
Depreciation expense	15,120	17,664
Allowance for doubtful debts	1,072	334
(Reversal) Allowance for inventories	(96)	169
Amortisation of land use rights	87	87
Fair value gain on derivative financial instrument	–	(71)
Loss on fair value of financial assets at fair value through profit or loss	–	31
Loss on disposal of financial assets at fair value through profit or loss	3	–
Reclassification of fair value gain on derivative financial instruments	–	(456)
Interest income	(103)	(38)
Interest expense	1,851	2,170
Net foreign exchange loss	102	1,308
Property, plant and equipment written off	4	65
Loss (Gain) on disposal of property, plant and equipment	52	(76)
Operating profit before working capital changes	14,338	23,578
Trade receivables	10,259	(5,659)
Other receivables and prepayments	(861)	(657)
Inventories	75	(114)
Trade payables	(7,110)	1,870
Other payables	(2,401)	(1,013)
Cash generated from operations	14,300	18,005
Interest received	103	38
Interest paid	(1,851)	(2,170)
Income tax paid	(332)	(1,203)
Net cash from operating activities	12,220	14,670

Consolidated Statement of Cash Flows

Year ended December 31, 2011

	Group	
	2011	2010
	$'000	$'000
Investing activities		
Purchase of property, plant and equipment	(4,686)	(2,648)
Purchase of financial assets at fair value through profit or loss	–	(783)
Proceeds from disposal of financial assets at fair value through profit or loss	749	–
Proceeds from disposal of subsidiary	–	2
Proceeds on disposal of property, plant and equipment	474	187
Net cash used in investing activities	(3,463)	(3,242)
Financing activities		
Decrease (Increase) in pledged bank deposits	69	(168)
Decrease in notes payables	(3,439)	(3,413)
New bank loans raised	19,159	47,348
Repayment of bank loans	(20,612)	(49,392)
New finance lease obligations	2,168	1,391
Repayment of finance lease obligations	(2,019)	(1,544)
New loans from shareholders	327	799
Repayment to shareholders	(1,084)	(1,047)
Net cash used in financing activities	(5,431)	(6,026)
Net increase in cash and cash equivalents	3,326	5,402
Cash and cash equivalents at beginning of year	14,579	8,748
Effect of exchange rate changes on the balances of cash held in foreign currencies	(33)	429
Cash and cash equivalents at end of year	17,872	14,579

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 13 to the financial statements.

The group's and company's current liabilities exceed its current assets by $7,764,000 (2010 : $8,692,000) and $12,841,000 (2010 : $12,171,000) respectively as at December 31, 2011.

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The ability of the group and company to continue as going concerns was much dependent on:

- continued revolving credit facilities from the group's lenders to be available over the next twelve months; and

- ability of the group to continue to generate sufficient cash flow from its future operations to meet its day-to-day expenditure.

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 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, 2011 were authorised for issue by the Board of Directors on March 23, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost convention, 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").

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS - In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2011. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- Amendments to FRS 107 *Financial Instruments: Disclosures* - *Transfers of Financial Assets*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*

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

Amendments to FRS 107 *Financial Instruments: Disclosures - Transfers of Financial Assets*

The amendments to FRS 107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The group does not anticipate that these amendments to FRS 107 will have a significant effect on the group's disclosures. However, if the group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2013, and the group is currently estimating extent of additional disclosures needed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 113 *Fair Value Measurement*

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

The group is currently estimating the effects of FRS 113 in the period of initial adoption.

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 to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders 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 (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interest in a subsidiary that do not result in a loss of 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)

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.

The accounting policy for initial measurement of non-controlling interests is described above.

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 become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit and 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.

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the consolidated profit and loss statement.

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.

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 interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 29 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 (see below).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Hedge accounting

The group designates certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 29 to the financial statements contain details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the profit and loss statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains or losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

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)

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.

INVENTORIES - Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost comprises 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.

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

Depreciation is not provided on freehold land and construction-in-progress.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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.

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the 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 returns, 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.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. 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.

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.

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

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, 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 the group's translation reserve.

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

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 three statutory reserves, being a statutory surplus reserve fund, an enterprise 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.

The subsidiaries are also required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to the enterprise expansion fund at rates determined by the Board of Directors. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash and bank balances 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.

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 able to obtain continued financing from lenders and management is of the view that the group is able to generate cash flows from future operations to meet its liabilities as and when they fall due.

b) Accounting for right granted under Sale and Purchase agreement

As highlighted in Note 13 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 is of the view that as at the reporting date, any settlement of the possible obligation is remote and accordingly, no liability has been recognised.

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 collectibility and aging analysis of accounts and on management's judgement based on past experience. A considerable amount of judgement 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 8 to the financial statements.

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

Key sources of estimation uncertainty (cont'd)

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.

c) 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. 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. Based on the recoverable amounts determined, management concluded that there is no impairment charge required in respect of property, plant and equipment during the year. The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in Note 14 to the financial statements.

d) 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 same value-in-use calculations in (c) above, management concluded that there is no impairment charge required in respect of goodwill recorded during the year. The carrying amount of goodwill at the end of the reporting period is disclosed in Note 15 to the financial statements.

e) Impairment for investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of the investment in subsidiaries 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 are disclosed in Note 13 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assets				
Loan and receivables (including cash and bank balances)	48,727	56,468	10,480	13,022
Financial assets at fair value through profit or loss	–	752	–	–
Financial liabilities				
Payables and borrowings at amortised cost	69,389	83,630	23,435	25,375

(b) 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 arises.

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.

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

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

Foreign currency risk management

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

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

	Liabilities		**Assets**	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Group				
United States dollar	21,610	31,637	25,175	35,370
Singapore dollar	4,485	1,727	210	156
Japanese yen	–	3,439	9	15
Company				
United States dollar	11,728	15,668	3,170	8,414
Singapore dollar	4,485	1,727	209	156
Japanese yen	–	3,439	1	15

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 forwards and currency options where necessary. Further details on the forward foreign currency exchange contracts are disclosed in Note 29 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.

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

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

Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens against functional currencies of the respective entities by 5% (2010 : 5%) with all other variables held constant, profit will increase or loss will decrease by:

	United States dollar		**Singapore dollar**		**Japanese Yen**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group						
Profit (Loss) for the year	178	187	(214)	(79)	–	(171)
Company						
Profit (Loss) for the year	(428)	(363)	(214)	(79)	–	(171)

There will be a similar and corresponding opposite impact if the relevant foreign currency weakens against functional currencies of the respective entities by 5% (2010 : 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 $9,425,000 (2010 : $12,071,000) and $159,000 (2010 : $223,000) respectively and is therefore exposed to interest rate risks arising from the variability of cash flows.

The group holds fixed-rate and variable-rate debt instruments which expose it to interest rate risks arising from changes in fair value and variability of cash flows respectively.

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.

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

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

Interest rate sensitivity (cont'd)

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, 2011 would increase/decrease by $190,000 (2010 : profit for the year decrease/ increase by $175,000), and the company's profit for the year ended December 31, 2011 would decrease/increase by $2,000 (2010 : loss for the year decrease/increase by $18,000). This is mainly attributable to the group's and company's exposure to interest rates on its variable rate borrowings.

The group's sensitivity to interest rates has increased during the current period mainly due to the increased balances in variable rate debt instruments.

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 22% (2010 : 30%) of the total revenue of the group in 2011. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

Other than the top 3 customers, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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 8 and 9 to the financial statements respectively.

Liquidity risk management

As highlighted in Note 1 to the financial statements, the group and company have net current liabilities of $7,764,000 (2010 : $8,692,000) and $12,841,000 (2010 : $12,171,000) respectively as at December 31, 2011. Liquidity risk is managed by matching the payment and receipt cycle and by obtaining continual revolving credit facilities from financial institutions (Note 18) to fund its working capital requirements.

Undrawn facilities are disclosed in Note 18 to the financial statements.

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

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

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.

	Effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2011						
Non-interest bearing	–	33,582	–	–	–	33,582
Variable interest rate instruments	2.7-6.0	6,644	2,919	110	(248)	9,425
Fixed interest rate instruments	3.6-7.4	23,328	–	–	–	23,328
Finance lease liability (fixed rate)	6.0-9.0	1,788	1,528	–	(262)	3,054
		65,342	4,447	110	(510)	69,389
2010						
Non-interest bearing	–	43,329	–	–	–	43,329
Variable interest rate instruments	2.7-6.0	9,759	2,413	–	(101)	12,071
Fixed interest rate instruments	3.5-5.8	19,085	6,530	–	(290)	25,325
Finance lease liability (fixed rate)	6.0-9.0	1,473	1,706	–	(274)	2,905
		73,646	10,649	–	(665)	83,630
Company						
2011						
Non-interest bearing	–	16,245	–	–	–	16,245
Variable interest rate instruments	5.6-6.0	59	106	–	(6)	159
Fixed interest rate instruments	4.5	7,031	–	–	–	7,031
		23,335	106	–	(6)	23,435
2010						
Non-interest bearing	–	14,931	–	–	–	14,931
Variable interest rate instruments	5.6-6.0	59	173	–	(9)	223
Fixed interest rate instruments	4.5	10,221	–	–	–	10,221
		25,211	173	–	(9)	25,375

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

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

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets

Other than the other receivables of the group amounting to $1,615,000 (2010 : $1,697,000) 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 29 to the financial statements.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments (Note 29) are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The group's derivative financial instruments and financial assets at fair value through profit or loss, measured at fair value, are all classified as Level 2.

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

(c) 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 parent, 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 2010.

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.

The compensation of directors and key management personnel is disclosed in Note 27 to the financial statements.

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash and bank balances	17,872	14,579	201	1,062

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
United States dollar	3,863	3,852	5	45
Singapore dollar	196	140	195	140
Japanese yen	9	15	1	15

7 PLEDGED BANK DEPOSITS

As at December 31, 2011, the group has bank deposits amounting to $559,000 (2010 : $628,000) that were pledged to certain banks as security for banking facilities (Note 18). The deposits carry fixed interest rate at 10% (2010 : 10%) per annum with an original maturity of twelve months or less (2010 : three months or less).

8 TRADE RECEIVABLES

	Group	
	2011	**2010**
	$'000	**$'000**
Outside parties	34,336	44,378
Less allowance for doubtful debts	(5,710)	(4,638)
Net	28,626	39,740

Movement in the allowance for doubtful debts:

	2011	**2010**
	$'000	**$'000**
Balance at beginning of the year	4,638	4,304
Increase in allowance recognised in profit or loss	1,072	334
Balance at end of the year	5,710	4,638

Certain receivables from outside parties amounting to $4,112,000 (2010 : $6,696,000) are pledged to secure banking facilities (Note 18).

The credit period on sales of goods ranges from 45 to 150 days (2010 : 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 $11,526,000 (2010 : $7,473,000) 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.

8 TRADE RECEIVABLES (cont'd)

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

	Group	
	2011	2010
	$'000	$'000
Not past due and not impaired	17,100	32,267
Past due but not impaired [i]	11,526	7,473
	28,626	39,740
Impaired receivables – collectively assessed [ii]	5,710	4,638
Less: allowance for impairment	(5,710)	(4,638)
	–	–
Total trade receivables – net	28,626	39,740

[i] Ageing of trade receivables that are past due but not impaired:

45 to 90 days	4,191	755
91 to 149 days	2,149	1,847
>150 days	5,186	4,871
Total	11,526	7,473

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

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2011	2010
	$'000	$'000
United States dollar	18,147	23,149

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Deposits for acquisition of property, plant and equipment	374	166	1	1
Prepayments	1,991	1,487	13	17
Subsidiaries (Note 13)	–	–	10,279	11,960
Other receivables	1,670	1,521	–	–
Total	4,035	3,174	10,293	11,978
Presentation in statements of financial position:				
Current assets	2,420	1,477	10,293	11,978
Non-current assets	1,615	1,697	–	–
Total	4,035	3,174	10,293	11,978

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 charges, pension costs 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.

The other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
United States dollar	3,165	8,369	3,165	8,369
Singapore dollar	14	16	14	16

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	$'000	$'000
Quoted equity investments, at fair value	–	752

The fair values of quoted equity investments classified as financial assets at fair value through profit or loss offered the group the opportunity for return through fair value gains. They had no fixed maturity or coupon rate.

The group's financial assets at fair value through profit or loss are denominated in the functional currencies of the respective entities.

11 INVENTORIES

	Group	
	2011	2010
	$'000	$'000
Finished goods	2,930	2,271
Work in process	2,439	2,722
Raw materials and consumable supplies	2,460	2,695
Total	7,829	7,688

Movement in the allowance for inventories:

	2011	2010
	$'000	$'000
Balance at beginning of the year	2,318	2,149
(Decrease) Increase in allowance	(96)	169
Balance at end of the year	2,222	2,318

The cost of inventories recognised as an expense includes $Nil (2010 : $169,000) in respect of write downs of inventories to net realisable value, and has been reduced by $96,000 (2010 : $Nil) in respect of the reversal of such write-downs due to subsequent sale of inventories. The allowance for inventories as at December 31, 2011 is $2,222,000 (2010 : $2,318,000).

12 LAND USE RIGHTS

	Group 2011 $'000	Group 2010 $'000
Cost:		
At January 1	4,487	4,714
Exchange difference	234	(227)
At December 31	4,721	4,487
Accumulated amortisation:		
At January 1	353	283
Amortisation	87	87
Exchange difference	27	(17)
At December 31	467	353
Carrying amount	4,254	4,134
Presentation in statements of financial position:		
Current assets	94	90
Non-current assets	4,160	4,044
Total	4,254	4,134

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 $3,830,000 (2010 : $3,722,000) are pledged to secure bank loans (Note 18).

13 INVESTMENT IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Unquoted equity shares/capital, at cost	78,609	74,717
Impairment loss	(7,795)	(7,409)
Net	70,814	67,308

Movement in the impairment loss:

	2011 $'000	2010 $'000
Balance at beginning of the year	(7,409)	(7,783)
Exchange difference	(386)	374
Balance at end of the year	(7,795)	(7,409)

13 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
	2011 %	2010 %	2011 $'000	2010 $'000	
LGANG Optronics Technology Co., Ltd	100	100	10,834	10,298	Provision of laser drilling services to PCB manufacturers/ Taiwan
Shanghai Zeng Kang Electronic Co., Ltd	89.275	89.275	8,172	7,767	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Yaolong Electronic Technology Co., Ltd	89.275	89.275	5,914	5,621	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Zhuo Kai Electronic Technology Co., Ltd	80.5	80.5	36,408	34,605	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	89.275	89.275	9,921	9,430	Provision of processing laminating services on PCB boards/ People's Republic of China
Shanghai Lian Han Xin Electronic Technology Co., Ltd	89.275	89.275	7,360	6,996	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
			78,609	74,717	

The subsidiaries are audited by overseas member firm of Deloitte Touche Tohmatsu Limited for consolidation purposes.

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 2010 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).

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Leasehold buildings and improvement $'000	Fixtures and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group							
Cost:							
At January 1, 2010	2,753	25,335	2,233	168,659	48	169	199,197
Additions	–	295	192	2,004	–	157	2,648
Transfer	–	–	30	139	–	(169)	–
Disposals	–	–	(57)	(849)	(32)	–	(938)
Write-off	–	–	(6)	(265)	–	–	(271)
Exchange differences	57	(648)	148	(5,457)	1	(8)	(5,907)
At December 31, 2010	2,810	24,982	2,540	164,231	17	149	194,729
Additions	–	44	153	4,005	–	484	4,686
Transfer	–	208	31	327	–	(566)	–
Disposals	–	–	(193)	(3,130)	–	–	(3,323)
Write-off	–	–	(11)	(29)	–	–	(40)
Exchange differences	(94)	1,069	84	4,072	(1)	3	5,133
At December 31, 2011	2,716	26,303	2,604	169,476	16	70	201,185
Accumulated depreciation:							
At January 1, 2010	–	7,435	1,513	84,106	38	–	93,092
Depreciation	–	1,629	307	15,725	3	–	17,664
Disposals	–	–	(46)	(753)	(28)	–	(827)
Write-off	–	–	(4)	(202)	–	–	(206)
Exchange differences	–	135	10	(2,349)	–	–	(2,204)
At December 31, 2010	–	9,199	1,780	96,527	13	–	107,519
Depreciation	–	831	240	14,047	2	–	15,120
Disposals	–	–	(174)	(2,623)	–	–	(2,797)
Write-off	–	–	(10)	(26)	–	–	(36)
Exchange differences	–	1,031	65	2,082	(1)	–	3,177
At December 31, 2011	–	11,061	1,901	110,007	14	–	122,983
Accumulated impairment:							
At January 1, 2010	–	–	–	2,219	–	–	2,219
Exchange differences	–	–	–	(30)	–	–	(30)
At December 31, 2010	–	–	–	2,189	–	–	2,189
Exchange differences	–	–	–	115	–	–	115
At December 31, 2011	–	–	–	2,304	–	–	2,304
Carrying amount:							
At December 31, 2011	2,716	15,242	703	57,165	2	70	75,898
At December 31, 2010	2,810	15,783	760	65,515	4	149	85,021

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold buildings and improvement $'000	Fixtures and equipment $'000	Total $'000
Company			
Cost:			
At January 1, 2010	855	117	972
Additions	–	1	1
Exchange differences	(41)	(6)	(47)
At December 31, 2010	814	112	926
Additions	–	3	3
Exchange differences	42	7	49
At December 31, 2011	856	122	978
Accumulated depreciation:			
At January 1, 2010	74	117	191
Depreciation	14	1	15
Exchange differences	(5)	(6)	(11)
At December 31, 2010	83	112	195
Depreciation	13	1	14
Exchange differences	6	5	11
At December 31, 2011	102	118	220
Carrying amount:			
At December 31, 2011	754	4	758
At December 31, 2010	731	–	731

The carrying amount of the group's property, plant and equipment includes an amount of $4,881,000 (2010 : $5,723,000) secured in respect of assets held under finance leases.

For the group and company, property, plant and equipment with carrying amount of $4,815,000 (2010 : $6,872,000) and $687,000 (2010 : $697,000) are pledged to secure bank loans (Note 18).

15 GOODWILL

	Group	
	2011 $'000	2010 $'000
At beginning of year and end of year	2,226	2,226

15 GOODWILL (cont'd)

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

	Group	
	2011	**2010**
	$'000	**$'000**
Drilling and routing services (comprise several CGUs)	2,144	2,144
Printed circuit board production (single CGU)	82	82
Total	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, 2012, 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 6.47% to 7.71% (2010 : 6.27% to 8.29%) per annum.

As at December 31, 2011, 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.

Based on the cash flow forecasts prepared, management is of the view that no impairment is required for the financial year ended December 31, 2011.

16 DEFERRED TAX ASSETS

	Group	
	2011	**2010**
	$'000	**$'000**
Deferred tax assets	1,406	1,469

16 DEFERRED TAX ASSETS (cont'd)

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

	Investment tax credits $'000	Tax losses $'000	Others $'000	Total $'000
At January 1, 2010	489	922	77	1,488
(Charge) Credit to profit or loss	(13)	32	(38)	(19)
At December 31, 2010	476	954	39	1,469
(Charge) Credit to profit or loss	(409)	347	(1)	(63)
At December 31, 2011	67	1,301	38	1,406

The above investment tax credits and tax losses will expire by 2012 and 2019 respectively.

At the reporting date, temporary differences associated with the undistributed earnings of one subsidiary for which deferred tax liabilities have not been recognised is $333,000 (2010 : $1.1 million). 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.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade payables	20,182	27,292	–	–
Due to shareholders (Note 5)	12,297	12,284	12,297	12,284
Accruals	6,630	5,078	3,490	1,504
Other payables	1,504	5,457	266	3,384
Subsidiaries (Note 13)	–	–	7,223	4,541
Total	40,613	50,111	23,276	21,713

The balance due to a shareholder, Sunny Worldwide International Limited, amounting to $7,031,000 (2010 : $6,782,000) as at December 31, 2011, is unsecured, repayable on demand and bears fixed interest at 4.5% (2010 : 4.5%) per annum.

The balance due to another shareholder, Wen Yao-Long, amounting to $5,266,000 (2010 : $5,502,000) as at December 31, 2011, is unsecured, interest-free and on repayment on demand terms.

The trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore dollar	4,326	1,504	4,326	1,504
United States dollar	21,610	31,637	11,728	15,668

18 BORROWINGS

	Effective interest rate		Group		Company	
	2011	2010	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Bank loans						
Current (Secured): (i)						
Fixed rate	3.6% to 7.4%	3.5% to 5.8%	16,297	8,864	–	–
Floating rate	2.7% to 6.0%	2.7 %to 6.0%	6,644	9,759	59	59
			22,941	18,623	59	59
Non-current (Secured): (i)						
Fixed rate	–	3.5% to 5.8%	–	6,240	–	–
Floating rate	2.8% to 6.0%	2.7% to 6.0%	2,781	2,312	100	164
			2,781	8,552	100	164
Total bank loans			25,722	27,175	159	223
Notes payables						
Current (Secured): (i)						
Fixed rate	–	4.5%	–	3,439	–	3,439
Total notes payables			–	3,439	–	3,439
Total			25,722	30,614	159	3,662
The borrowings are repayable as follows:						
Within one year			22,941	22,062	59	3,498
After one but within two years			796	1,194	100	164
After two but within five years			1,895	7,358	–	–
After five years			90	–	–	–
Total			25,722	30,614	159	3,662
Presentation in statements of financial position:						
Current liabilities			22,941	22,062	59	3,498
Non-current liabilities			2,781	8,552	100	164
Total			25,722	30,614	159	3,662

(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.

18 BORROWINGS (cont'd)

Pledged assets

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Pledged bank deposits	559	628	–	–
Trade receivables	4,112	6,696	–	–
Land use rights (Note 12)	3,830	3,722	–	–
Carrying amount of property, plant and equipment (Note 14)	4,815	6,872	687	697

The bank loans amounting to $24.6 million (2010 : $25.0 million) as at December 31, 2011 are also secured by personal guarantees from the directors.

At December 31, 2011, the group has approximately available $13,040,000 (2010 : $8,400,000) of undrawn committed borrowing facilities which are secured by personal guarantees from the directors.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	159	223	159	223
Japanese yen	–	3,439	–	3,439

19 FINANCE LEASES

	Minimum lease payments		Fair value of minimum lease payments	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Within one year	1,788	1,473	1,610	1,473
In the second to fifth year inclusive	1,528	1,706	1,444	1,432
Total	3,316	3,179	3,054	2,905
Less: Future finance charges	(262)	(274)	NA	NA
Present value of lease obligations	3,054	2,905	3,054	2,905
Less: Amount due within 12 months			(1,610)	(1,473)
Amount due after 12 months			1,444	1,432

19 FINANCE LEASES (cont'd)

a) The average lease term is 3 years. The average effective borrowing rate was 6% to 9% (2010 : 6% to 9%) 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 $3,054,000 (2010 : $2,905,000) 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.

20 SHARE CAPITAL

	2011	2010	2011	2010
	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.

21 STATUTORY RESERVES

	Legal and special reserves $'000	Reserve fund $'000	Total $'000
Group			
Balance at January 1, 2010	1,873	3,862	5,735
Transfer from accumulated profits	456	1,303	1,759
Balance at December 31, 2010	2,329	5,165	7,494
Transfer from accumulated profits	256	–	256
Balance at December 31, 2011	2,585	5,165	7,750

22 EQUITY RESERVE

The equity reserve represents the effects of changes in ownership interests in subsidiaries when there is no change in control (see Note 13).

23 REVENUE

	Group 2011 $'000	Group 2010 $'000
Rendering of services	97,096	116,689

24 OTHER INCOME

	Group 2011 $'000	Group 2010 $'000
Gain on disposal of property, plant and machinery	–	76
Foreign exchange gain	1,316	–
Interest income	103	38
Other income	568	691
Total	1,987	805

25 FINANCE COSTS

	Group 2011 $'000	Group 2010 $'000
Interest expense on:		
Bank loans	1,378	1,682
Finance leases	224	239
Amount due to a shareholder (Note 5)	249	249
Total	1,851	2,170

26 INCOME TAX EXPENSE

	Group 2011 $'000	Group 2010 $'000
Current	332	1,203
Deferred	(657)	19
Adjustments in relation to deferred tax of prior years	720	–
Income tax expense	395	1,222

Domestic income tax is calculated at 17% (2010 : 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

26 INCOME TAX EXPENSE (cont'd)

The total charge for the year can be reconciled to the accounting (loss) profit as follows:

	Group	
	2011 $'000	2010 $'000
(Loss) Profit before income tax	(3,754)	2,391
Tax at statutory rate of 17% (2010 : 17%)	(638)	406
Non-deductible expenses	481	1,750
Tax exempt income	(198)	(855)
Effect of different tax rates of subsidiaries operating in other jurisdictions	30	(79)
Adjustments in relation to deferred tax of prior years	720	–
Income tax expense	395	1,222

a) Pursuant to the Chinese income tax regulations, the subsidiaries in the People's Republic of China ("PRC") are also entitled to exemptions from the PRC income tax for the first two years commencing from their first profit-making year followed by 50% reduction in their income tax for the next three years. A profit-making year is defined as the first year for which an enterprise would need to pay income tax after absorption of any loss carried forward.

b) The corporate tax rate of the Taiwanese subsidiary is 25% (2010 : 25%).

27 (LOSS) PROFIT FOR THE YEAR

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

	Group	
	2011 $'000	2010 $'000
Depreciation of property, plant and equipment	15,120	17,664
Amortisation of land use rights*	87	87
Total depreciation and amortisation	15,207	17,751
Directors' remuneration	1,611	1,425
Directors' fees	130	170
Total directors' expense	1,741	1,595
Defined contribution plans	178	147
Other staff costs	16,424	17,116
Total employee benefits expense	16,602	17,263
Allowance for doubtful debts*	1,072	334
(Reversal) Allowance for inventories	(96)	169
Total allowance loss	976	503
Audit fees paid to auditors	178	189
Non-audit fees paid to auditors	1	1
Total fees paid to auditors	179	190
Net foreign currency exchange (gain) loss	(1,316)	2,009
Cost of inventories recognised as expense in cost of sales	55,025	64,635

* Included in administrative expenses

27 (LOSS) PROFIT 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	
	2011 $'000	2010 $'000
Short-term benefits	2,370	2,235
Post-employment benefits	31	31
	2,401	2,266

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

28 (LOSS) PROFIT PER SHARE

	Group	
	2011	2010
(Loss) Profit attributable to owners of the company ($'000)	(4,177)	921
Number of ordinary shares ('000)	570,000	570,000
Earnings per share (cents)	(0.73)	0.16

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

29 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	
	2011 $'000	2010 $'000
Forward foreign exchange contracts		
- sell US$ (within one year)	41,004	–

The fair value of the forward foreign exchange contracts is estimated to be $238,000 based on quoted forward exchange matching maturity of the contracts, and has been recorded in other receivables (Note 9). Changes in the fair value of currency derivatives amounting to a loss of $126,000 (2010 : $Nil) have been charged to other income in the profit or loss.

Forward foreign exchange contracts entered into previously had expired in 2010. New forward foreign exchange contracts entered in 2011 have not expired.

29 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Cross currency rate swap contracts

In 2010, the group used cross currency rate swap contracts to manage its exposure on interest rate movements and exchange rate exposures on its bank borrowings (denominated in United States dollar) by swapping those borrowings from floating rates to fixed rates. All of these cross currency rate swap contracts were designated and effective as cash flow hedges and the fair value thereof had been deferred in equity. An amount of $350,000 had been offsetted against hedged interest payments made in 2010. All cross currency rate swap contracts have expired in 2010 with a net gain of $456,000 recognised on the group's other comprehensive income. There is no existing contract as at the end of the reporting period.

30 COMMITMENTS AND CONTINGENT LIABILITIES

	Group	
	2011	**2010**
	$'000	**$'000**
Commitments for product warranties	39	13
Corporate guarantee given to third party	123	98

31 OPERATING LEASE ARRANGEMENTS

	Group	
	2011	**2010**
	$'000	**$'000**
Minimum lease payments under operating leases recognised as an expense during the year	1,009	791

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

	Group	
	2011	**2010**
	$'000	**$'000**
Within one year	1,196	937
In the second to fifth years inclusive	3,012	2,474
After five years	–	93
Total	4,208	3,504

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.

32 SEGMENT INFORMATION

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

(a) Analysis by Reportable Segment

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

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

Revenue and Expenses (by reportable segments)	**Laser drilling services**		**Mechanical drilling and routing services**		**PCB operations**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue to external parties	12,470	20,141	7,935	14,972	76,691	81,576	97,096	116,689
Segment results	1,167	6,297	(4,032)	1,613	860	(790)	(2,005)	7,120
Other income							1,987	805
Unallocated corporate expenses							(1,885)	(3,364)
Finance costs							(1,851)	(2,170)
(Loss) Profit before income tax							(3,754)	2,391
Assets and liabilities								
Segment assets	27,645	26,514	31,625	37,253	79,169	91,034	138,439	154,801
Unallocated corporate assets							4,266	4,610
Consolidated total assets							142,705	159,411
Segment liabilities	14,528	14,852	2,641	3,992	36,211	43,673	53,380	62,517
Unallocated corporate liabilities							16,009	21,113
Consolidated total liabilities							69,389	83,630

32 SEGMENT INFORMATION (cont'd)

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

Revenue and Expenses (by reportable segments)	Laser drilling services		Mechanical drilling and routing services		PCB operations		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Capital expenditure:								
- Property, plant and equipment	3,690	1,451	55	491	938	706	4,683	2,648
Depreciation	3,843	5,750	5,379	5,095	5,885	6,805	15,107	17,650
Amortisation of land use rights	–	–	9	9	78	78	87	87
(Reversal) Allowance for inventories	–	–	–	–	(96)	169	(96)	169
Allowance for doubtful debts	–	–	–	5	1,072	329	1,072	334
Unallocated corporate expenditure:								
Capital expenditure							3	–
Depreciation							13	14

(b) Analysis by Geographical Information

Segment revenue is analysed based on the location of customers.

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

	Segment revenue		Segment non-current assets	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
People's Republic of China	86,158	101,190	63,603	71,686
Taiwan	10,938	15,499	15,697	16,648
Singapore	–	–	758	731
Total	97,096	116,689	80,058	89,065

Information about major customers

Included in revenues of the PCB operations are revenues of approximately $8,936,000, $6,889,000 and $5,958,000 (2010 : $17,980,000, $12,189,000 and $5,416,000) which arose from sales to the group's three largest customers.

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	Office, manufacturing plant, warehouse and garage
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 EuYa 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 Shareholders

As at 16 March 2012

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 – 999	215	6.50	105,528	0.02
1,000 – 10,000	1,261	38.10	6,304,983	1.10
10,001 – 1,000,000	1,771	53.50	168,253,454	29.52
1,000,001 AND ABOVE	63	1.90	395,336,035	69.36
TOTAL	3,310	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 PTE LTD	39,927,200	7.00
3	WEN YAO LONG	24,224,747	4.25
4	CHEN CHU-TSU	15,319,600	2.69
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	13,898,685	2.44
6	MERRILL LYNCH (SINGAPORE) PTE LTD	13,523,800	2.37
7	MAYBANK KIM ENG SECURITIES PTE LTD	13,496,600	2.37
8	HUANG SHIH AN	9,540,200	1.67
9	CHEN CHENG HSIUNG	8,136,800	1.43
10	OCBC SECURITIES PRIVATE LTD	8,009,000	1.41
11	HSUEH PAI CHUN	7,627,200	1.34
12	HUANG CHUANG SHUEH OU	7,620,800	1.34
13	LEE YING-CHI	7,140,000	1.25
14	KWA CHING TZE	6,250,000	1.10
15	JENG HUANG FONG MAAN	6,188,800	1.09
16	PHILLIP SECURITIES PTE LTD	5,465,800	0.96
17	WEN YAO CHOU	4,794,643	0.84
18	LIE TJOEI TJOE	4,600,000	0.81
19	LAI YU CHUNG	4,243,600	0.74
20	LIN JIA LUH	4,243,600	0.74
	TOTAL	312,613,075	54.85

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)]	24,224,747	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 16 March 2012, 75.68% 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.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth 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, 26 April 2012 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 2011 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 2011 (2010:S$170,000/-). **[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)]**

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

   (b) Mr Wen Yao-Chou {retiring pursuant to Article 89} **[Resolution 3(b)]**

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]**

BY ORDER OF THE BOARD

Tan Cheng Siew
Company Secretary
Singapore, 10 April 2012

Notice of Annual General Meeting

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)
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Important

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.

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 Tenth 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, 26 April 2012 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 2011 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 Wen Yao-Chou 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 ____________________ 2012

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 appointer or his duly authorised attorney or if the appointer 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 appointer are not ascertainable from the instructions of the appointer 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 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.