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KINGBOARD COPPER FOIL HOLDINGS LIMITED



ANNUAL REPORT 2016

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CORPORATE INFORMATION

Board of Directors
Lam Ka Po *(Chairman)*
Cheung Kwok Ping
Ho Yin Sang
Ong Tiong Wee
Chim Hou Yan

Company Secretaries
Juliana Loh Joo Hui
ACIS
Codan Services Limited (Assistant Secretary)

Audit Committee
Ong Tiong Wee (Chairman)
Chim Hou Yan
Ho Yin Sang

Nominating Committee
Chim Hou Yan *(Chairman)*
Ong Tiong Wee
Ho Yin Sang

Remuneration Committee
Chim Hou Yan *(Chairman)*
Ong Tiong Wee
Ho Yin Sang

Auditors
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way OUE Downtown 2
#33-00 Singapore 068809

Audit partner in charge:
Toh Yew Kuan Jeremy
Appointed from the financial year ended
December 31, 2012

Solicitors
Bermuda
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central, Hong Kong

Singapore
Morgan Lewis Stamford LLC
10 Collyer Quay #27-00
Ocean Financial Centre
Singapore 049315

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

Principal Bankers
Citibank N.A.
47th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited
10th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road, Central
Hong Kong

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel no: (441) 295 1422
Fax no: (441) 292 4720
Email: info@conyersdillandpearman.com

Head Office and Principal Place of Business
23/F, Delta House
3 On Yiu Street
Shek Mun, Shatin
New Territories, Hong Kong

Bermuda Registrar and Share Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Singapore Share Transfer Agent
Intertrust Singapore Corporate Services Pte Ltd
77 Robinson Road
#13-00 Robinson 77
Singapore 068896

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year Ended December 31,				
(HK$'000)	2012	2013	2014	2015	**2016**
Revenue	490,039	468,782	519,945	624,344	**635,296**
Profit before taxation	15,406	17,432	35,105	17,666	**15,788**
Income tax expense	(17,997)	(9,120)	(12,260)	(11,260)	**(10,855)**
(Loss) profit for the year	(2,591)	8,312	22,845	6,406	**4,933**
(Loss) profit for the year attributable to:					
Owners of the Company	(10,372)	4,289	18,666	2,841	**1,061**
Non-controlling interests	7,781	4,023	4,179	3,565	**3,872**
	(2,591)	8,312	22,845	6,406	**4,933**
(Loss) earnings per share (HK cents)	(1.44)	0.59	2.58	0.39	**0.15**

ASSETS AND LIABILITIES

	Year Ended December 31,				
(HK$'000)	2012	2013	2014	2015	**2016**
Total assets	2,889,820	2,950,234	2,983,803	2,871,927	**2,778,990**
Total liabilities	(86,726)	(71,562)	(95,818)	(100,988)	**(124,374)**
Net assets	2,803,094	2,878,672	2,887,985	2,770,939	**2,654,616**
Equity attributable to owners of the Company	2,770,553	2,845,132	2,856,626	2,737,996	**2,629,180**
Non-controlling interests	32,541	33,540	31,359	32,943	**25,436**
Total equity	2,803,094	2,878,672	2,887,985	2,770,939	**2,654,616**

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the Board of Directors, it is my pleasure to present the financial results of Kingboard Copper Foil Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended December 31, 2016 ("FY 2016"). Revenue for the current year comprised (i) the receipt of license fee of HK$120 million pursuant to the on-going licensing arrangement and (ii) the sale of polyvinyl butyral ("PVB") resin for HK$515 million, a basic raw material for the production of PVB film which is used to produce reinforced glass for both automotive industry and buildings. The Group's turnover increased 2% to HK$635 million against the year ended December 31, 2015 ("FY 2015") and net profit attributable to owners of the Company for FY 2016 was HK$1.1 million. In FY 2016, cost of sales increased by 1% against FY 2015 to HK$567 million. Gross profit margin were 10.6% in FY 2015 and 10.8% in FY 2016.

BUSINESS REVIEW

Distribution costs in FY 2016 increased 7% to approximately HK$17 million as shipment volume increase. Other operating expenses in FY 2015 was HK$1.6 million and was nil in FY 2016, the amount represents the exchange losses in FY 2015, while exchange gains were included in other operating income in FY 2016. Finance costs in FY 2015 was HK$87,000 and nil in FY 2016. The bank borrowing raised by a PVB plant in the People's Republic of China ("PRC") in 2014 was fully repaid in February 2015. As at December 31, 2016, trade and other payables increased by 14% against the balance at December 31, 2015. The increase is caused by the increase in trade payables for purchasing materials in the production. Bills payable was HK$11.5 million as at December 31, 2016 (as at December 31, 2015: HK$2.3 million). The increase in bills payable represents the amount payable to suppliers, as at the year end date, for the purchases of plant and equipment.

FINANCIAL POSITION

Our financial position continued to be sound. As at December 31, 2016, net current assets and current ratio were approximately HK$2,213 million and 18.8 respectively. Current assets mainly comprised of cash and bank balances of HK$1,556 million, trade and other receivables and prepayments of HK$84 million, bills receivables of HK$27 million, other current assets of HK$646 million and inventories of HK$22 million. As at the end of FY 2016, the Company's interest in Linkfit Investment Holdings Limited ("Linkfit"), a private company incorporated in Samoa, was 29.67%. The unquoted equity shares were stated at fair value at the end of the reporting period.

PROSPECTS

Licensing Arrangement

At the Annual General Meeting of the Company held on April 29, 2011, the shareholders of the Company did not approve the renewal of the mandate ("Shareholders' Mandate") to enable the Group to enter into interested person transactions with Kingboard Chemical Holdings Limited ("Kingboard Chemical") and its associates (together, the "Interested Persons"). The Company has entered into a licensing agreement, as amended by the letter of extension and amendments dated August 30, 2013, to license the properties, inventory and machinery that were previously used for the production of copper foil with effect from September 1, 2011 to August 31, 2015 to Harvest Resource Management Limited, an independent third party, in order to ensure that a steady stream of license fee is received by the Group. The licensing agreement is renewed for the term of further two years to end of August 2017. The Group will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

PVB Business

The economic growth rate in the PRC has continued to maintain at a low level, while the prices of commodities, like crude oil and copper, showed a slow rebound. The first tier and second tier cities in the PRC have imposed restriction orders on residential units, which has affected the real estate industry and hence the construction industry. In this regard, PVB business has also been affected. The management of the Group, therefore, has kept the products at a low selling price with a view to increase the market shares. On the other hand, the Group has successfully ventured into India, one of the emerging market with great opportunities and potential in the PVB market. Sales to India accounted for approximately 6% of PVB sales in FY 2016. The Group will continue to improve the production efficiency, reducing the defect rate, lowering the production costs and shortening the lead time so that to deliver greater returns to the shareholders.

Litigation in Bermuda

On August 3, 2011, a petition was filed in the Supreme Court of Bermuda (the "Court") by Annuity & Re Life Limited naming, amongst others, the Company and its majority shareholders as respondents. The trial of the petition took place in September 2015. The Company takes a neutral stance in these proceedings. The Court handed down its judgement on November 10, 2015. The Court found that the allegation that the terms of the pervious interested person transaction sales constituted preferential transfer pricing which was prejudicial to minority shareholders were not proved; and the allegation that the terms of license agreement were wholly uncommercial and/or the license was a sham were also not proved. However, the Court also ruled that the Company's management should promptly initiated bona fide open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the non-controlling shareholders to approve the interest person transactions mandate on even marginally more favourable terms. Following the judgement, the majority shareholders respondents filed a notice of appeal on December 23, 2015 relating to the unfavourable ruling of the judgement. The appeal hearing took place on 6 to 7 March with judgement reserved. The Company will make further announcement as and when necessary to keep shareholders informed of material developments in this matter.

Voluntary unconditional cash offer ("Offer")

On March 3, 2017, Excel First Investments Limited ("Offeror") made Offer for all the issued and paid-up ordinary shares in the capital of the Company, other than those which are owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer, with a view to delist the Company from the Main Board of Singapore Exchange Securities Trading Limited. The Offer was made at S$0.40 in cash for each share.

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks, the management and employees for their unreserved support in the past financial year.

Lam Ka Po
Chairman

Hong Kong, March 22, 2017

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Mr. LAM Ka Po, aged 60, is an Executive Director and Chairman of the Company and its subsidiaries ("KBCF Group"). Mr. Lam was the co-founder of the "Kingboard Group" – Kingboard Chemical Holdings Limited ("KCHL") and he has over 36 years' experience in the sales and distribution of laminates. He is also a director of Kingboard Laminates Holdings Limited ("KLHL"), being the intermediate holding company of the Company and listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. CHEUNG Kwok Ping, aged 56, is an Executive Director of the Company. He has had over 33 years' experience in the field of marketing. He is a director of KLHL.

Mr. HO Yin Sang, aged 62, is a Non-Executive Director of the Company. He joined the Kingboard Group in 1989. He is also a director of KCHL and has had over 27 years' experience in copper foil production. Mr. Ho joined as a member of the Audit Committee, Nominating Committee and Remuneration Committee on February 27, 2007 and provides advice in these committees.

Mr. ONG Tiong Wee, aged 76, was appointed to the Board of the Company on November 16, 2001 as an Independent Non-Executive Director. He graduated with a Bachelor of Commerce from the University of New South Wales, Australia, and is a member of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow member of the Institute of Singapore Chartered Accountants. Mr. Ong was running his own public accounting firm in Singapore from 1983 to 2011. Prior to that, he had 12 years' experience with 2 of the top 4 international auditing firms and 5 years' accounting and finance experience with a multinational company in Australia. In September 2011, Mr. Ong discontinued his auditing practice to specialise in business advisory and corporate services provider in Singapore.

Mr. CHIM Hou Yan, aged 74, was appointed to the Board of the Company on February 23, 2009 as an Independent Non-Executive Director. Mr. Chim graduated from the University of Singapore with a Bachelor of Laws (Honours) degree in 1967. He has been in legal practice since 1968, acted as a litigator in the earlier years and later handled arbitration work as an arbitrator and counsel. He is a Fellow of the Chartered Institute of Arbitrators (UK), Fellow of the Singapore Institute of Arbitrators and Fellow of the Singapore Institute of Directors. Lately he has been giving advice as a consultant in civil and commercial matters. Currently he is a director of Hilborne Law LLC. He was a director of Hind Hotel Limited and director and member of audit committee of Pan Pacific Public Co. Limited. Among the several accolades he had received for public services since 1991, he was appointed Justice of the Peace and was awarded the Public Service Star (Bar) (BBM (L)) by the President of Singapore in 2015.

SENIOR MANAGEMENT

Mr. LAM Kam Cheung, aged 42, the financial controller, joined the Kingboard Group in September, 2006. Prior to that, he had over 10 years' experience in accounting and auditing field. He holds a Bachelor of Art (Honours) in Accountancy from The Hong Kong Polytechnic University. He is in charge of the financial management of the KBCF Group.

DIRECTORS' STATEMENT

The Directors present their statement together with the audited consolidated financial statements of Kingboard Copper Foil Holdings Limited (the "Company") and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 34 to 92 are draw up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The Directors of the Company in office during the year and up to the date of this report are:

Mr. Lam Ka Po
Mr. Cheung Kwok Ping
Mr. Ho Yin Sang
Mr. Ong Tiong Wee
Mr. Chim Hou Yan

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options and warrants mentioned in paragraph 3 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at end of financial year had no interest in the share capital and debentures of the Company and related corporations except as follows:

Name of Directors and company in which interests are held	Shareholdings registered in the name of Director		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company				
Ordinary shares of US$0.10 each				
Mr. Ho Yin Sang	–	–	2,000	2,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Name of Directors and company in which interests are held	Shareholdings registered in the name of Director		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The ultimate holding company				
– Kingboard Chemical Holdings Limited				
Ordinary shares of HK$0.10 each				
Mr. Cheung Kwok Ping	3,620,383	4,620,383	36,000	36,000
Mr. Ho Yin Sang	1,679,674	1,500,000	1,393,000	975,000
Mr. Lam Ka Po	2,917,360	3,889,860	–	–
Options to acquire ordinary shares of HK$0.10 each				
Mr. Ho Yin Sang	7,120,000	4,620,000	5,928,000	4,828,000
The intermediate holding company				
– Kingboard Laminates Holdings Limited				
Ordinary shares of HK$0.10 each				
Mr. Ho Yin Sang	–	–	540,000	540,000
Options to acquire ordinary shares of HK$0.10 each				
Mr. Cheung Kwok Ping	10,000,000	10,000,000	–	–
Mr. Ho Yin Sang	–	–	9,000,000	9,000,000
Mr. Lam Ka Po	10,000,000	10,000,000	–	–
A fellow subsidiary				
– Elec & Eltek International Company Limited				
Ordinary shares				
Mr. Cheung Kwok Ping	520,000	520,000	–	–
Mr. Ho Yin Sang	486,600	486,600	–	–
Mr. Lam Ka Po	486,600	486,600	–	–

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

The Directors' interests as at January 21, 2017 were the same as those as at December 31, 2016 except as follow:

Name of Director and company in which interests are held	Shareholdings registered in the name of Director	Shareholdings in which Directors are deemed to have an interest
The intermediate holding company		
– Kingboard Laminates Holdings Limited		
Ordinary shares of HK$0.10 each		
Mr. Cheung Kwok Ping	8,513,000	–
Mr. Ho Yin Sang	–	7,593,000
Mr. Lam Ka Po	7,300,000	–
Options to acquire ordinary shares of HK$0.10 each		
Mr. Cheung Kwok Ping	1,487,000	–
Mr. Ho Yin Sang	–	1,947,000
Mr. Lam Ka Po	2,700,000	–

4 SHARES OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued share under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. Ong Tiong Wee, Ho Yin Sang and Chim Hou Yan. The Audit Committee is chaired by Mr. Ong Tiong Wee. Mr. Ho Yin Sang is a Non-Executive Director and Messrs. Ong Tiong Wee and Chim Hou Yan are Independent Non-Executive Directors of the Company.

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

a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the three quarterly, and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external auditors;

f) the re-appointment of the external auditors of the Group; and

g) all interested person transactions entered into by the Group.

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 at the forthcoming Annual General Meeting of the Company.

6 AUDITORS

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

ON BEHALF OF THE BOARD

Mr. Lam Ka Po
Chairman

Mr. Cheung Kwok Ping
Director

March 22, 2017

CORPORATE GOVERNANCE REPORT

The Board of Directors ("the Board") of Kingboard Copper Foil Holdings Limited ("the Company") supports the Code of Corporate Governance ("the Code") as recommended by the Singapore Corporate Governance Committee. The Company has in place various self-regulatory and monitoring mechanisms which are continuously refined for effective corporate governance. This report describes the Company's corporate governance processes and practices with specific reference to the principles of the Code.

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The primary role of the Board is to protect and enhance the long-terms' shareholders' value. It sets the overall corporate strategies for the Company and its group of companies ("the Group"), by ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board supervises Management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

The principal functions of the Board are to:

- Guide the corporate strategy and direction of the Group, which the Board shall review the plan in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business and business practices in the industry.
- The Board shall review and approve the Company's annual business, capital plans such as investments and divestments as well as policies and processes generated by Management.
- Oversee the business and affairs of the Group, establish with Management, the strategies and financial objectives to be implemented by Management, and monitor the performance of Management.
- The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls.
- Implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.
- Approve the nomination and remuneration of board members.
- Assume responsibility for good corporate governance.
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Management is responsible for day-to-day operations and administration of the Company and they are accountable to the Board.

To assist the Board in the execution of its responsibilities, the Board delegates specific authority to a number of Board Committees, namely; the Audit Committee, the Nominating Committee and the Remuneration Committee, which function within given terms of references that are reviewed on a regular basis.

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS (continued)

The Board meets on a quarterly basis and whenever necessary to deliberate on specific issues including material transactions, the annual budget and performance of the Company and the Group, approve the release of quarterly (Q1, Q2 and Q3) and full year results, and dividend payments if any where applicable. When circumstances require, ad-hoc meetings would be convened to deliberate on specific issues. The Executive Directors normally meet with key Management on an informal basis regularly to review management performance and discuss financial and operational matters. Telephonic attendance and conference audio-visual communication at Board and Board committee meetings are allowed under the Company's Bye-Laws. Decisions of the Board and Board Committees may also be obtained through circular resolution.

The Directors' attendance at meetings of the Board and Board Committee during the period reported on are as follows:

Name of Directors	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee	
	No. held	Attd	No. held	Attd	No. held	Attd	No. held	Attd
Lam Ka Po	4	3	–	–	–	–	–	–
Cheung Kwok Ping	4	3	–	–	–	–	–	–
Ho Yin Sang	4	4	4	4	1	1	1	1
Ong Tiong Wee	4	4	4	4	1	1	1	1
Chim Hou Yan	4	4	4	4	1	1	1	1

Material Transactions requiring Board Approval

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of Group's first three quarters (Q1, Q2 and Q3) and full-year results, annual report, interested person transactions of a material nature, and declaration of payment of interim and final dividends.

During the year, the Board has met to review and approve amongst other matters, the approval of the first three quarters (Q1, Q2 and Q3) and full-year results announcements prior to their release to the Singapore Exchange Securities Trading Limited (the "SGX-ST") and where applicable, Group's corporate strategies, major investments, acceptances of banking facilities, corporate guarantees, review of the Group's financial performance, the approval of Directors' Report and Statement by the Directors etc.

Training of Directors

Newly appointed director would be given appropriate induction training and coaching, and materials on director's duties and obligations with specific reference to the SGX-ST Listing Manual ("Listing Manual") and the Securities and Futures Act, Cap 289. A summary of the guideline on SGX-ST requirements and copies of current and past year's annual reports and circular of the Company, and other relevant materials and information would also be made available to him. This forms part of the orientation program to familiarize the newly appointed director with the organization structure of the Company and its Group, its operation, business, industry, and its corporate governance practices.

The Board is also updated regularly on changes to the SGX-ST listing rules, risk management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committee members.

With prior approval from the Chairman, directors' participation at industry conferences and seminars could also be arranged.

PRINCIPLE 2: THE BOARD COMPOSITION AND GUIDANCE

The Board comprises five(5) Directors; of whom two(2) are Executive Directors, one(1) Non-Executive Director and two(2) Independent Directors.

The nature of the Directors' appointments on the Board, and details of their memberships in the Board Committees are set out below:

Name of Directors	Position	Appointment Date	Last Re-election Date	Board Committee Membership		
				Audit	Remuneration	Nominating
Lam Ka Po	Executive Chairman	09.01.2007	–	–	–	–
Cheung Kwok Ping	Executive Director	25.01.2002	30.04.2015	–	–	–
Ho Yin Sang	Non-Executive Director	14.09.1999	28.04.2016	Member	Member	Member
Ong Tiong Wee	Non-Executive Independent Director	16.11.2001	28.04.2016	Chairman	Member	Member
Chim Hou Yan	Non-Executive Independent Director	23.02.2009	30.04.2015	Member	Chairman	Chairman

The Board is of the view that the current Board members comprise persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Group's requirements. The directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

The composition of the Board is reviewed on an annual basis by the Nominating Committee ("NC") to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for effective functioning and informed decision-making.

The NC reviews the independence of each Director on an annual basis based on the guidelines of the Code of what constitutes an independent director. Each Director is required to declare his independence by duly completing and submitting a 'Confirmation of Independence' form which the Independent Directors have provided.

In addition, with regard to Guideline 2.4 of the Code which requires that the independence of any director who has served on the Board beyond nine years from the date of his first appointment, to be subject to rigorous review by the NC. In respect of Mr. Ong Tiong Wee who has served on the Board for more than nine years, the NC has reviewed based on the following basis, amongst others his attendance and contributions in meetings of the Board and Board Committees and confirmed that Mr. Ong is independent:

(i) has over time, developed significant insights into the Group's business and operations;

(ii) objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisors;

(iii) familiarity with the business and Management is a valuable characteristics which the Company seeks to retain in their Directors as it aids in the Board continuity and stability;

(iv) to avoid an abrupt loss of member who has extensive experience and offers invaluable advices/judgment; and

(v) the Company has benefitted from his years of experience in his field of expertise.

The Board concurred and also takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis on the length of time.

PRINCIPLE 2: THE BOARD COMPOSITION AND GUIDANCE (continued)

In view thereof, and having reviewed the independence declaration of both Mr. Ong Tiong Wee and Mr. Chim Hou Yan, the NC confirmed that they are independent, and the Board concurred likewise.

Having regard to the nature and scope of the operations of the Company, the Board views its current size of five(5) Directors; two(2) Executive and three(3) Non-Executive with two(2) Independent Directors making up to more than one-third, is appropriate for effective decision-making.

The Independent Directors also communicate regularly to review the Group's performance and discuss on any new business proposal and strategy.

Details of the Directors' qualifications, business experience and other appointments are found at Directors and Senior Management's Profile section of the Annual Report.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board is headed by the Executive Chairman, Mr. Lam Ka Po.

Mr. Lam bears executive responsibility for the Company's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

Mr. Cheung Kwok Ping is the Executive Director ("ED") of the Company. Together with the Chairman, Mr. Cheung is responsible for the overall strategic planning, and the day-to-day management of the Group. Both the Chairman and Mr. Cheung are assisted by the Financial Controller ("FC") to oversee the daily running of the Company's operations and execution of strategies and policies.

The duties of the Chairman include, but not limited to, the following:

- schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- prepare meeting agenda in consultation with other Directors;
- exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- assist in ensuring compliance with the Company's guidelines on corporate governance.

Mr. Ong Tiong Wee is the Lead Independent Director of the Company and he shall be available to shareholders if they have concerns which communication through the normal channels of the Chairman and FC has failed to resolve or for which such contact is inappropriate.

PRINCIPLE 4: BOARD MEMBERSHIP

PRINCIPLE 5: BOARD PERFORMANCE

The NC comprises three (3) Non-Executive Directors. They are Mr. Chim Hou Yan (Chairman), Mr. Ong Tiong Wee, and Mr. Ho Yin Sang. Both Mr. Chim and Mr. Ong are Independent Directors.

The NC met once during the period reported on and all of the members attended the meeting.

The major terms of reference of the NC include:

- review of the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- review and determine on whether or not a Director is independent, in accordance with paragraph 2.3 and 2.4 of the Code of Corporate Governance and other salient factors;
- identify and nominate candidates to fill board vacancies as and when they arise for Board's approval;
- review the leadership needs of the organization to ensure continued ability to compete effectively in the organization's marketplace;
- keep updated with strategic issues and commercial changes affecting the Company and the market in which it operates;
- decide on how the Board's performance may be evaluated and propose objective performance criteria;
- assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;
- deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments;
- review the training and professional development programs for the Board; and
- review and recommend for re-appointment of the retiring Director having regard to his contribution and performance, including, if applicable, as an Independent Director.

The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions as well as by taking into account each Director's listed company board directorships, and any other relevant time commitments. At present, the maximum number of directorships which a Director can hold in listed companies is capped at nine (9). When a Director has multiple board representations he will have to ensure that sufficient time and attention is given to the affairs of each company. The NC is of the opinion and noted that the Directors are not holding any multiple Board representations and is satisfied that all Directors are able to carry out their duties as Directors of the Company.

Pursuant to the Bye-Laws of the Company, the Board has power at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. As part of the selection and nomination process for the appointment of a new Director, the NC would source for a list of suitable candidates and after reviewing their qualifications and experience, made recommendation to the Board for the appointment.

PRINCIPLE 5: BOARD PERFORMANCE (continued)

Any new Director appointed during the year shall hold office only until the next annual general meeting ("AGM") and can submit himself for re-election but he shall not be taken into account in determining the Director who is to retire by rotation at the meeting.

All the Directors, except the Chairman, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. At the Company's AGM, a Director appointed during the year and at least one-third of the remaining Directors shall retire from office.

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

Hence, review of the Board's performance and individual Director would be undertaken informally on a continual basis by the NC with inputs from the other Board members and Chairman. In assessing the effectiveness of the Board as a whole, the NC has set certain performance criteria which includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, and the discharge of its principal responsibilities in terms of the financial indicators as set out in the Code. Individual Director is assessed on whether he could continue to contribute effectively and demonstrate to the role, including commitment of time for Board and committee meetings, and any other duties.

At the forthcoming AGM, Mr. Cheung Kwok Ping and Mr. Chim Hou Yan will retire under Bye-Law 86(1). Being eligible, they have offered themselves for re-election. The NC has recommended their re-appointment after having reviewed and taken into account their contribution to the ongoing effectiveness of the Board, the ability to exercise sound business judgment, leadership experience, high levels of professional skills and appropriate personal qualities. The Board concurred with the NC and recommended that both Mr. Cheung Kwok Ping and Mr. Chim Hou Yan be re-elected Directors of the Company at the forthcoming AGM.

PRINCIPLE 6: ACCESS TO INFORMATION

The Management of the Company has been furnishing the Board with complete and adequate information in a timely manner. The Board is also given separate and independent access to the Company's senior Management. Notice of board meetings and the relevant meeting papers are sent to individual Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board.

All the Directors are given separate and independent access to the Company Secretary, whose role includes ensuring that board procedures are observed and followed through and that applicable rules and regulations are complied with.

Effective formal and informal communication channels are in place between the Board and the Management which enable Directors, newly appointed or otherwise, to familiarize themselves with the on-going operation, business and corporate governance practices of the Company. In addition, the Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice or formal training programme, if necessary, at the Company's expense.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8: LEVEL AND MIX REMUNERATION

The Remuneration Committee ("RC") presently comprises three (3) Non-Executive Directors. They are Mr. Chim Hou Yan (Chairman), Mr. Ong Tiong Wee, and Mr. Ho Yin Sang. Both Mr. Chim and Mr. Ong are Independent Directors.

The functions of the RC under the terms of reference are set out as follows:

- to review and recommend to the Board in consultation with Management and the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages for each director, Chief Executive Officer (CEO) (or executive of equivalent rank) if the CEO is not a director and key management personnel. The recommendation should be submitted for endorsement by the entire Board;

- to review the remuneration of senior management/employees who report directly to the Chairman and those employees related to the directors, CEO and controlling shareholders of the Group;

- to recommend to the Board in consultation with Management and the Chairman of the Board, the Company's Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith;

- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- to determine the policy for and scope of service agreements for executive management team, termination payments and compensation commitments, including fixing appointment period for the directors;

- to determine the remuneration of non-executive directors which should be appropriate to the level of contribution, taking into account factors such as effort, time spent and the responsibilities;

- to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time; and

- to produce an annual remuneration report which covers the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, the remuneration of directors, the CEO and at least the top five key management personnel who are not also directors or the CEO) of the Company to the Board for disclosure in the Company's Annual Report and Accounts.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Directors' Remuneration for the financial year ended December 31, 2016 (in percentage terms) is as follows:

Name of Directors	Directors' Fees (%)	Salary (%)	Bonuses (%)	Total (%)	Total S$
Lam Ka Po	–	–	–	–	–
Cheung Kwok Ping	–	–	–	–	–
Ho Yin Sang	–	–	–	–	–
Ong Tiong Wee	100	–	–	100	52,500
Chim Hou Yan	100	–	–	100	45,000

Key executive	Salary %	Bonus %	Total %	Remuneration Band
Lam Kam Cheung	–	–	–	–

The RC met once during the period reported on to review and recommend fee for the Directors.

The Executive and Non-Executive Directors are not paid any remuneration by the Company. The Independent Non-Executive Directors are paid only a fixed Director's fee, which sum was determined based on the level of contribution, taking into account their efforts and time rendered, responsibilities of the Directors, the performance of the Company and the industrial practice in general. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The Company will then submit the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting.

In structuring remuneration packages, the RC will take into consideration the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual.

The Code requires the remuneration of at least top 5 key executives who are not also directors to be disclosed within the remuneration bands of S$250,000 each or to provide a breakdown of each individual's remuneration. As the Company has only one key executive, the exact remuneration is not disclosed in light of confidentiality as it is not in the best interest of the Company to do so given the highly competitive industry conditions.

During the year, none of the Directors had immediate family members not disclosed above who were or are employees of the Company and whose personal annual remuneration exceeded or exceeds S$50,000.

The RC has access to expert advice inside and/or outside the Company, in the field of executive compensation. However, given the level of remuneration as mentioned in the table above, the RC did not seek any advice from external remuneration consultants on the remuneration.

The Company does not have any employee share option schemes or other share incentive schemes in place for its employees.

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to the shareholders while the Management is accountable to the Board. From year 2003 onwards, the Board provides shareholders with quarterly (Q1, Q2 and Q3) and full-year results announcement. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Key Audit Matter considered by the Board in relation to the 2016 Annual Report is as outlined in the Audit Committee Report on page 26 to 29 of the Annual Report.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") comprises three(3) Non-Executive Directors, namely, Mr. Ong Tiong Wee (Chairman), Mr. Chim Hou Yan and Mr. Ho Yin Sang. Both Mr. Ong Tiong Wee and Mr. Chim Hou Yan are Independent Non-Executive Directors.

The Board has ensured that the members of the AC are appropriately qualified to discharge their responsibilities and that at least two members have accounting and related financial management expertise or experience.

The Board considers that Mr. Ong as a practicing accounting person, has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The AC reviews and assesses the adequacy and effectiveness of Company's system of internal controls and regulatory compliance through discussions with Management, the Head of Internal Audit and the external auditor at these quarterly AC meetings.

The AC performs the following delegated functions in accordance with its terms of reference:

- review with the external auditors, the audit plan, including the nature and scope of the audit before the audit commences;
- review with the external auditors, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Management's response;
- review the scope and results of the internal audit procedures;
- review the assistance given by the Management to the external auditors;
- review the statement of financial position and statement of profit or loss of the Company and the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and submit them to the Board;
- nominate person(s) for appointment as auditors or recommend the re-appointment of auditors;
- review with the internal and external auditors their findings on their evaluation of the Company's system of internal controls for the purpose of assisting the Board in developing policies that would enhance the controls and operating systems of the Company;

PRINCIPLE 11: AUDIT COMMITTEE (continued)

- review the interested person transactions, mandated or otherwise, as part of the standard procedures while examining the adequacy of internal controls of the Group; and
- review the independence of the external auditors, the resources and adequacy of the internal audit function, at least once a year.

In addition, the AC is authorised:

- to investigate any matter within its terms of reference;
- to have full access to and co-operation by the Management;
- to have full discretion to invite any Director or executive officer to attend its meetings;
- to have reasonable resources to enable it to discharge its functions properly; and
- to have access to the internal auditors and external auditors at any time, as and when they think necessary, without referring to the Company's Management.

The 'whistle-blowing' framework was put in place, where all the employees of the Company may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters to the AC Chairman.

The duties of the AC also include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non – audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.

Having reviewed all the non-audited services provided by the auditors of the Company for the financial year ended December 31, 2016 and the corresponding fees, the AC concluded that in their opinion, such services did not affect the independence of the auditors.

For details of the fees paid and/or payable to Deloitte & Touche LLP in respect of audit and non-audit services for FY 2016, please refer to the Financial Statements.

Deloitte & Touche LLP has confirmed that they are registered with the Accounting and Corporate Regulatory Authority and are thus in compliance with Rule 712(2) of the Listing Rules.

In reviewing the nomination of Deloitte & Touche LLP for re-appointment for the financial year ending December 31, 2017, the AC has considered the adequacy of the resources, experience and competency as well as the audit team's ability to work in a co-operative manner with Management.

Based on the above review, the AC has recommended to the Board, the re-appointment of Deloitte & Touche LLP as external auditors of the Company at the 2017 AGM.

The audit partner in charge of the Group, Mr. Toh Yew Kuan Jeremy, has completed his five-year term as at December 31, 2016, a new audit partner will be appointed for FY2017.

During the year, the AC has met with the external auditors, to discuss issues of their concerns without the presence of the Management.

In appointing auditing firm for the Group, the Company complies with the requirements of Rules 712 and 715 of the Listing Manual.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges its responsibility to provide for the overall internal control framework of the Group, but recognizes that no cost effective internal control system will preclude all errors and irregularities. As system could only be designed to manage rather than eliminate the risk of failure to achieve business objectives, it can therefore provide only reasonable and not absolute assurance against material misstatement or loss.

Nonetheless, to safeguard the shareholders' investments and the Company's assets, the Group has in place a system of internal controls and the key elements of which are as follows:

- formal policies and procedures are in place, including the documentation of key processes, procedures and rules relating to the delegation of authorities. These allow the monitoring of controls and restrict the unauthorized use of assets;
- experienced and suitably qualified staff shall assume responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance; and
- business and financial reports as well as other information provided should be relevant, timely, reliable and up-to-date and budget variances are investigated as and when appropriate.

Assurance from the Chairman and the Financial Controller

The Board has received assurance from the Company's Chairman and the FC that

(i) the financial records have been properly maintained and the financial statements for the financial year ended December 31, 2016 give a true and fair view of the Company's operations and finances; and

(ii) the Company's risk management and internal control systems in place are effective.

The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assurance of the AC, the present internal controls, including financial, operational and compliance controls, and risk management systems are satisfactory for the nature and size of the Group's operations and business.

PRINCIPLE 13: INTERNAL AUDIT

The internal audit is an independent function within the Company. It is performed in-house by an internal audit department from the parent company with appropriate qualification and according to standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC ensures that the internal audit function has the appropriate standing within the Company. The internal auditor reports to the AC on audit matters, and to the Executive Directors on administrative matters.

The AC reviews internal audit reports on a regular basis, as well as reviews and approves the annual internal audit plans and resources to ensure that the internal audit team has the necessary resources to adequately perform its functions. The internal auditor also undertakes investigations as directed by the AC.

Based on the internal audits reports and the various controls implemented by the Management, the Board and the AC is satisfied that there are adequate internal controls systems in place by the Group in addressing its financial, operational and compliance risks.

PRINCIPLE 14 & 15: COMMUNICATION WITH SHAREHOLDERS

The Company releases and communicates regular information including all major developments that impact the Company and the Group to the shareholders on a timely basis. Such information is disseminated via SGXNET.

Public awareness on the Company's latest developments and businesses is also maintained through the Company's website, http://www.kbcopperfoil.com/ with contact details for investors to channel their comments and queries.

Communication to shareholders takes the following forms:

- quarter (Q1, Q2 and Q3) and full-year results announcements which contain a summary of the financial information and affairs of the Company and the Group for the period;
- annual reports issued to shareholders containing the relevant information about the Group, its future developments and other disclosures required by the relevant accounting standards and governing authorities;
- notices of annual general meetings together with explanatory statement for any special business to be transacted thereat;
- notices of special general meetings and/or shareholders' briefing, and where applicable, together with Circular/materials to shareholders containing the relevant information for their decision making;
- press releases on major developments of the Company and the Group, where appropriate and required; and
- other various disclosures and announcements to the SGX-ST in compliance to its Listing Rules which include major corporate actions, notices of changes of directors/substantial shareholders' interest and changes to the board/committee, etc.

In addition, shareholders are encouraged to attend the annual general meeting to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The annual general meeting is the principal forum for dialogue with shareholders.

The notice of general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. Shareholders are welcomed to attend the general meeting and raise question on issues before or at the general meeting. The Chairman of the Audit, Remuneration and Nominating Committees or their representatives are available at the meeting to answer those questions relating to the work of these committees. The external auditors are also available to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

In support of greater transparency, the shareholders have the opportunity to participate effectively in and, voting at general meetings of the Company which have been conducted by poll since its 2013 AGM and would continue to do so in respect of all resolutions to be proposed at the coming general meeting. An announcement of the detailed results of the poll showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNet after the general meeting.

To encourage shareholders to attend the general meetings,the Bye-Laws of the Company which have been amended and adopted at the Special General Meeting held on November 29, 2016, allows shareholders holding shares through the Depository to attend its general meetings without the need to deposit the proxy forms 48 hours before the general meeting if he/she is attending in person.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

DIVIDEND POLICY

The Company does not have a fixed dividend policy but aims to pay a dividend which is in line with what was mentioned in the Prospectus of the Company dated December 6, 1999, in that, the Directors intend to pursue a dividend policy commensurate with the KBCF Group's earnings, its financial position and future plans.

CORPORATE DISCLOSURE

To adopt good corporate governance which is essential, the Company constantly reviews its corporate disclosure issues and announcements made to the SGX-ST so as to enhance its corporate governance and best practices in terms of transparency to shareholders and the investing community.

DEALINGS IN SECURITES

The Company has devised and adopted its internal compliance code of best practices giving guidance on dealing by the Company and its officers in its securities (the "BP Code").

Under the BP Code, the Directors and officers including all levels of staff in the finance/accounts department are required to notify the Company of their dealings within two business days while officers (other than directors), four days. Disclosures by the Directors are followed with release of announcement via SGXNet platform immediately. In addition, a summary on dealing by Directors for each quarter would be prepared and tabled at the meeting of the Board.

Officers are reminded not to deal in the Company's securities on short-term consideration, or while in possession of price-sensitive information, and during the period commencing one month before the announcement of the full year results and two weeks before releasing of the Company's quarterly (Q1, Q2 & Q3) results, unless under exceptional circumstances when it is the only reasonable course of action available.

The officers are cautioned to be mindful of the law on insider trading, dealing by connected persons, and to ensure that their dealings would not contravene the law. The BP Code has highlighted that under the Securities and Futures Act, Cap. 289 it is an offence and penalties are severe, to deal in the Company's securities as well as securities of other listed companies while in possession of unpublished material price-sensitive information in relation to those securities.

MATERIAL CONTRACTS WITH INTERESTED PERSONS

There are no material contracts which are not in the ordinary course of business that have been entered into by the Company and any related companies involving the interests of, where applicable, the chief executive officers, each Director or controlling shareholder, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPT")

Though approval for the renewal of the shareholders' mandate for the said IPT was not obtained at the annual general meeting on April 23, 2011, the Company has and is actively considering the appropriate actions that need to be taken to address the IPT mandate and will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

During FY2016, there were no IPT required to be disclosed pursuant to Rule 920(1)(a)(ii) of the Listing Manual. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The primary role of the Group's Audit Committee is to provide governance and oversight over the integrity of the Group's financial reporting and the Group's internal controls and risk management frameworks. The Committee's written terms of reference explains the Committee's role and responsibilities are as set out on pages 20 to 21 of this Annual Report.

COMPOSITION AND FREQUENCY OF MEETINGS

The Audit Committee ("AC" or "Committee") during the financial year ended December 31, 2016 comprises the Non-Executive Directors as follows:

Mr. Ong Tiong Wee* *(Chairman)*
Mr. Chim Hou Yan* *(Member)*
Mr. Ho Yin Sang *(Member)*

* *Independent Non-Executive Directors*

There have been no changes in the composition of the AC since the start of the financial year end.

The Committee considers that collectively the members have the appropriate relevant financial experience to fully discharge their responsibilities. Mr. Ong Tiong Wee, who has extensive and practical financial management knowledge, is considered to have the relevant financial experience to qualify as the AC Chairman. Further details of the members' qualifications and experience are available at Directors and Senior Management's Profiled section of this Annual Report.

The Committee met four times during the financial year ended December 31, 2016. The meetings are scheduled around the financial reporting cycle to allow the Committee to discharge its duties in relation to the financial statements. As such, the Committee normally meets in February, April, August and November, and the attendance record of the AC members during the financial year is noted on page 13 of this Annual Report. The Management has a standing invitation to attend the Audit Committee meetings, with the exception of instances where the AC meets the auditors without the presence of the Management.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The role of the AC in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements and that of any formal announcements relating to the Group's financial performance.

The AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

Following discussions with Management and the external auditors, the AC has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

Significant Matters	How the AC reviewed these matters and what decisions were made
Recoverability of licenced inventory – HK$645,931,000 – shown in the Balance Sheet as 'other current assets'	The AC had reviewed and discussed with Management and the external auditors on the stock take procedure conducted at the financial year end, the assessment of any shortfall in the inventory value and the comparison of such shortfall with pledged securities from the licensee, the accounting treatment and valuation approach applied to inventory. The AC had also reviewed and discussed with Management and the external auditors the existence of proper documentation and the audit thereof, relating to securities provided by the licensee for any shortfall of the financial year end inventory value below the value specified in the original Licensing Agreement. The AC had further obtained Management's assurance that none of the bills receivables pledged by the licensee to the Company for shortfall in the value of the inventory at the financial year end is issued by a related party of the Company and had obtained confirmation from the external auditors that no incidence of this nature have come to their attention in the course of their audit. Based on the above review and explanation received, the AC sees no reason to doubt that the significant risks attached to the recoverability of inventory has been properly addressed. The external auditors have included this item as a key audit matter in their audit report for the financial year ended December 31, 2016 together with a detailed description of audit procedures adopted (refer to page 31 of this Annual Report).

INTERNAL CONTROLS AND INTERNAL AUDIT

The Group has an Internal Audit department, which was in operation throughout the year. The AC receives internal audit reports from the internal auditors, evaluates the internal audit process and assesses the adequacy and effectiveness of the Group's internal control systems that are in place.

EXTERNAL AUDIT

The Audit Committee met with the external auditors in October 2016 to agree on the audit plan for the financial year 2016. The audit plan provided details on the proposed audit approach and methodology, the materiality level intended to be used during the audit and highlighted the key risk areas due to the level of judgement involved and the potential impact of a misstatement on the Group's financial statements.

Upon completion of the audit work, the external auditors presented their Final Report to those charged with governance on their audit findings to the Audit Committee at the meeting held on February 20, 2017. These findings were reviewed and discussed by the Committee, with appropriate enquiries and clarifications made to the work performed, assumptions made and conclusions drawn – particularly in relation to the key risk areas as identified above.

The continued appointment of Deloitte & Touche LLP is considered by the AC each year, taking into account relevant guidance and best practice and considering the effectiveness of the external audit process and the independence of the external auditors.

AUDITORS' EFFECTIVENESS

The effectiveness of the audit process is assessed taking into account the following matters:

- the external auditors' understanding of the Group's business and industry;
- the communication between the Group and the audit engagement team;
- the ability of the external auditors to respond appropriately to questions raised by the AC;
- the planning and the execution of the audit plan approved by the AC, and the communication of any changes to the plan in respect of matters;
- the competence in handling key accounting and audit judgements and the manner in which these were communicated;
- the independence and objectivity of the external auditors;
- the external auditors' qualifications, expertise and resources; and
- the feedback from the Management.

After due consideration, the AC was satisfied with the effectiveness of the year-end audit performed by Deloitte & Touche LLP.

AUDITORS INDEPENDENCE AND RE-APPOINTMENT

As part of the review of external auditors' independence, Deloitte & Touche LLP has confirmed to the AC that they are independent of the Group and have complied with relevant auditing standards. The AC also performs a review of the audit and non-audit services provided by the external auditors, and the fees charged for those services, to ensure there was no impairment of objectivity or independence.

The AC meets with the external auditors at least once annually without the Management or the Executive Directors being present.

Deloitte & Touche LLP has been the Group's external auditors since inception. During this period, the audit partner has been rotated once every five years to ensure that independence and objectivity is maintained. For the year ended December 31, 2016, there was non-audit related work carried out by the external auditors. The fees paid in respect of audit and non-audit services is noted on page 84 of this Annual Report.

Having reviewed the fees paid, the Audit Committee is satisfied with the independence and performance of Deloitte & Touche LLP and has recommended their re-appointment for a further year.

WHISTLE-BLOWING

The Group has put in place a whistle-blowing framework, endorsed by the AC. Mr. Ong Tiong Wee, Chairman of AC, is the primary point of contact for employees of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise.

Details of the whistle-blowing policies and arrangements have been made available to all employees.

There was no reported incident pertaining to whistle-blowing for the financial year ended December 31, 2016.

Reported By:

Ong Tiong Wee
Chairman of the AC

March 22, 2017

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGBOARD COPPER FOIL HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Kingboard Copper Foil Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages 34 to 92.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of licenced inventory

As part of the licencing agreement, described in Note 13 and 14 to the financial statements, the licencee is allowed to use, consume and dispose of the inventories which shall include consumables and stocks in trade.

As at December 31, 2016, the licenced inventory with carrying value of HK$645,931,000 was classified as " other current assets" as the licencee is required to replace and return the inventory used, consumed or disposed during the licenced period to the Group at the end of the licence period, on August 31, 2017, in accordance with the licence agreement, either by way of cash or identical inventory with same value as the licenced inventory used, consumed or disposed during the licence period.

The licenced inventory comprises mainly copper and copper foil.

The licenced inventory used, consumed or disposed during the licence period is secured by cash and bills receivables ("securities") of a related party of the licensee, with total receivable value of not less than the value of the licenced inventory used, consumed or disposed as at the end of the reporting period.

In determining the recoverable value of the securities, the management of the Group takes into consideration the validity and existence of the securities at each month end and determines the recoverable value of the securities. Management of the Group also implemented internal controls to monitor the recoverability of the licenced inventory at the end of the licenced period on August 31, 2017.

We evaluated the design and implementation of relevant internal controls in monitoring the recoverable value of the licenced inventory by management and carried out the following audit procedures:

- Attended/observed the stock count conducted on December 31, 2016 and test counted selected samples;
- Obtained the inventory listing as at December 31, 2016 and tested the valuation based on the latest market price of copper and copper foil for selected samples;
- Verified the signed security documents which is the cash and bills receivable of a related party of the licensee;
- Agreed to the bank statement for the cash and bills receivable pledged to ascertain that they are in excess of the value of licenced inventory used, consumed or disposed by the licensee since the commencement of the licenced period; and
- Attended the interview session of the shareholders/ management of the licencee to have a better understanding of the operation and control of the licencee over the licenced inventory, together with the management of the Group to identify whether there are any unusual matters.

The disclosure of the recoverability of licenced inventory is provided in Note 3(d) to the financial statements, and further information related to licenced inventory is provided in Note 14 to the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement, Corporate Information, Five Year Financial Summary, Chairman's Statement, Directors and Senior Management's Profile, Corporate Governance Report, Audit Committee Report and Shareholdings, but does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Toh Yew Kuan, Jeremy.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
March 22, 2017

STATEMENTS OF FINANCIAL POSITION

At December 31, 2016

	Note	Group 2016 HK$'000	Group 2015 HK$'000	Company 2016 HK$'000	Company 2015 HK$'000
ASSETS					
Current assets					
Cash and bank balances	6	**1,556,470**	1,446,024	**–**	–
Trade and other receivables and prepayments	7	**84,453**	81,659	**176**	221
Bills receivable	7	**27,138**	36,338	**–**	–
Other current assets	14	**645,931**	–	**–**	–
Prepaid land use rights	8	**1,003**	1,070	**–**	–
Inventories	9	**22,371**	37,884	**–**	–
Total current assets		**2,337,366**	1,602,975	**176**	221
Non-current assets					
Investments in subsidiaries	10	**–**	–	**393,775**	393,775
Investment in an associate	11	**40,516**	52,099	**13,656**	17,560
Due from a subsidiary	10	**–**	–	**882,039**	878,452
Investment property	12	**5,683**	6,067	**–**	–
Property, plant and equipment	13	**360,478**	482,747	**–**	–
Prepaid land use rights	8	**34,709**	38,131	**–**	–
Other non-current assets	14	**–**	689,670	**–**	–
Goodwill	15	**238**	238	**–**	–
Total non-current assets		**441,624**	1,268,952	**1,289,470**	1,289,787
Total assets		**2,778,990**	2,871,927	**1,289,646**	1,290,008
LIABILITIES AND EQUITY					
Current liabilities					
Due to a subsidiary	10	**–**	–	**2,721**	2,721
Bills payable	16	**11,481**	2,265	**–**	–
Trade and other payables	17	**104,527**	91,306	**2,423**	3,431
Income tax payable		**8,366**	7,417	**38**	38
Total current liabilities		**124,374**	100,988	**5,182**	6,190
Capital and reserves and non-controlling interests					
Share capital	19	**560,200**	560,200	**560,200**	560,200
Reserves		**2,068,980**	2,177,796	**724,264**	723,618
Equity attributable to owners of the Company		**2,629,180**	2,737,996	**1,284,464**	1,283,818
Non-controlling interests	10	**25,436**	32,943	**–**	–
Total equity		**2,654,616**	2,770,939	**1,284,464**	1,283,818
Total liabilities and equity		**2,778,990**	2,871,927	**1,289,646**	1,290,008

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2016

	Note	Group 2016 HK$'000	2015 HK$'000
Revenue	20	**635,296**	624,344
Cost of sales		**(566,650)**	(558,438)
Gross profit		**68,646**	65,906
Other operating income	21	**2,057**	3,064
Distribution costs		**(16,680)**	(15,520)
Administrative expenses		**(28,569)**	(26,334)
Other operating expenses		**–**	(1,597)
Finance cost		**–**	(87)
Share of losses of an associate	11	**(9,666)**	(7,766)
Profit before tax		**15,788**	17,666
Income tax expense	22	**(10,855)**	(11,260)
Profit for the year	23	**4,933**	6,406
Profit for the year attributable to:			
Owners of the Company		**1,061**	2,841
Non-controlling interests	10	**3,872**	3,565
		4,933	6,406
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	24	**0.15**	0.39

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016

	Note	Group 2016 HK$'000	2015 HK$'000
Profit for the year		**4,933**	6,406
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**(109,979)**	(121,384)
Share of other comprehensive expense of an associate	11	**(1,917)**	(2,068)
Total other comprehensive expense		**(111,896)**	(123,452)
Total comprehensive expense for the year, net of tax		**(106,963)**	(117,046)
Total comprehensive expense attributable to:			
Owners of the Company		**(108,816)**	(118,630)
Non-controlling interests	10	**1,853**	1,584
		(106,963)	(117,046)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2016

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserves** HK$'000 (Note 26)	**Foreign currency translation reserves** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Group								
Balance at January 1, 2015	560,200	296,573	7,287	534,258	1,458,308	2,856,626	31,359	2,887,985
Total comprehensive (expense) income for the year								
Profit for the year	–	–	–	–	2,841	2,841	3,565	6,406
Other comprehensive expense for the year	–	–	–	(121,471)	–	(121,471)	(1,981)	(123,452)
Total	–	–	–	(121,471)	2,841	(118,630)	1,584	(117,046)
Balance at December 31, 2015	560,200	296,573	7,287	412,787	1,461,149	2,737,996	32,943	2,770,939
Total comprehensive (expense) income for the year								
Profit for the year	–	–	–	–	1,061	1,061	3,872	4,933
Other comprehensive expense for the year	–	–	–	(109,877)	–	(109,877)	(2,019)	(111,896)
Total	–	–	–	(109,877)	1,061	(108,816)	1,853	(106,963)
Transactions with owners, recognised directly in equity								
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	(9,360)	(9,360)
Balance at December 31, 2016	**560,200**	**296,573**	**7,287**	**302,910**	**1,462,210**	**2,629,180**	**25,436**	**2,654,616**

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2016

	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
Company					
Balance at January 1, 2015	560,200	296,573	6,275	420,164	1,283,212
Total comprehensive income for the year					
Profit for the year	–	–	–	606	606
Balance at December 31, 2015	560,200	296,573	6,275	420,770	1,283,818
Total comprehensive income for the year					
Profit for the year	–	–	–	646	646
Balance at December 31, 2016	**560,200**	**296,573**	**6,275**	**421,416**	**1,284,464**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before tax	**15,788**	17,666
Adjustments for:		
Depreciation of property, plant and equipment	**107,500**	132,837
Amortisation of prepaid land use rights	**1,049**	1,117
Interest income	**(1,618)**	(2,425)
Interest expense	**–**	87
Allowance for doubtful debts	**1,061**	1,534
Allowance for inventories	**–**	2,092
Loss on disposal of property, plant and equipment	**2,672**	2,036
Impairment loss recognised in respect of non-current deposit	**–**	5,293
Property, plant and equipment written-off	**18,249**	3,735
Share of losses of an associate	**9,666**	7,766
Operating cash flow before movements in working capital	**154,367**	171,738
Trade and other receivables and prepayments	**(11,264)**	(17,269)
Bills receivable	**9,200**	(1,010)
Inventories	**13,110**	(7,113)
Trade and other payables	**17,644**	16,951
Bills payable	**9,216**	(2,643)
Cash generated from operations	**192,273**	160,654
Income tax paid	**(8,709)**	(8,566)
Interest received	**1,618**	2,425
Net cash from operating activities	**185,182**	154,513
Investing activities		
Purchase of property, plant and equipment	**(35,167)**	(18,073)
Proceeds from disposal of property, plant and equipment	**2,281**	17,729
Net cash used in investing activities	**(32,886)**	(344)
Financing activities		
Dividends paid to non-controlling interests	**(9,360)**	–
Repayment of bank borrowing	**–**	(6,338)
Interest expense paid	**–**	(87)
Net cash used in financing activities	**(9,360)**	(6,425)
Net increase in cash and bank balances	**142,936**	147,744
Cash and bank balances at the beginning of the year	**1,446,024**	1,329,754
Effect of exchange rate changes on the balance of cash and bank held in foreign currencies	**(32,490)**	(31,474)
Cash and bank balances at the end of the year	**1,556,470**	1,446,024

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1 GENERAL

The Company (Registration No. 26998) is incorporated in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business was at 2nd Floor, Harbour View 1, No. 12 Science Park East Avenue, Phase 2, Hong Kong Science Park, Shatin, Hong Kong until March 16, 2017. From March 17, 2017, the Company's principal place of business is at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shantin, New Territories, Hong Kong. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Hong Kong dollars.

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

The principal activities of the subsidiaries and the associate are disclosed in Notes 10 and 11 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 22, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New FRS and INT FRS yet to be adopted

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- FRS 116 Leases
- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to FRS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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:

FRS 109 Financial Instruments

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

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRS 109 Financial Instruments (continued)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect for companies with financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of FRS109. Additional disclosures will also be made in respect of financial instruments including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRS 115 Revenue from Contracts with Customers

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

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

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

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

FRS 115 will take effect from financial years beginning on or after January 1, 2018, with early application permitted.

Management anticipates that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made in respect of trade receivables and revenue recognition, including significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group’s financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRS 116 Leases

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

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the FRS 116, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

FRS 116 will take effect for companies with financial years beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of HK$85,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under FRS 116, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of FRS 116. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review. Management does not plan to early adopt the new FRS 116.

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments applies prospectively to annual periods beginning on or after January 1, 2017, with earlier application permitted.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to FRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments applies prospectively to annual periods beginning on or after January 1, 2017, with earlier application permitted.

Management anticipates no material impact of Amendments to FRS 12 on the financial statements of the Group and the Company.

IFRS convergence in 2018

Companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

Management is currently performing a detailed analysis of the available policy choices, transitions option exemption and transitional mandatory exceptions, under IFRS 1 and the preliminary assessment above may be subject to change arising from the detailed analysis.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

In the Company's financial statements, investments in subsidiaries and an associate 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 at fair value, with changes in fair value recognised in profit or loss.

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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

Financial assets
All financial assets are recognised and de-recognised on a trade date basis 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.

Loans and receivables
Trade receivables, bills receivable 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 (including trade and other receivables, bills receivable and cash and bank balances) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset 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 and bills payable 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.

Derecognition of financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

The Group as lessor

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

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.

INVENTORIES – Inventories are stated at the lower of cost 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. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are stated at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No depreciation is provided until the construction is completed and the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, less residual value, if appropriate, over their estimated useful lives, using the straight-line method at the following rates per annum:

Leasehold properties and improvements	–	10 to 20%
Plant and equipment	–	10 to 20%
Licenced assets	–	10 to 20%
Motor vehicles	–	20%

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs 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 CGU 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 CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PREPAID LAND USE RIGHTS – The cost of acquiring land use rights in the People's Republic of China ("PRC") are classified as prepaid land use right and amortised on a straight line basis over the period of 50 to 70 years, which represents the relevant land use rights that have been granted to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF TANGIBLE ASSETS AND PREPAID LAND USE RIGHTS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and prepaid land use rights 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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) 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 (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 measure reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

Rental income and licence fee income
Rental income and licence fee income are recognised on a straight-line basis over the term of the relevant lease and licence agreement.

RETIREMENT BENEFIT OBLIGATION – Payments made to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to the state-sponsored pension schemes operated by the PRC government, 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.

EMPLOYEE LEAVE ENTITLEMENTS – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax law 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 (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 and based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

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 income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other income or directly in equity), 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 consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates entities that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of 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.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash 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 Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Legal claim (Note 28)

The Group is currently involved in legal proceedings as disclosed in Note 28 to the financial statements. Management has evaluated and assessed claims made against the Group based on legal advice received and information presently available and are of the view that, the Company is only the subject matter of the petition and is taking neutral stance. Accordingly, no provision nor accrual are made in the financial statements.

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) Allowances for inventories (Note 9)

Determining whether an allowance is necessary in the valuation of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying value of the inventories is higher than their net realisable values, an allowance will be made so that the carrying value of inventories would not be higher than their net realisable values in the open market. During the year ended December 31, 2016, no allowance (2015: HK$2,092,000) was recognised in profit or loss.

(b) Impairment of investments in subsidiaries and amount due from a subsidiary and investment in an associate (Notes 10 and 11)

Determining whether investments in subsidiaries and associate are impaired requires an estimation of the recoverable amounts of the subsidiaries and the associate. Recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable amounts of the subsidiaries and the associate are based on fair value less costs to sell of the subsidiaries and the associate that has been estimated using investees' net asset value. Management has evaluated the recovery of these investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(c) Allowance for doubtful debts (Note 7)

As described in Note 2, trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowance for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss when there is objective evidence that the asset is impaired.

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant portion of the Group's working capital is devoted to trade receivables. In determining whether allowance for doubtful debts is required, the Group takes into consideration the ageing status and estimates the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discusses with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are estimated to be unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the current creditworthiness and the past collection history of each customer as disclosed in Note 7.

(d) Recoverability of the licenced inventory (Note 14)

As described in Note 14, the licensee is required to return the licenced inventory used, consumed or disposed during the licence period to the Group at the end of the licence period, on August 31, 2017, either by way of cash or identical inventory with the same value as the licenced inventory used, consumed or disposed. The recoverable amount of the licenced inventory used, consumed or disposed during the licence period is secured by cash and receivables of a related party of the licencee.

In determining the recoverable value of the securities, the Group takes into consideration the validity and existence of the securities at each month end and determines the recoverable value of the securities. In this regard, the management of the Company are satisfied that the risk is minimal and the recoverable value of the securities is not less than the licenced inventory used, consumed or disposal at each month end.

(e) Investment property (Note 12)

The fair value of investment property is determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuers have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The fair value of HK$5,683,000 (2015: HK$6,067,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT

Categories of financial instruments

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

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

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Cash and bank balances	**1,556,470**	1,446,024	**–**	–
Trade and other receivables	**82,941**	76,830	**–**	–
Bills receivable	**27,138**	36,338	**–**	–
Due from a subsidiary	**–**	–	**882,039**	878,452
Total	**1,666,549**	1,559,192	**882,039**	878,452
Financial liabilities				
Amortised cost:				
Trade and other payables	**54,390**	43,813	**–**	–
Bills payable	**11,481**	2,265	**–**	–
Due to a subsidiary	**–**	–	**2,721**	2,721
Total	**65,871**	46,078	**2,721**	2,721

Financial risk management policies and objectives

The Group's major financial instruments include cash and bank balances, trade and other receivables, bills receivable, trade and other payables and bills payable. Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

The Group is exposed to interest rate, foreign exchange, credit and liquidity risks. The Group's risk management approach seeks to minimise any potential adverse impact of these exposures. The Group reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Credit risk management

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are rendered to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group is mainly exposed to credit risk on trade, bills and other receivable.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with reputable financial institutions.

The Group has concentration of credit risk in relation to the receivable from the licencee arising from licenced inventory amounting to HK$646 million (2015: HK$690 million) representing approximately 85% (2015: 85%) of the total trade and other receivables as at December 31, 2016. Management's procedures to minimise the credit risk have been in place as describe in Note 3 (c) and (d) to the financial statements. In this regard, the directors consider that the credit risk on this receivable is significantly reduced. Further details of credit risk on trade and other receivables and bills receivable are disclosed in Note 7.

(ii) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currencies, which expose the Group to foreign currency risk. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream. Transactional exposures in currencies other than the entity's functional currency are kept to a minimal level.

The Group's foreign currency exposure arises mainly from the exchange rate movements of the United States Dollars, Euro Dollars and the Japanese Yen. These exposures are managed primarily by using natural hedges by matching foreign currency cash flows.

Approximately 17% (2015: 13%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst about 99% (2015: 97%) of costs are denominated in the group entity's functional currency.

The Company transacts mainly in its functional currency and all the monetary assets and liabilities at the end of the reporting period are denominated in its functional currency. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(ii) Foreign exchange risk management (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016 HK$'000	**2015 HK$'000**	**2016 HK$'000**	2015 HK$'000
United States Dollars	**71,736**	35,536	**21,352**	22,000
Euro Dollars	**5,029**	–	**–**	–
Japanese Yen	**–**	–	**11,816**	2,318

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the functional currency of respective group entity against the relevant foreign currencies. 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 period end for a 5% change in foreign currency rates.

	Group		Company	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
5% strengthening of the functional currency of each group entity against the relevant currency and (decrease) increase in profit for the year				
United States Dollars	**2,519**	677	**–**	–
Euro Dollars	**251**	–	**–**	–
Japanese Yen	**(591)**	(116)	**–**	–
5% weakening of the functional currency of each group entity against the relevant currency and increase (decrease) in profit for the year				
United States Dollars	**(2,519)**	(677)	**–**	–
Euro Dollars	**(251)**	–	**–**	–
Japanese Yen	**591**	116	**–**	–

This is mainly attributable to the exposure outstanding on receivables and payables denominated in the above non-functional currency at year end.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iii) Interest rate risk management

The Group's primary interest rate risk relates to its bank balances.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing bank balances at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of interest bearing bank balances that have floating rates.

50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate. If interest rates on interest bearing bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on result for the year is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
50 basis points-higher/increase in profit for the year	**7,776**	7,221	**–**	–
50 basis points-lower/decrease in profit for the year	**(7,776)**	(7,221)	**–**	–

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management

The Group's objective to managing liquidity risk is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2016, the Group has available unutilised bank borrowing facilities of approximately HK$679,000,000 (2015: HK$679,000,000). The Group has sufficient working capital to fund its operations.

Liquidity and interest risk analysis

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 the 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 liability on the statement of financial position.

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2016					
Non-interest bearing instruments	**–**	**65,871**	**65,871**	**–**	**65,871**
2015					
Non-interest bearing instruments	–	46,078	46,078	–	46,078

Company

The non-derivative financial liability of the Company represents trade and other payables and amount due to a subsidiary which is non-interest bearing and repayable on demand for both years.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and net liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Non-derivative financial assets (continued)

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2016					
Variable-interest rate instruments	**0.25**	**1,558,416**	**1,558,416**	**(1,946)**	**1,556,470**
Non-interest bearing instruments	**–**	**110,079**	**110,079**	**–**	**110,079**
		1,668,495	**1,668,495**	**(1,946)**	**1,666,549**
2015					
Variable-interest rate instruments	0.25	1,447,831	1,447,831	(1,807)	1,446,024
Non-interest bearing instruments	–	113,168	113,168	–	113,168
		1,560,999	1,560,999	(1,807)	1,559,192

Company

The Company's financial assets are the amount due from a subsidiary which is non-interest bearing and repayable on demand for both years.

(v) Fair value of financial assets and financial liabilities

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

(vi) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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 equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The holding companies of the Company are as follows:

Relationship	Name of holding company	Country of incorporation
Immediate holding company	Excel First Investments Limited	British Virgin Islands
Intermediate holding company	Kingboard Laminates Holdings Limited	Cayman Islands
Intermediate holding company	Jamplan (BVI) Limited	British Virgin Islands
Ultimate holding company	Kingboard Chemical Holdings Limited	Cayman Islands

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year ended December 31, 2016 and 2015, no transaction between the Group and other related companies was entered.

6 CASH AND BANK BALANCES

	Group	
	2016	2015
	HK$'000	HK$'000
Cash at bank	**1,555,244**	1,444,132
Cash on hand	**1,226**	1,892
Total	**1,556,470**	1,446,024

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**82,453**	76,473	**–**	–
Prepayments	**318**	436	**176**	221
Deposits	**198**	198	**–**	–
Advance payments to suppliers	**603**	1,183	**–**	–
Other taxes recoverable	**393**	3,012	**–**	–
Other receivables	**488**	357	**–**	–
Total trade and other receivables and prepayments	**84,453**	81,659	**176**	221
Bills receivable	**27,138**	36,338	**–**	–

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE (continued)

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

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not past due and not impaired	**79,671**	73,092	**–**	–
Past due but not impaired	**2,782**	3,381	**–**	–
	82,453	76,473	**–**	–
Impaired receivables – individually assessed	**11,534**	11,232	**–**	–
Allowance for doubtful debts	**(11,534)**	(11,232)	**–**	–
	–	–	**–**	–
Trade receivables, net	**82,453**	76,473	**–**	–

The impaired receivables – individually assessed are stated before any deduction for impairment losses.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$2,782,000 (2015: HK$3,381,000) which are past due at the reporting date for which the Group has not made any allowance for doubtful debts 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. The average age of these receivables are 73 days (2015: 83 days).

The credit period on sale of goods ranges from 30 to 90 days (2015: 30 to 90 days).

At the end of the reporting period, the bills receivable are aged within 180 days (2015: 180 days).

The Group has provided fully for all receivables over 120 days (other than bills receivable) except for those receivables where the repayment terms are mutually agreed with certain customers with long business relationship because historical experience is such that these receivables are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there has been no significant change in credit quality and the amount are still considered recoverable.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE (continued)

Movement in allowance for doubtful debts – trade

	Group		Company	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Balance at beginning of year	**11,232**	10,366	**–**	–
Currency realignment	**(759)**	(668)	**–**	–
Increase in allowance recognised in profit or loss	**1,061**	1,534	**–**	–
Balance at end of year	**11,534**	11,232	**–**	–

8 PREPAID LAND USE RIGHTS

	Group HK$'000
Cost:	
At January 1, 2015	56,343
Currency realignment	(3,289)
At December 31, 2015	53,054
Currency realignment	(3,365)
At December 31, 2016	49,689
Accumulated amortisation:	
At January 1, 2015	13,574
Amortisation during the year	1,117
Currency realignment	(838)
At December 31, 2015	13,853
Amortisation during the year	1,049
Currency realignment	(925)
At December 31, 2016	13,977
Carrying amount:	
At December 31, 2016	35,712
At December 31, 2015	39,201

	Group	
	2016 HK$'000	2015 HK$'000
Current	**1,003**	1,070
Non-current	**34,709**	38,131
	35,712	39,201

8 PREPAID LAND USE RIGHTS (continued)

As at December 31, 2016, the carrying amount of prepaid land use right amounting to HK$32.7 million (2015: HK$35.9 million) is licenced to a third party under the licencing arrangement (Note 13).

This represents prepaid land use rights in the People's Republic of China ("PRC") for a period ranging from 50-70 years. The average remaining amortisation period for these prepaid land use right is 38 years (2015: 39 years).

9 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**10,457**	12,676
Work in progress	**305**	342
Finished goods	**18,539**	32,266
	29,301	45,284
Allowance for write-down to net realisable value	**(6,930)**	(7,400)
	22,371	37,884

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY

a. Subsidiaries

	Company	
	2016 HK$'000	2015 HK$'000
Unquoted equity shares, at cost	**393,775**	393,775

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

The details of the significant subsidiaries are as follows:

Name of subsidiary and country of incorporation/ registration and operations	Principal activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Blue Atlas Limited * (British Virgin Islands)	Investment holding	100	100
Hong Kong Copper Foil Limited * (British Virgin Islands)	Investment holding and licencing of its properties	100	100
Hong Kong Jamplan (China) Group Company Limited ** (Note i) (Hong Kong)	Inactive	100	100
Fogang Kingboard Industry Ltd* (Note i and iv) (PRC)	Licencing business	100	100
Kingboard Chemical Investment Limited * (Note i) (British Virgin Islands)	Investment holding	100	100
Kingboard Chemical Investment (Hong Kong) Limited ** (Note ii) (Hong Kong)	Investment holding	100	100
Chung Shun Copper Foil (MCO) Limited** (Note i) (Macau)	Trading of copper foil, PVB and related products	100	100
Kingboard (Fogang) Specialty Resins Limited * (Note iii) (PRC)	Manufacture of specialty resins and related products	100	100
Kingboard (Lianzhou) Copper Foil Ltd * (Note i and iv) (PRC)	Licencing business	100	100
Jiangxi Hong Feng Plastics Company Limited ("Jiangxi Hong Feng")* (Note i) (PRC)	Manufacture of specialty resins and related products	57	57

* Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.

** Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

Notes:

(i) Shares held by Hong Kong Copper Foil Limited.
(ii) Shares held by Kingboard Chemical Investment Limited.
(iii) Shares held by Kingboard Chemical Investment (Hong Kong) Limited.
(iv) The production facilities of these companies are licenced to a third party under the arrangement as set out in Note 13.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2016	2015
Manufacturing and trading of specialty resins and related products	PRC	**1**	1
Licencing business	PRC	**2**	2
Trading of copper foil, PVB and related products	Macau	**1**	1
Investment holding or inactive	British Virgin Islands	**3**	3
	Hong Kong	**2**	2
		9	9

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2016	2015
Manufacturing and trading of specialty resins and related products	PRC	**1**	1

b. Details of a non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2016	2015	Profit allocated to non-controlling interests 2016 HK$'000	2015 HK$'000	Accumulated non-controlling interests 2016 HK$'000	2015 HK$'000
Jiangxi Hong Feng	PRC	**43%**	43%	**3,872**	3,565	**25,436**	32,943

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

Summarised financial information in respect of Jiangxi Hong Feng that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 HK$'000	2015 HK$'000
Current assets	**47,164**	61,623
Non-current assets	**24,321**	30,724
Current liabilities	**12,331**	15,735
Equity attributable to owners of the Company	**33,718**	43,669
Non-controlling interests	**25,436**	32,943
Revenue	**89,155**	89,967
Expenses	**(80,150)**	(81,677)
Profit for the year	**9,005**	8,290
Profit attributable to owners of the Company	**5,133**	4,725
Profit attributable to the non-controlling interests	**3,872**	3,565
Profit for the year	**9,005**	8,290
Other comprehensive expense attributable to owners of the Company	**(2,676)**	(2,626)
Other comprehensive expense attributable to the non-controlling interests	**(2,019)**	(1,981)
Other comprehensive expense for the year	**(4,695)**	(4,607)
Total comprehensive income attributable to owners of the Company	**2,457**	2,099
Total comprehensive income attributable to the non-controlling interests	**1,853**	1,584
Total comprehensive income for the year	**4,310**	3,683

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

	December 31, 2016 HK$'000	December 31, 2015 HK$'000
Net cash inflow from operating activities	**25,926**	3,374
Net cash (outflow) inflow from investing activities	**(3,457)**	329
Net cash outflow from financing activities (including dividends paid to non-controlling interests of HK$9,360,000 (2015: HK$nil))	**(21,768)**	(6,408)
Net cash inflow (outflow)	**701**	(2,705)

c. Due from (to) a subsidiary

The amount due from a subsidiary is unsecured, non-interest bearing and is repayable at the sole discretion of the directors of the subsidiary, and are thus treated as deemed investment in the subsidiary and classified as non-current.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

11 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Cost of investment in an associate	**86,988**	86,988	**36,000**	36,000
Share of post-acquisition losses and other comprehensive income	**(46,472)**	(34,889)	**–**	–
Impairment losses recognised	**–**	–	**(22,344)**	(18,440)
	40,516	52,099	**13,656**	17,560

11 INVESTMENT IN AN ASSOCIATE (continued)

Details of the Group's associates at December 31, 2016 and 2015 is as follows:

Name of associate	Form of entity	Country of incorporation	Proportion of ownership interest and voting power held by the Group		Principal activities
			2016 %	2015 %	
Linkfit Investments Holdings Limited ("Linkfit") #	Unlisted private entity	Samoa	29.67	29.67	Investment holding
KB Hotel #*+^	Wholly foreign owned enterprise	PRC	29.67	29.67	Hotel operation
Linkfit (Qingyuan) Property Development Company Limited #*+	Wholly foreign owned enterprise	PRC	29.67	29.67	Property development

\# Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
* These companies are wholly owned subsidiaries of Linkfit.
\+ The Group has indirect interest in the wholly owned subsidiaries of Linkfit.
^ KB Hotel was previously known as Qingyuan Regents International Hotel.

At the Company level, an impairment loss of HK$3.1 million (2015: HK$3.3 million) has been provided in the profit or loss for the year ended December 31, 2016 as the estimated recoverable amount of its investment in associate is lower than the carrying amount. The recoverable amount is determined based on fair value less cost to sell, estimated by management to approximate the carrying amount of the net tangible assets, as at the end of the reporting period.

Summarised financial information in respect of Linkfit group is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs.

	2016 HK$'000	2015 HK$'000
Current assets	22,400	23,617
Non-current assets	532,869	591,933
Current liabilities	(364,456)	(379,238)
Non-current liabilities	(54,259)	(60,717)
Revenue	63,247	62,399
Loss for the year	(32,577)	(26,175)
Other comprehensive expense for the year	(6,462)	(6,969)
Total comprehensive expense for the year	(39,039)	(33,144)

11 INVESTMENT IN AN ASSOCIATE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Linkfit recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net asset of Linkfit group	**136,554**	175,595
Proportion of the Group's ownership interest in Linkfit group	**29.67%**	29.67%
Carrying amount of the Group's interest in Linkfit group	**40,516**	52,099

12 INVESTMENT PROPERTY

At fair value

	Group HK$'000
At January 1, 2015	6,444
Currency realignment	(377)
At December 31, 2015	6,067
Currency realignment	(384)
At December 31, 2016	5,683

The Group's property interest held under operating leases to earn rentals or for a capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

The property rental income from the Group's investment property of which is leased out under operating leases, amounted to HK$210,000 (2015: HK$224,000). There are no direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property for both financial years.

12 INVESTMENT PROPERTY (continued)

Fair value measurement of Group's investment property

The fair value of the Group's investment property at December 31, 2016 and 2015 was arrived at on the basis of a professional valuation carried out on that date by Messrs. Roma Appraisals Limited, independent qualified valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not connected with the Group. The fair value was determined based on the direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and location of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group investment property was categorised as level 3 under the fair value hierarchy as at December 31, 2016 and 2015. There were no transfers of fair value hierarchy during the year.

Details of investment property held by the Group as at December 31, 2016 and 2015 are set out below:

Description and location	Fair value as at		Valuation methodology	Significant unobservable inputs	Range of unobservable inputs as at	
	31 December 2016 HK$'000	31 December 2015 HK$'000			**31 December 2016**	31 December 2015
Factories at Cheng Bai Area, Lianzhou City, Guangdong, the PRC	**5,683**	6,067	Direct comparison	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property, layout and design.	**HK$1,543 – HK$1,589 per square metre**	HK$1,647 – HK$1,667 per square metre

The key input used in valuing the investment property was the price per square metre, which a significant increase in the price per square metre used would result in a significant increase in the fair value measurement of the investment property, and vice versa.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Licenced assets HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Group						
Cost:						
At January 1, 2015	22,271	237,619	2,509,840	17,781	1,182	2,788,693
Additions	–	31	15,072	–	2,970	18,073
Disposals	–	(269)	(39,249)	–	–	(39,518)
Written off	–	(66,815)	–	–	–	(66,815)
Reclassified from construction in progress	–	2,639	–	–	(2,639)	–
Currency realignment	(1,300)	(11,424)	(145,534)	(84)	(82)	(158,424)
At December 31, 2015	20,971	161,781	2,340,129	17,697	1,431	2,542,009
Additions	–	1,083	33,389	–	695	35,167
Disposals	–	(163)	(5,089)	–	–	(5,252)
Written off	–	–	(33,476)	–	–	(33,476)
Reclassified from construction in progress	–	1,236	–	–	(1,236)	–
Currency realignment	(1,330)	(10,579)	(148,184)	(86)	(67)	(160,246)
At December 31, 2016	19,641	153,358	2,186,769	17,611	823	2,378,202
Accumulated depreciation:						
At January 1, 2015	9,091	174,039	1,946,539	5,360	–	2,135,029
Depreciation during the year	1,187	19,767	109,865	2,018	–	132,837
Disposals	–	(102)	(19,651)	–	–	(19,753)
Written off	–	(63,080)	–	–	–	(63,080)
Currency realignment	(580)	(7,774)	(117,357)	(60)	–	(125,771)
At December 31, 2015	9,698	122,850	1,919,396	7,318	–	2,059,262
Depreciation during the year	1,114	12,351	92,084	1,951	–	107,500
Disposals	–	(44)	(255)	–	–	(299)
Written off	–	–	(15,227)	–	–	(15,227)
Currency realignment	(664)	(7,681)	(125,097)	(70)	–	(133,512)
At December 31, 2016	10,148	127,476	1,870,901	9,199	–	2,017,724
Carrying amount:						
At December 31, 2016	9,493	25,882	315,868	8,412	823	360,478
At December 31, 2015	11,273	38,931	420,733	10,379	1,431	482,747

During the year ended December 31, 2016, the management determined to write off property, plant and equipment with a carrying amount of HK$18,249,000 (2015: HK$3,735,000) as the related production line is expected to be closed down.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Licenced assets comprised of the following:

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At January 1, 2015	370,407	2,129,590	9,843	2,509,840
Additions	–	15,072	–	15,072
Disposals	–	(39,249)	–	(39,249)
Currency realignment	(21,625)	(123,343)	(566)	(145,534)
At December 31, 2015	348,782	1,982,070	9,277	2,340,129
Additions	890	32,499	–	33,389
Disposals	–	(5,089)	–	(5,089)
Written off	–	(33,476)	–	(33,476)
Currency realignment	(22,160)	(125,436)	(588)	(148,184)
At December 31, 2016	327,512	1,850,568	8,689	2,186,769
Accumulated depreciation:				
At January 1, 2015	151,264	1,785,432	9,843	1,946,539
Depreciation during the year	6,647	103,218	–	109,865
Disposals	–	(19,651)	–	(19,651)
Currency realignment	(9,105)	(107,686)	(566)	(117,357)
At December 31, 2015	148,806	1,761,313	9,277	1,919,396
Depreciation during the year	5,929	86,155	–	92,084
Disposals	–	(255)	–	(255)
Written off	–	(15,227)	–	(15,227)
Currency realignment	(9,699)	(114,810)	(588)	(125,097)
At December 31, 2016	145,036	1,717,176	8,689	1,870,901
Carrying amount:				
At December 31, 2016	182,476	133,392	–	315,868
At December 31, 2015	199,976	220,757	–	420,733

The Group, through its wholly-owned subsidiary, Hong Kong Copper Foil Limited ("licencor"), entered into a licence agreement dated August 30, 2011 with Harvest Resource Management Limited ("licencee"), a third party, as amended by the letter of extension and amendments dated August 30, 2013, to licence its manufacturing facilities located at Fogang and Lianzhou to licencee for the period from September 1, 2011 to August 31, 2015. On August 30, 2015, the Group entered into a letter of extension and amendments with the licensee an extended the licence period for a further 2 years to August 31, 2017. The details of the licence arrangement, which remained unchanged, are as follows:

(i) to use the leasehold properties, comprising factory buildings in Fogang and Lianzhou;

(ii) to use, consume and dispose of the inventory which shall include consumables and stocks in trade; and

(iii) to use the machinery, together with all other equipment and facilities as from time to time located at the properties in Fogang and Lianzhou.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The licenced property, plant and equipment tabulated above and the licenced inventories classified as "other current assets" in Note 14 were licenced for licence fee income of HK$10 million per month payable in advance on the first day of each and every calendar month, as a short-term measure by the Group to generate income from the manufacturing facilities, pending the resolution of the interested party transactions issue, relating to the manufacturing and trading of copper foil, with the non-controlling shareholder (Note 28) and the approval of the interested party transactions mandate by the shareholders and/or when the Group clinched new third parties customers for the sales of copper foil. Accordingly, the licenced property, plant and equipment have been classified as licenced assets under property, plant and equipment.

No impairment assessment was performed in 2015 and 2016 as there was no indication of impairment.

Details of the leasehold properties held by the Group as at December 31, 2016 and 2015 are set out below:

Location	Description	Tenure of land use rights
Shijiao Town, Fogang, PRC *	Staff quarters (Area: 8,981 sq m)	70 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 18,413 sq m)	50 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 27,332 sq m)	50 years from 1993
Shijiao Town, Fogang, PRC *	Factory building (Area: 71,846 sq m)	50 years from 2001
Shijiao Town, Fogang, PRC *	Factory building (Area: 168,033 sq m)	50 years from 2004
Tangtang Town, Huanghuahu Development Area, Fogang, PRC *	Staff quarters (Area: 666 sq m)	70 years from 1997
Lianzhou Town, Lianzhou, PRC *	Factory building (Area: 563,843 sq m)	50 years from 2005
Wuning Town, Jiangxi, PRC	Factory building (Area: 18,896 sq m)	50 years from 2005

* The above leasehold properties are licenced to a third party under the licence agreement.

14 OTHER NON-CURRENT ASSETS/OTHER CURRENT ASSETS

Group

	Cost HK$'000	Allowance for slow moving HK$'000	Allowance for write-down to net realisable value HK$'000	Total HK$'000
Other non-current assets				
Total other non-current assets at January 1, 2015	798,058	(48,230)	(17,398)	732,430
Currency realignment	(46,591)	2,815	1,016	(42,760)
Total other non-current assets at December 31, 2015	751,467	(45,415)	(16,382)	689,670
Currency realignment	(47,657)	2,879	1,039	(43,739)
Reclassified to other current assets	(703,810)	42,536	15,343	(645,931)
Total other non-current assets at December 31, 2016	–	–	–	–
Other current assets				
Reclassified from other non-current assets in 2016 and balance at December 31, 2016	703,810	(42,536)	(15,343)	645,931

This represented inventories licenced to a third party for the period from September 1, 2015 to August 31, 2017. Under the licencing agreement, the licencee may use, consume and dispose of the licenced inventories which include consumables and stocks in trade. However, the licencee is required to replace and return the quantities of licenced inventories used, consumed or disposed during the licenced period to the Group at the end of the licence period.

The licenced inventory has been reclassified from other non-current assets to other current assets as the licence period will expire on August 31, 2017.

The licensed inventory used, consumed or disposed during the licence period is secured by cash and bills receivable of a related party of the licensee, with a total receivable value of not less than the value of the licenced inventory used, consumed or disposed as at the end of the reporting period.

15 GOODWILL

	Group	
	2016	2015
	HK$'000	HK$'000
At beginning and at end of year	**238**	238

The goodwill of HK$238,000 was derived from the acquisition of a subsidiary during the year ended December 31, 2007. As at the end of the reporting period, management has reviewed and found no impairment on this goodwill. The subsidiary continues to be profitable and has a positive net worth.

16 BILLS PAYABLE

At the end of the reporting period, the bills payable are aged within 90 days (2015: 90 days).

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**54,390**	43,813	**–**	–
Deposit for licenced assets	**20,000**	20,000	**–**	–
Advance from customers	**2,258**	1,749	**–**	–
Accrued operating expenses	**27,879**	25,744	**2,423**	3,431
	104,527	91,306	**2,423**	3,431

Trade payables principally comprise trade creditors arising from purchases of raw materials. The average credit period on purchases of goods is approximately 30 days (2015: 30 days).

18 RETIREMENT BENEFIT OBLIGATIONS

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

19 SHARE CAPITAL

Group and Company

	2016 '000	2015 '000	**2016 HK$'000**	2015 HK$'000
	Number of ordinary shares of US$0.10 each			
Authorised	**2,000,000**	2,000,000	**1,550,000**	1,550,000
Issued and fully paid:				
At beginning and end of year	**722,500**	722,500	**560,200**	560,200

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

20 REVENUE

	Group	
	2016 HK$'000	2015 HK$'000
Sales of PVB and related products	**515,296**	504,344
Licence fee income	**120,000**	120,000
	635,296	624,344

21 OTHER OPERATING INCOME

	Group	
	2016	2015
	HK$'000	HK$'000
Interest income from non-related companies	**1,618**	2,425
Rental income from a non-related company	**210**	224
Net foreign exchange gains	**113**	–
Miscellaneous	**116**	415
	2,057	3,064

22 INCOME TAX EXPENSE

The Company does not have a place of business in Singapore and is not a tax resident for Singapore tax purpose. Accordingly, there is no income tax payable in Singapore. The Group's tax expenses is derived as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current tax	**9,614**	11,260
Withholding tax on distributed profit of a subsidiary	**1,241**	–
Income tax expense	**10,855**	11,260

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in these financial statements as the Group has no assessable profits arising from Hong Kong for the both years.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law') and Implementation Regulation of the EIT Law, the tax rate of subsidiaries in PRC is 25% with effect from January 1, 2008 onwards.

22 INCOME TAX EXPENSE (continued)

Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$374,533,000 (2015: HK$387,512,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense varied from the amount of income tax expense determined by applying the PRC enterprise income tax rate of 25% (2015: 25%) to profit before tax as a result of the following differences:

	Group	
	2016	2015
	HK$'000	HK$'000
Profit before tax	**15,788**	17,666
Income tax expense at statutory rate (Note a)	**3,947**	4,417
Effect of expenses that are not deductible in determining taxable profit	**5,767**	3,699
Tax effect of share of result of associate	**2,416**	1,942
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,248**	1,279
Effect of tax exempted profit (Note b)	**(32)**	(77)
Tax effect of tax holiday (Note c)	**(3,732)**	–
Withholding tax on distributed profit of a PRC subsidiary	**1,241**	–
Income tax expense	**10,855**	11,260

Notes:

a) The domestic income tax rate of 25% (2015: 25%) represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

b) Profit arising from a subsidiary in Macau is exempted from tax.

c) A subsidiary of the Company in the PRC was endorsed in 2016 as a High and New Technology Enterprise and was entitled to a reduced PRC income tax rate of 15%.

23 PROFIT FOR THE YEAR

	Group	
	2016	2015
	HK$'000	HK$'000
Audit fee:		
Auditors of the Company	**324**	312
Auditors of subsidiaries	**300**	300
Total audit fees	**624**	612
Non-audit fees paid to auditors:		
Auditors of the Company	**–**	–
Auditors of subsidiaries	**96**	64
Total non-audit fees	**96**	64
Directors' remuneration:		
Directors of the Company		
– Fees	**542**	542
Depreciation of property, plant and equipment	**107,500**	132,837
Amortisation of prepaid land use rights (included in administrative expenses)	**1,049**	1,117
Cost of inventories recognised as expenses	**404,910**	430,755
Impairment loss recognised in respect of non-current deposit	**–**	5,293
Property, plant and equipment written-off	**18,249**	3,735
Staff costs	**23,299**	22,629
Costs of defined contribution plans included in staff costs	**311**	263
Allowance for doubtful debts	**1,061**	1,534
Allowance for inventories	**–**	2,092
Loss on disposal of property, plant and equipment	**2,672**	2,036
Net foreign exchange (gain) loss	**(524)**	1,982

23 PROFIT FOR THE YEAR (continued)

Compensation of directors and key management personnel

The remuneration of directors who are the only members of key management during the year was as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
Short-term employee benefits	**542**	542

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

24 EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the Group's profit attributable to owners of the Company of HK$1,061,000 (2015: HK$2,841,000) by 722,500,000 (2015: 722,500,000) being the number of shares in issue during the financial year.

25 DIVIDENDS

No dividend was declared or proposed by the Company for the year ended December 31, 2016 and 2015.

26 CAPITAL RESERVES

	Group	
	2016	2015
	HK$'000	HK$'000
The capital reserves comprise the following:		
Surplus on acquisition of subsidiaries pursuant to group restructuring exercise	**6,275**	6,275
Gain on acquisition of non-controlling interest in a subsidiary	**1,012**	1,012
	7,287	7,287

27 SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance is specifically focused on the Group's operating division. The Group is currently organised into two operating divisions – Polyvinyl butyral ("PVB") business and licence business.

PVB business – manufacturing and trading of PVB and related products; and

Licence business – earning licence fee income from its licenced assets.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of share of loss of an associate, finance costs and rental income from a fellow subsidiary and non-related company. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

27 SEGMENT INFORMATION (continued)

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of trade and other receivables and prepayments, other non-current assets, bills receivable, cash and bank balances, inventories, prepaid land use rights, property, plant and equipment and non-current deposits, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, bills payable and income tax payable. Capital additions include the total cost incurred to acquire property, plant and equipment and prepaid land use rights directly attributable to the segment.

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended December 31, 2016

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	515,296	120,000	635,296
Segment result	22,673	2,571	25,244
Unallocated income			210
Share of losses of an associate			(9,666)
Profit before tax			15,788
Income tax expense			(10,855)
Profit for the year			4,933

27 SEGMENT INFORMATION (continued)

For the year ended December 31, 2015

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	504,344	120,000	624,344
Segment result	27,513	2,988	30,501
Unallocated income			224
Unallocated expenses			(5,293)
Share of losses of an associate			(7,766)
Profit before tax			17,666
Income tax expense			(11,260)
Profit for the year			6,406

The following is an analysis of the Group's assets, liabilities and other segment information by reportable segments:

	PVB business HK$'000	**Licence business HK$'000**	**Total HK$'000**
At December 31, 2016			
Assets			
Segments assets	**1,738,330**	**994,461**	**2,732,791**
Investment in an associate			**40,516**
Unallocated corporated assets			**5,683**
			2,778,990
Liabilities			
Segment liabilities	**76,853**	**47,521**	**124,374**

27 SEGMENT INFORMATION (continued)

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
At December 31, 2015			
Assets			
Segments assets	1,667,502	1,146,259	2,813,761
Investment in an associate			52,099
Unallocated corporated assets			6,067
			2,871,927
Liabilities			
Segment liabilities	57,861	43,127	100,988

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in an associate and investment property. Goodwill has been allocated to reportable segment based on the subsidiary operating activity which is the PVB business.

Other information

For the year ended December 31, 2016

	PVB business HK$'000	**Licence business HK$'000**	**Total HK$'000**
Capital additions	**1,778**	**33,389**	**35,167**
Depreciation expenses	**15,416**	**92,084**	**107,500**
Amortisation of prepaid land use rights	**84**	**965**	**1,049**
Property, plant and equipment written-off	**–**	**18,249**	**18,249**

27 SEGMENT INFORMATION (continued)

Other information (continued)

For the year ended December 31, 2015

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
Capital additions	3,001	15,072	18,073
Depreciation expenses	22,972	109,865	132,837
Amortisation of prepaid land use rights	90	1,027	1,117
Property, plant and equipment written-off	3,735	–	3,735

All revenues of the PVB business from external customers during both years are derived from customers in Macau/the PRC and all non-current assets of the Group are located in Macau/the PRC. During the year ended December 31, 2016, there is a customer contributing over 10% of the total Group's sales while none of the customer contribute over 10% of the total Group's sales during the year ended December 31, 2015. The sale from this customer is amounted to HK$77.9 million.

28 CONTINGENT LIABILITIES

During the year ended December 31, 2011, the Company was named as a respondent in the Supreme Court of Bermuda in a petition based on an allegation that the affairs of the Group had been and/or were being conducted in a manner which was oppressive or unfairly prejudicial to the non-controlling shareholders. The petitioner was seeking an order to the shareholder of the Company to re-purchase all of the shares held by petitioner at a price to be fixed by a valuer or Supreme Court of Bermuda. The trial of the petition took place and the Supreme Court of Bermuda handed down its judgement in 2016. The Supreme Court of Bermuda found that the allegation, that the terms of the previous interested person transactions sales constituted preferential transfer pricing which was prejudicial to minority shareholders, were not proved and the allegation, that the terms of the license agreement were wholly uncommercial and the licencee was a sham, were also not proved. However, the Supreme Court of Bermuda also ruled that the Company's management should promptly initiate bona fide open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the non-controlling shareholders to approve the interested person transactions mandate on even marginally more favourable terms. Subsequently, the majority shareholders of the Company filed a notice of appeal relating to the unfavourable ruling of the judgement. The appeal hearing took place on 6 to 7 March 2017 with judgement reserved. The Company is only the subject matter of the petition and is taking a neutral stance. Accordingly, no provision for liability has been made in connection with this claim.

29 COMMITMENTS

	Group	
	2016	2015
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**1,433**	538

30 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2016	2015
	HK$'000	HK$'000
Minimum lease payments under operating leases recognised as an expense in the year	**616**	429

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

	2016	2015
	HK$'000	HK$'000
Within one year	**85**	339
In the second to fifth years inclusive	**–**	85
	85	424

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for two year (2015: two year) and rentals are fixed for two year (2015: two year).

30 OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

At end of the reporting period, the Group has contracted with licencee for the following future minimum licence fee payments:

	2016 HK$'000	2015 HK$'000
In one year	**10,000**	10,000

The Group licences its Licenced Assets to a committed licencee under the licence agreement as follows:

- within the first twelve months of the licence, either the Group or licencee may terminate the licence agreement at its sole discretion, by serving on the other party not less than one month prior notice in writing and paying the other party HK$1 million or such other amount as may be mutually agreed in writing between both parties.

- after the first twelve months of the licence, the Group may terminate the licence agreement at its sole discretion, by serving on licencee not less than one month prior notice in writing.

31 EVENTS AFTER THE REPORTING PERIOD

On March 3, 2017, the Company announced that the immediate holding company, Excel First Investments Limited (the "Offeror"), intends to make a voluntary unconditional cash offer (the "Offer") for all the issued and paid-up ordinary shares in the capital of the Company, other than those which were owned by the Offerer or by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer, with a view to delist the Company from the Main Board of Singapore Exchange Securities Trading Limited. The Offer was made at S$0.40 in cash for each Offer Share.

SHAREHOLDINGS

SHAREHOLDINGS AS AT MARCH 20, 2017

Size of Shareholdings

Size of shareholdings	No. of shareholders	Percentage	Number of shares held	Percentage
1 – 1,000	1,160	18.84%	1,153,952	0.16%
1,001 – 10,000	4,102	66.61%	17,112,475	2.37%
10,001 – 1,000,000	875	14.21%	47,094,353	6.52%
1,000,001 and above	21	0.34%	657,139,220	90.95%
	6,158	100%	722,500,000	100%

Authorised share capital	:	US$200,000,000
Issued share capital	:	US$72,250,000
Number of shares	:	722,500,000
Class of shares	:	ordinary shares of US$0.10
Voting rights	:	one vote per share

Based on information available to the Company as at 20 March 2017, approximately 24.01% 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.

The Company does not have any treasury shares.

Top Twenty Shareholders As At 20 March 2017

	Name	Number of shares	Percentage
1	EXCEL FIRST INVESTMENTS LIMITED	449,002,000	62.15%
2	DBS NOMINEES PTE LTD	71,510,218	9.90%
3	RAFFLES NOMINEES (PTE) LTD	34,238,300	4.74%
4	KINGBOARD LAMINATES LTD	17,516,000	2.42%
5	ANNUITY & LIFE ASSURANCE LTD	17,361,000	2.40%
6	PHILLIP SECURITIES PTE LTD	17,072,200	2.36%
7	HSBC (SINGAPORE) NOMINEES PTE LTD	12,900,654	1.79%
8	UOB KAY HIAN PTE LTD	8,706,000	1.21%
9	CITIBANK NOMINEES SINGAPORE PTE LTD	6,617,743	0.92%
10	DBSN SERVICES PTE LTD	3,169,400	0.44%
11	PEH KOK WAH @ PEH WAH CHYE	2,345,400	0.32%
12	OCBC SECURITIES PRIVATE LTD	2,118,350	0.29%
13	YIP WAI MUN	2,000,000	0.28%
14	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,983,800	0.27%
15	MERRILL LYNCH (SINGAPORE) PTE LTD	1,791,046	0.25%
16	MAYBANK KIM ENG SECURITIES PTE LTD	1,615,509	0.22%
17	HUANG BAOJIA	1,500,000	0.21%
18	SEAH SEOW CHER	1,500,000	0.21%
19	MCCALLUM JOHN CHARLES	1,477,000	0.20%
20	LEE MING SAN	1,400,000	0.19%
		655,824,620	90.77%

SHAREHOLDINGS

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	Name of shareholders	No. of shares Direct interest	Deemed interest	Percentage
1	Excel First Investments Limited	449,002,000	27,476,900	65.95%
2	Kingboard Laminates Holdings Limited	–	476,478,900	65.95%
3	Jamplan (BVI) Limited	–	476,898,900	66.01%
4	Kingboard Chemical Holdings Limited	–	476,898,900	66.01%
5	Hallgain Management Limited	–	476,898,900	66.01%
6	Pope Asset Management, LLC	–	72,133,573	9.98%

Hallgain Management Limited ("HML") has approximately 37.00% shareholding interest in Kingboard Chemical Holdings Limited ("KCHL").

Jamplan (BVI) Limited ("Jamplan") is a wholly-owned subsidiary of KCHL.

Kingboard Laminates Holdings Limited ("KLHL") is a 72.59% owned subsidiary of KCHL of which 2.98% is held by KCHL directly and 69.61% is held by Jamplan.

Excel First Investments Limited ("EFIL") is a wholly-owned subsidiary of KLHL.

Pursuant to Section 4 of the Securities and Futures Act,

i) EFIL is deemed to have an interest in the 27,476,900 shares held by its subsidiary through the nominees;

ii) KLHL is deemed to have an interest in the 449,002,000 shares held by EFIL dierctly and the 27,476,900 shares held by the subsidiary of EFIL through nominees;

iii) Jamplan, KCHL and HML are deemed to have an interest in the 449,002,000 shares held by EFIL directly, the 27,476,900 shares held by the subsidiary of EFIL through the nominees, and an additional of 420,000 shares held by another immediate subsidiary of Jamplan which is not subsidiary of EFIL and KLHL;

iv) Pope Asset Management, LLC is deemed to have an interest in the 72,133,573 shares held through the nominees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **KINGBOARD COPPER FOIL HOLDINGS LIMITED** will be held at The Pinnacle Suite, Wangz Business Centre, 7 Temasek Boulevard, The Penthouse, #44-01 Suntec Tower One, Singapore 038987, on Friday, April 28, 2017 at 2:30 p.m. to transact the following business:

As Ordinary Business

1. To consider and adopt the Directors' Statements and Financial Statements for the year ended December 31, 2016 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of HK$542,000/– for the year ended December 31, 2016. (2015: HK$542,000/–) **Resolution 2**

3. To re-elect Mr. Cheung Kwok Ping, the Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. **Resolution 3**

4. To re-elect Mr. Chim Hou Yan, the Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. *[see note 4]* **Resolution 4**

5. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following Resolutions No. 6 as Ordinary Resolution with or without modifications:

6. THAT authority be and is hereby given to the Directors to allot and issue shares in the capital of 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 of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares at the time of passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares; and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is earlier.
   [see statement under the heading Resolution 6] **Resolution 6**

7. To transact any other business.

BY ORDER OF THE BOARD

JULIANA LOH JOO HUI
Company Secretary

Singapore, April 11, 2017

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

1. With the exception of The Central Depository (Pte) Ltd. (the "Depository") which may appoint more than two (2) proxies,a member of the Company entitled to attend and vote at the above annual general meeting of the Company (the "AGM") is entitled to appoint no more than two (2) proxies to attend and vote on his/her/its behalf. A proxy need not be a member of the Company.

2. Where a form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Such form of proxy must be deposited at the office of the Share Transfer Agent of the Company in Singapore, Intertrust Singapore Corporate Services Pte. Ltd., at 77 Robinson Road, #13-00 Robinson 77, Singapore, 068896, not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned meeting.

3. **Persons holding shares in the capital of the Company through the Depository need not submit the form of proxy if he/she is attending the AGM in person.**

4. Mr. Chim Hou Yan will, upon re-election, continue to serve as Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee of the Company. Mr. Chim is a Non-Executive Director of the Company and is considered independent by the Board of Directors of the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENTS PURSUANT TO BYE-LAW 58(2) OF THE COMPANY'S BYE-LAWS

Resolution 6

The proposed ordinary Resolution 6, if passed, will empower the Directors of the Company to allot and issue new shares in the capital of the Company, subject to the limits and in the manner as described therein. This authority shall, unless revoked or varied at a general meeting, expire at the conclusion of the next general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is earlier.

The percentage of issued share capital of the Company is based on the number of issued shares excluding treasury shares at the time of passing of the Resolution approving the mandate 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 outstanding or subsisting at the time of the passing of the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

Unless prior shareholders' approval is required under the Listing Rules, an issue of treasury shares will not require further shareholders' approval, and will not be included in the aforementioned limitation.

The Company does not hold any treasury shares.

KB KINGBOARD COPPER FOIL HOLDINGS LIMITED

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