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Listed on the Singapore Exchange since 2002, Europtronic Group has a strategic focus on the two core businesses of electronic components manufacturing and distribution.

With beginnings dating back to 1977, Europtronic Group has evolved from a trading company into one of Asia's premier manufacturers and distributors of electronic components. With factories in Shenzhen and Suzhou, China, the Group manufactures its own brand of film capacitors including general purpose film capacitors, interference suppression capacitors (X2), snubber capacitors, DC Link capacitors and AC capacitors. Europtronic Group also sells chip inductors and chip beads via its subsidiary, Housing Technology Corp., in Hsinchu, Taiwan. In recognition of its quality products, Europtronic has built up a strong portfolio of key customers, including Schneider Electric, Emerson, GE, Eaton, Delta, TPV, Chicony, LG, TCL, Sharp, and Panasonic.

As an established distributor of electronic components, Europtronic Group represents renowned international brands, including, Sharp, Micro Crystal, Semikron, AEM, River and Suzuki. In addition to its in-house brand of film capacitors, the Group also distributes other active and passive components such as fuses, resistors, capacitors, inductors, crystals, opto-devices, LCD panels, EEPROMs and power modules.

Europtronic Group is geographically diversified in Asia, with offices in Singapore, Hong Kong, Shanghai, Beijing, Suzhou, Shenzhen, Taipei, Hsinchu and London.





Dear Shareholders,

On behalf of the Board of Directors (the “Board”) of Europtronic Group Ltd (the “Company” or together with its subsidiaries, the “Group”), I am pleased to present the results of the Company and the Group for the year ended 31 December 2014 (“FY2014”).

Huang Shih-An
Chairman

 Year in Review

FY2014 was another challenging year for the Group brought about by the weak market sentiment resulting from the global economic crisis. In addition, the slower growth of manufacturing activities in China, coupled with rising minimum wages and the strengthening of China Yuan (RMB), have continued to put pressure on the Group's margins and impacted the Group's performance during FY2014.

The Group was placed on the watch-list (the "watch-list") pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") with effect from 5 March 2014.

The Group managed to reduce its net loss after tax by 27.1% from US\$11.5 million in FY2013 to US\$8.4 million in FY2014.

The current year loss was mainly due to the scaling down of the Group's distribution business and the disposal of the excess and slow moving inventories below cost under the Group's manufacturing business.

As part of its plan to exit the watch-list, the Group has been actively looking for potential opportunities and assessing new businesses to improve its financial position. The Group had divested its investment in Tecstar Technology Co., Ltd in Taiwan and disposed one of its non-profitable Singapore incorporated subsidiary in FY2014.

By strengthening the Group's financial position, the Group aims to meet the requirements of Rule 1314 of the SGX-ST Listing Manual and exit the watch-list.

 Business Conditions and Outlook

In FY2014, the Group's customers remained cautious about placing long-term orders with us, thus leading us to deal with short-term orders resulting into maintenance of a relatively low inventory level within the supply chain. Under such business condition, the Group adopted a prudent approach in monitoring the market's demand and adjusted its production plan and inventory levels accordingly.

In the year ahead, the Group is mindful of the factors that may affect its operating environment and performance. The Group is positive that with its vigilant approach in adjusting its business structure, as well as cost-saving measures through manpower planning, procurement of materials and manufacturing processes will put the Group in good stead to embrace the challenges ahead.

The Group will also continue its efforts to dispose its non-core assets and loss making subsidiaries. At the same time, the Group will explore any fund raising opportunity to improve its balance sheet position.

 Corporate Developments

During the year, I was re-designated from Executive Chairman to Non-Executive Chairman. This re-designation was part of succession planning, where my executive responsibilities are taken over by both the Vice- Chairman and CEO of the Group.

 Acknowledgements and Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all our shareholders, customers, suppliers and business partners for their continuous trust and support during the difficult period.

I would also like to express my gratitude to our fellow Directors for their invaluable guidance throughout the year, and extend my appreciation to Mr. Aric Loh, for his contribution during his tenure as Independent Director of the Company.

Yours Sincerely,

Huang Shih-An

Non-Executive Chairman

The Group foresees challenges ahead in terms of cost control and generating new businesses due to slower growth in major economies. With this in view, the Group remains cautiously optimistic about its performance in FY2015.

In order to stay competitive in the market, the Group will continue its consolidation and restructuring initiatives to achieve even lower cost structures in the long run. This will allow us to focus on core businesses, which generate revenue streams with healthy margins. The Group will maintain a strategic focus on the Greater China Region as we have established a significant sales network and gathered deep experience in this region, enabling us to read and adapt quickly to change trends.

To meet the demand from our power industrial segment, we will continue to intensify our engineering and R&D efforts to develop energy-saving application products, which include high voltage power inverters for industrial applications.

Components Manufacturing Business Unit (CMBU)

In FY2014, while there were several actions taken to reduce the inventory and operation costs, CMBU managed to secure new orders by acquiring new customers, such as Chint Group, Schneider New Energy, Delta New Energy, Suzlon Energy, and Richardson RFPD (An Arrow Electronics company). In addition, we started new design-in projects with two new OEM customers based in the US.

CMBU has also expanded new sales channels in the US and Europe regions by teaming up with local distributors.

In FY2014, CMBU has successfully developed new products after years of investment in R&D. We qualified and obtained a new UL Certification for AC Capacitor (for both Single and Three Phase types). Some of our new products are:

1. DC Link Capacitor for Electric Vehicle
2. High Capacitance and Custom make DC Link Capacitor for New Energy.
3. High Energy Density Capacitor for Energy Storage and Impulse Voltage Generator.
4. High Temperature / High Humidity Capacitor for DC Link and Safety Capacitor.



Other than our R&D efforts, CMBU has implemented an upgrade in our ERP system in the 4th quarter of FY2014. The new system upgrade aims to minimize workflows and be resourceful in our production planning. This system upgrade will enhance quality, effectiveness, traceability and manageability, as well as control and provide data analysis for further operational improvements. We expect to complete the ERP system upgrade by 2nd quarter of 2015.

Going forward, CMBU will continue to expand and develop high-end products for industrial applications; and seek partnerships with global distributors to promote Europtronic brand film capacitors. In addition, we will remain cost conscious and ensure ourselves to be cost effective in our production without compromising to our quality and service. Our goal is to stay competitive in the market and be profitable.

Components Distribution Business Unit (CDBU)

FY2014 was yet another challenging year for our distribution business, as we adjusted our strategy and resources after the Group had offloaded some of our non-profitable businesses in CDBU.

In the year ahead, CDBU will align manpower and resources in fine-tuning our sales channels in China and South East Asia, where we had accumulated years of experience and knowledge. CDBU will work closely with our principal suppliers to source new projects from new/existing customers.



Statement of Comprehensive Income (FY2014 vs FY2013)

Group revenue decreased by 33.9% or US\$12.9 million from US\$38.0 million to US\$25.1 million mainly due to the scaling down of the Group's distribution business.

Gross loss increased by US\$1.7 million to US\$1.7 million due mainly to the disposal of excess and slow moving inventories below cost under the Group's manufacturing business.

Other income decreased by 40.7% from US\$0.3 million to US\$0.2 million due mainly to lower interest income from the fixed deposits as most of the fixed deposits were used to repay part of the bank loans.

Other gain amounted to US\$0.4 million as compared to the other loss of US\$2.4 million in FY2013 due mainly to (i) US\$1 million gain on the disposal of the Group's subsidiary namely Europtronic (Singapore) Pte Ltd ("ESPL"), as announced on 26 September 2014. (ii) US\$0.9 million gain on the disposal of the Group's interest held in Tecstar Technology Co. Ltd ("Tecstar") in Taiwan as compared to US\$1 million impairment loss on Tecstar in FY2013. (iii) US\$1.7 million impairment loss on non trade receivable as compared to US\$1.5 million in FY2013.

Distribution and marketing expenses decreased by 44.1% or US\$0.8 million to US\$1.0 million due mainly to a reduction in staff headcounts resulting from a cost cutting exercise undertaken by the Group.

Finance expenses decreased by 45.5% or US\$1.1 million to US\$1.3 million due mainly to a reduction in bank interest arising from the foreign currency borrowing and saving in finance cost following repayment of bank loans.

Overall, the Group reported a reduced loss after tax and before minority interests of US\$8.4 million in FY2014 compared to a loss after tax and before minority interests of US\$11.5 million in FY2013.

Balance Sheet

Cash and cash equivalents decreased by US\$3.0 million to US\$3.2 million in FY2014 as most of the fixed deposits were used to repay part of the bank loans.

Trade and other receivables decreased by US\$6.3 million to US\$10.9 million in FY2014, which were in line with lower sales generated in FY2014.

Inventories decreased by US\$1.8 million to US\$4.3 million in FY2014 due to the disposal of excess and slow moving inventories under the Group's manufacturing business.

Available-for-sale financial assets decreased by US\$2.2 million to nil in FY2014 due to the disposal of interest in Tecstar.

Property, plant and equipment decreased by US\$12.0 million to US\$42.5 million in FY2014 mainly due to downward revaluation of the Group's properties held in Suzhou.

Trade and other payables decreased by US\$0.9 million to US\$21.1 million in FY2014 due to reduced purchases, which were in line with lower sales.

Current income tax liabilities decreased by US\$0.1 million to US\$0.1 million in FY2014 due to reduced in profit.

Current borrowings decreased by US\$11.6 million to US\$22.2 million in FY2014 due to repayment of bank loans and disposal of ESPL on 26 September 2014. Whilst the Company has agreed to act as the corporate guarantor for the outstanding bank loans and its related interest cost in ESPL, the Company has made a provision of US\$7.1 million as at 31 December 2014.

Deferred income tax liabilities increased by US\$6.3 million to US\$7.3 million in FY2014 due to the deferred income tax taken in as a result of the revaluation on the Group's properties.

Cash Flow Statement

Cash flow provided from operations decreased from US\$2.1 million in FY2013 to US\$0.7 million in FY2014 due mainly to lower sales.

Cash flow provided in investing increased from a deficit of US\$1.3 million in FY2013 to a surplus of US\$0.9 million in FY2014 due mainly to the disposal of interest in Tecstar.

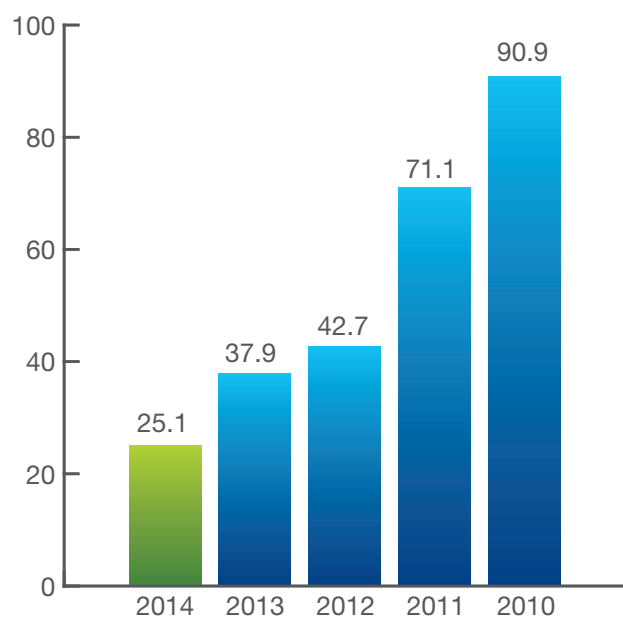
Cash flow used in financing increased from a deficit US\$0.1 million in FY2013 to a surplus US\$1.8 million for FY2014 due to repayment of part of the bank loans.

Overall, the Group recorded a net decrease in cash and cash equivalent of US\$0.2 million in FY2014 compared to FY2013.

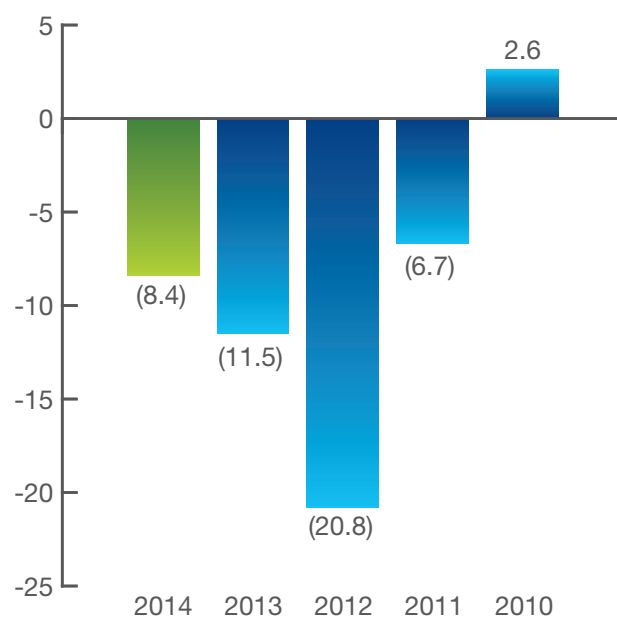


FINANCIAL HIGHLIGHTS

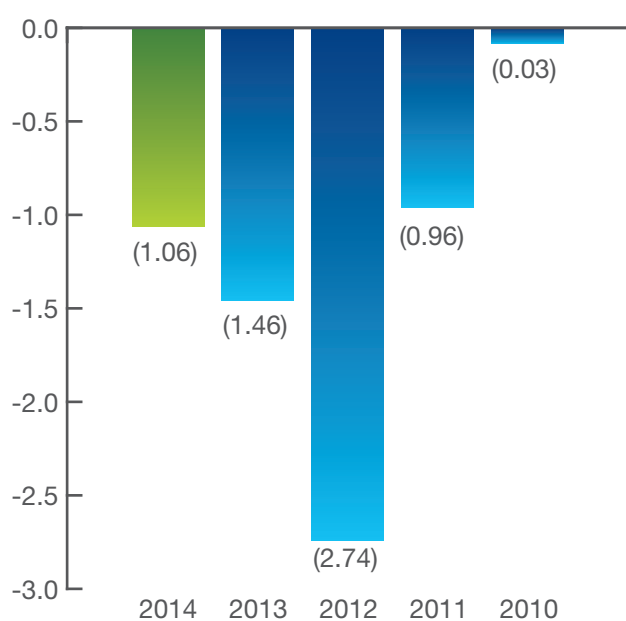
Turn over (US\$m)



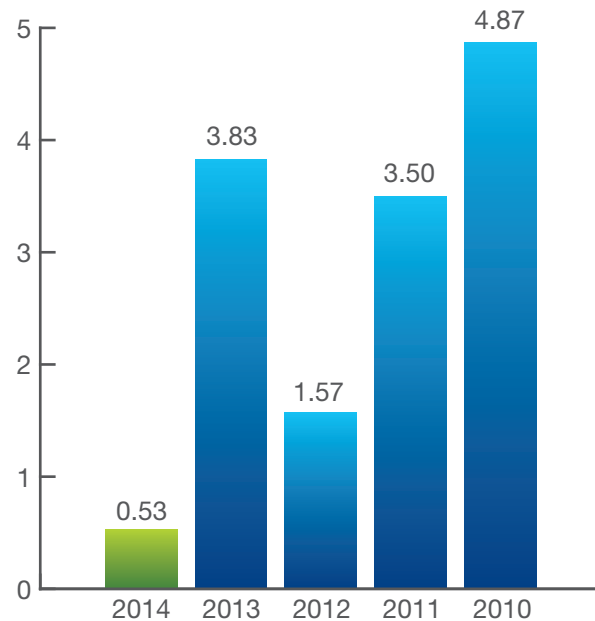
Profit After Tax (US\$m)



Earnings Per Share (Cents)



Net Tangible Assets Per Share (Cents)

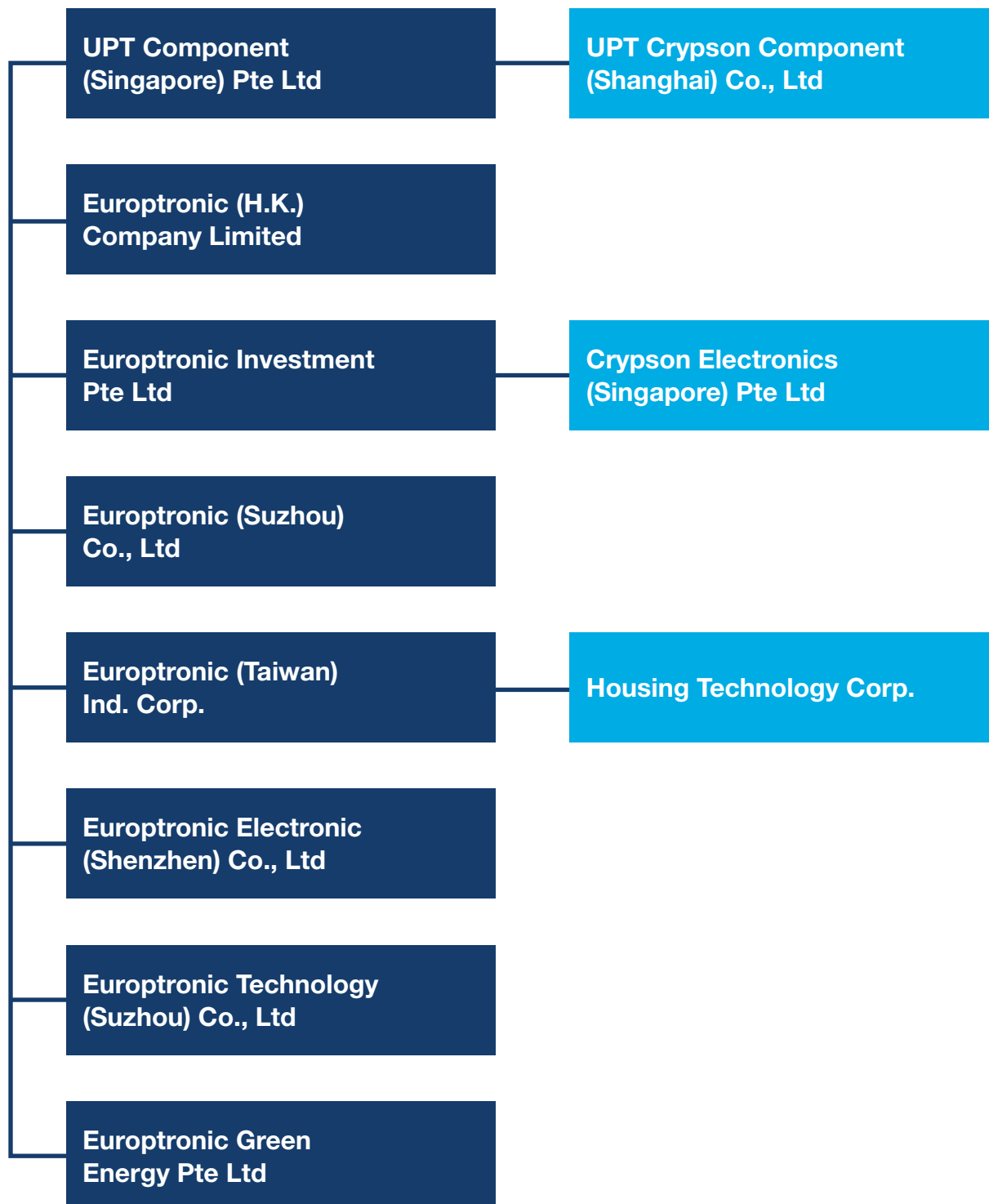


GLOBAL NETWORK

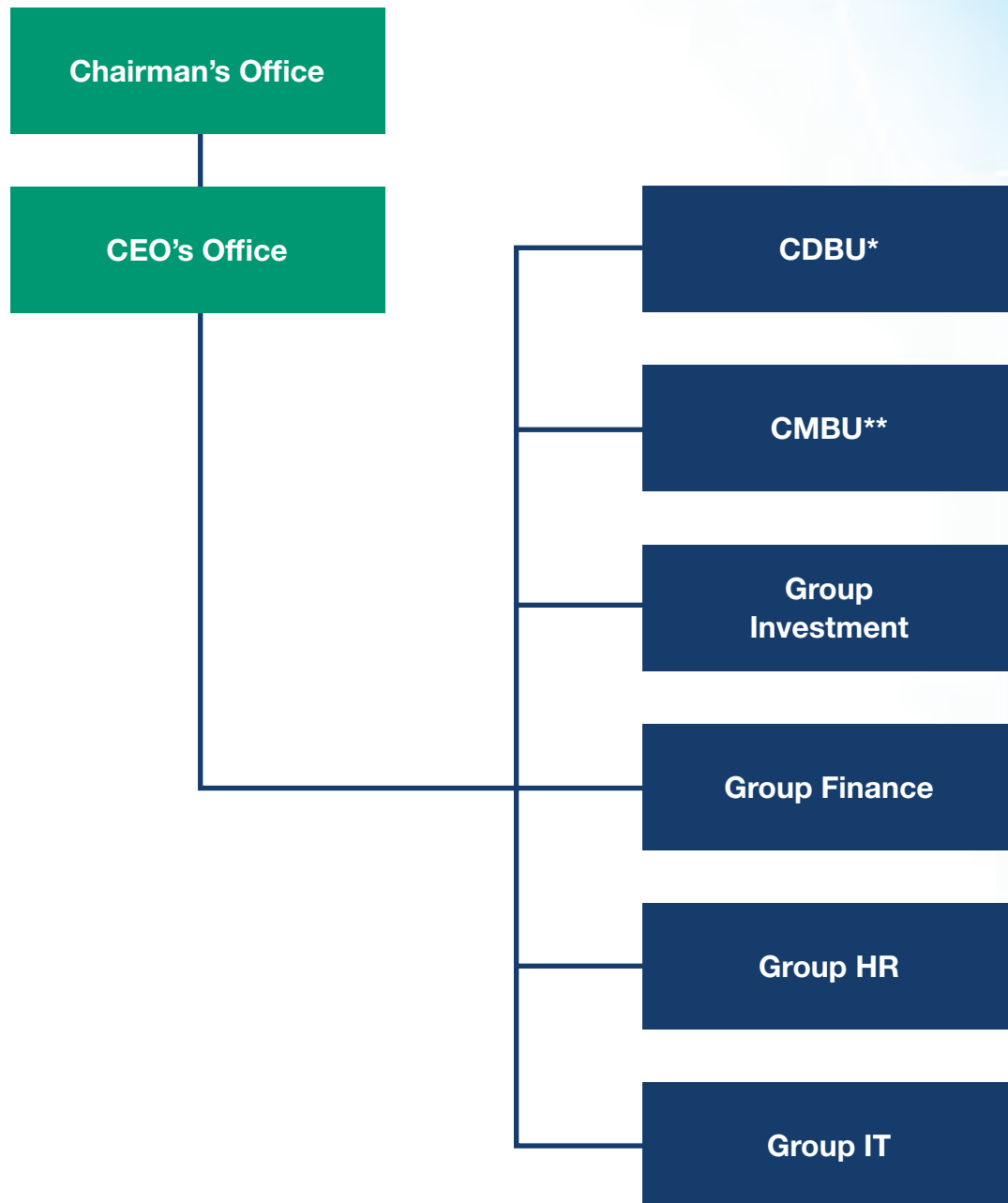


GROUP STRUCTURE

Europtronic Group Ltd 100%



CORPORATE ORGANISATIONAL STRUCTURE



- * CDBU - Components Distribution Business Unit
- ** CMBU - Components Manufacturing Business Unit

BOARD OF DIRECTORS

Huang Shih-An *Non-Executive Chairman*

One of the Group's co-founders, Mr. Huang was appointed as Chairman of Europtronic Group on 18 November 2000. Mr. Huang was re-designated as Non-Executive Chairman and Non-Executive Director of the Company on 3 December 2014. His primary responsibilities include providing management guidance and support to the Group's business investment decisions and expansion of new businesses, and ensuring proper execution of business plans. Mr. Huang continues to fulfill the legal and fiduciary obligations of the Group, including stakeholder accountability and responsibility.

Mr. Huang has over 30 years of management experience in the electronic components industry. He holds a Bachelor degree in International Trade and Finance from the Chinese Culture University and an Executive MBA from the National University of Singapore.



Huang Chuang Shueh-Ou *Vice Chairman*

Mrs. Huang was appointed to the Board on 18 November 2000. One of the Group's co-founders, she is responsible for the Group's operational and administrative matters as well as investment policies and financial issues.

In 1999, Mrs. Huang received the "Model of Overseas Entrepreneur Award" from the China Youth Career Development Association Headquarters, Republic of China.

She holds a Diploma in Management from the Singapore Institute of Management.



Huang Chien-Hung *Executive Director & Chief Executive Officer*

Huang Chien-Hung is Chief Executive Officer of Europtronic Group. He was appointed to the Board since 3 August 2009. Mr. Huang is responsible for the charting and reviewing of the Group's corporate developments, strategic initiatives, marketing operations, and overseas businesses. In addition, he takes care of the day-to-day operations and undertakes management oversight for financial, operational, administrative and legal functions.

Mr. Huang started his career with the Group's distribution business unit focused on expanding its regional presence. He has been instrumental in developing the unit to be one of the leading distributors for electronic components in Asia.

Mr. Huang holds a Degree in Electronic and Electrical Engineering from the University College of London, United Kingdom.





Lin Chien
Non-Executive Independent Director

Mr. Lin was appointed to the Board on 26 April 2012 as non-executive independent director. He is Chairman of Nominating Committee, and a member of the Company's Audit and Remuneration Committees. Mr. Lin was previously the Executive Vice President and President of Soletron's Asia Pacific region. Prior to joining Soletron, he was the Chief Executive Officer of NatSteel Electronics from 1993 to 2001. Previously, Mr Lin also worked with SCI Systems, General Electric and General Instruments (Taiwan).

Mr. Lin holds a Bachelor Degree of Electrical Engineering from the Taipei Institute of Technology.

Ho Toon Bah
Non-Executive Independent Director

Mr. Ho was appointed to the Board on 2 June 2011 as non-executive independent director. He is a member of the Company's Audit, Nominating and Remuneration Committees.

Mr. Ho has over 20 years of professional experience in the banking industry, and has held senior management positions in Standard Chartered Bank and United Overseas Bank. His last appointment was Head of Consumer Banking of Standard Chartered Bank, Malaysia. Mr. Ho is also the executive director of Soilbuild Construction Group Ltd and non-executive director of IREIT Global Group Pte Ltd.

Mr. Ho is a Chartered Financial Analyst (CFA) and holds a Bachelor of Business Administration from the National University of Singapore.



Tan Sek Khee
Non-Executive Independent Director

Mr. Tan was appointed to the Board on 30 June 2011 as non-executive independent director. He is Chairman of Remuneration Committee, and a member of the Company's Audit and Nominating Committees. Mr. Tan is also the non-executive independent director of Ying Li International Real Estate Limited and ASL Marine Holdings Ltd. He holds executive directorships at several private companies in Singapore, Indonesia, China and Thailand.

Mr. Tan holds a Bachelor Degree of Commerce from Nanyang University, and a registered member of Singapore Institute of Directors.



Aric Loh Siang Khee
Lead Independent Director

Mr Loh was appointed to the Board on 9 May 2014 as the Lead Independent Director, Chairman of the Audit Committee, and a member of the Nominating Committee. He resigned as a director of the Company with effect from 1 March 2015.

Mr Loh spent 25 years in Deloitte & Touche LLP, Singapore, where he was an audit partner till 2013. Mr Loh is also the non-executive independent director of Koda Limited and TEE International Limited.

Mr Loh holds a Bachelor Degree of Accountancy (with 2nd class honours) from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants and the American Institute of Certified Public Accountants.



SENIOR MANAGEMENT

Huang Chien-Hung

Huang Chien-Hung is Chief Executive Officer of Europtronic Group. He is responsible for the charting and reviewing of the Group's corporate developments, strategic initiatives, marketing operations, and overseas businesses. In addition, he takes care of the day-to-day operations and undertakes management oversight for financial, operational, administrative and legal functions.

Prior to this current role, Mr. Huang started his career with the Group's distribution business unit focused on expanding its regional presence. He has been instrumental in developing the unit to be one of the leading distributors for electronic components in Asia.

Mr. Huang holds a Degree in Electronic and Electrical Engineering from the University College of London, United Kingdom.

Leong Mei Theng

Leong Mei Theng was appointed Group Financial Controller of Europtronic Group on 18 November 2010. She has been with the Group since 2004 and was promoted to the Group's Finance Manager in 2006.

Ms. Leong is responsible for directing financial activities for the Group and its subsidiaries, managing cash flow and funds for business operations, ensuring corporate governance, and overseeing investor relations.

Ms. Leong holds a Bachelor of Commerce Degree, majoring in Accounting and Finance from Curtin University of Technology, Western Australia and an MBA from the University of Hong Kong. She is also a member of CPA Australia.

Tan Chee Kong

Tan Chee Kong is General Manager of the Components Manufacturing Business Unit. He is responsible for the overall day-to-day operations of the Group's manufacturing business.

Prior to his current role, Mr. Tan was Group Information Technology Director, where he was responsible for planning, designing and implementing IT infrastructure and systems.

Mr. Tan holds a Bachelor Degree in Commerce, Information Technology and Systems from Curtin University in Australia.

Hsieh Min-Tsun

Hsieh Min-Tsun is Deputy General Manager of the Components Manufacturing Business Unit. An industry veteran with over 25 years experience in the electronic components industry, his responsibilities include developing growth and sales strategies for the Greater China region, as well as grooming and retaining sales talents.

Prior to joining Europtronic Group in 1997, he was with Camel Electronic Ind., Corp from 1984 to 1989, where his last appointment was Assistant General Manager.

Huang Hsuan-Chin

Huang Hsuan-Chin is the Deputy General Manager of Marketing, of the Components Manufacturing Business Unit. He is in charge of marketing operation, and overseeing new product research and development in the Suzhou factory.

Mr. Huang is well-honed marketing veteran, and accumulates years' of industry knowledge which has contributed CMBU in terms of new product development, new market application entry, and secure orders from new customers.

Prior to joining the Group in 1997, Mr. Huang worked as an engineer with United Microelectronics Corp from 1994 to 1995, and as marketing executive with Procom Ltd Corp from 1995 to 1997. Mr. Huang holds a Bachelor's degree in Electronics Physics from Tamkang University in Taiwan.

Tan Joo Kwang

Tan Joo Kwang is Deputy General Manager of Sales and Marketing, of the Component Distribution Business Unit. His responsibilities include driving the overall marketing activities of CDBU's product lines in China and the South East Asian region.

Mr. Tan has over 20 years of experience in product marketing, channel management and business development in the electronic components industry. Prior to joining Europtronic Group in 2001, he worked with SGS Thomson Microelectronic, and served with the Republic of Singapore Air Force for six years.

Mr. Tan holds a Diploma in Electronics and Communication Engineering from Singapore Polytechnic.

Huang Yun Ju

Huang Yun Ju is Group Human Resources Director. She guides and manages the overall provision of human resources services, policies and programmes for the Group.

Ms. Huang works with the management in providing a high performance culture that emphasises empowerment, quality, productivity and the ongoing development of a talent pool.

Ms. Huang graduated from Lancaster University, UK, with a BSc (Hons) in Management, and a certified GRP and CCP with Worldatwork. Ms. Huang holds a Washington-Fudan Executive MBA from the Olin School of Business at Washington University, United States.

CORPORATE INFORMATION

Board of Directors Executive:

Huang Chuang Shueh-Ou (Vice Chairman)
Huang Chien-Hung (Chief Executive Officer)

Non-Executive:

Huang Shih-An (Chairman)
Ho Toon Bah (Independent)
Tan Sek Khee (Independent)
Lin Chien (Independent)

Audit Committee

Ho Toon Bah
Tan Sek Khee
Lin Chien

Nominating Committee

Lin Chien (Chairman)
Ho Toon Bah
Tan Sek Khee

Remuneration Committee

Tan Sek Khee (Chairman)
Ho Toon Bah
Lin Chien

Auditors

PricewaterhouseCoopers LLP
8 Cross Street #17-00 PwC Building
Singapore 048424
Tel: (65) 62363388
Fax: (65) 62363300

Marcus Lam
Partner-in-charge
(Appointed since financial year ended 31 December 2012)

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 65365355
Fax: (65) 65361360

Company Secretaries

Yeo Poh Noi Caroline, FCIS
Toh Lei Mui, ACIS

Registered Office

60 Kaki Bukit Place
Eunos Techpark #01-10
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Tel: (65) 64472037
Fax: (65) 64471582

Business Address

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Eunos Techpark #01-10
Singapore 415979
Tel: (65) 64472037
Fax: (65) 64471582

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) and Management of Europtronic Group Ltd (the “Company” or together with its subsidiaries, referred as the “Group”) are committed to high standards of corporate governance by complying with the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “Code”).

The Group has complied with the principles and guidelines set out in the Code where applicable, feasible and practical and explanations for non-compliance are provided.

(A) BOARD MATTERS

Board's Conduct of its Affairs

The Board is collectively responsible for the long-term success of the Group. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role of the Board of Directors

The Board's primary role is to protect and enhance long-term shareholder's value. It sets the overall strategy for the Group and supervises Management. To fulfill this role, the Board is responsible for setting values & standards, the overall corporate governance of the Group, strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board approves corporate strategies and policies on key areas of operations to ensure that the necessary financial & human resources are in place for the Group to achieve its objectives. The Board reviews the adequacy and effectiveness of the Group's risk management, internal control systems at least annually, including financial, operational, compliance and information technology controls.

Matters Requiring Board Approval

The Group has an Authority Matrix that defines the procedures and levels of authorization required for specified transactions and set out the approval limits.

Board's approval is required for, *inter alia*, the following matters:

- acquisitions and disposals of assets/investments
- release of the Group's quarterly and full-year results announcements & timely announcements of transactions;
- the Group's annual report and audited financial statements;
- annual budget and major funding proposals of the Group;
- all Board appointments, re-appointments/ re-elections as well as appointments of key management ;
- declaration of interim and proposal of final dividends;
- interested person transactions of a material nature;
- convening of shareholders' meetings;
- corporate or financial restructuring.

The approval of the Board is required for any matters which is likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business.

The Board believes that when taking decisions, all Directors of the Board act objectively in good faith and exercise independent judgement in the best interests of the Group. To facilitate effective management and assist the Board, certain functions of the Board are delegated to Board committees namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). Each Board Committee has the authority to examine particular issues and their actions and recommendations are reported to and effectiveness monitored by the Board. These Board Committees are regulated by their own terms of reference and operating procedures.

CORPORATE GOVERNANCE REPORT

The Board accepts that while these Board Committees have the power to make decisions, execute actions or make recommendations in their specific areas and will report to the Board with their decisions and/or recommendations, the ultimate responsibility rests with the Board.

Board Processes

The Board meets at least four times a year and as and when deemed necessary. These meetings are scheduled in advance to facilitate Directors' individual arrangements in view of their on-going commitments. The Company's Articles of Association provide for meetings to be held via telephone conference, video conference or other similar means of communication.

Directors may request for further explanations, briefings by or discussions with Management on any aspect of the Group's operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

Details of the AC, NC and RC are set out on pages 25, 19 and 22 of this Annual Report respectively.

Training of Directors

Directors (including new Directors) are provided with background information about the Group's history, mission, and values. The Directors also visit the Group's operational facilities in China and meet with Management to gain a better understanding of its business operations, as and when deemed necessary.

The Group will fund its Directors to attend appropriate courses, industry conferences and seminars whenever necessary. Newly appointed Directors would be briefed on the business activities and the strategic direction and policies of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore will undergo the necessary training and briefing. Directors are provided with updates of the relevant amendments and requirements of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and/or the Companies Act, from time to time where appropriate, to enable them to make well-informed decisions and to discharge their duties and responsibilities. Relevant news releases issued by SGX-ST are also circulated to the Board for information.

Board Composition and Balance

As at the date of this report, the Board comprises six Directors.

Executive Directors:

Mrs Huang Chuang Shueh-Ou	(Vice Chairman)
Mr Huang Chien-Hung	(Chief Executive Officer)

Non-Executive Directors:

Mr Huang Shih-An	(Chairman)
Mr Ho Toon Bah	(Independent Director)
Mr Tan Sek Khee	(Independent Director)
Mr Lin Chien	(Independent Director)

The NC reviews the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The NC also strives to ensure that the size of the Board is conducive to discussions and facilitates decision-making. The Board and NC are of the view that the current size of the Board is appropriate taking into account the nature and scope of the Group's operations. As a Group, the Directors bring with them a broad range of expertise in areas such as accounting, finance, management experience, industry knowledge, customer-based knowledge as well as familiarity with applicable regulatory requirements. The diversity of the Directors' experience allows the useful exchange of ideas and views to be brought to the Board deliberations.

The Independent Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and hold informal meetings without the presence of Management.

CORPORATE GOVERNANCE REPORT

The profiles of the Directors are set out on page 12 of this Annual Report.

Chairman and Chief Executive Officer (“CEO”)

The roles of the Non-Executive Chairman and CEO are separated in line with good corporate practices, and held by Mr Huang Shih-An and Mr Huang Chien-Hung respectively. They each perform separate functions to ensure appropriate balance of power, increased accountability and provide the Board with greater capacity for independent decision making. There is a clear division of responsibilities between the Non-Executive Chairman and CEO.

Mr Huang Shih-An, Non-Executive Chairman of the Group, leads the Board and ensures that its members work together with Management in a constructive manner to address strategies, business operations and enterprise issues. He also ensures Board meetings are held when necessary. The Non-Executive Chairman also ensures the integrity and effectiveness of the governance process of the Board.

The Company Secretary prepares agenda papers for the Board and Board Committees meeting in consultation with the CEO and Group Financial Controller.

Mr Huang Chien-Hung, the CEO, oversees the day-to-day running of the Group and undertakes management oversight of the Group’s financial, operational, administrative and legal functions.

All major decisions made by the Non-Executive Chairman and CEO have to be endorsed by the Board. Their performances are reviewed by the NC and their remuneration packages are reviewed by the RC. As at the date of this report, the NC and RC comprise all Independent Directors. The Board believes that the Independent Directors have demonstrated high commitment in their role as Directors and have ensured that there is a good balance of power and authority. There is an independent element on the Board with the three Independent Directors out of six Directors of the Company to enable independent exercise of objective judgement in the affairs of the Group. As such, the Board believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision-making, without any one person being able to exercise considerable concentration of power or influence.

Mr Huang Chien-Hung, CEO, is the son of Mr Huang Shih-An (Non-Executive Chairman and substantial shareholder of the Company), and Mrs Huang Chuang Shueh-Ou (Vice Chairman and substantial shareholder of the Company).

In accordance with Guideline 3.3 of the Code, Mr Aric Loh Siang Khee was appointed as the Lead Independent Director of the Company on 9 May 2014. Following the resignation of Mr Loh on 1 March 2015, the Company will announce the replacement Lead Independent Director when appropriate.

Nominating Committee (“NC”)

As at the date of this report, the NC comprises three members, namely, Mr Lin Chien (Chairman), Mr Ho Toon Bah and Mr Tan Sek Khee all of whom are Independent Directors.

The responsibilities of the NC are amongst others to develop and maintain a transparent and formal process for the appointment of new Directors, to review and recommend Directors retiring by rotation for re-election at annual general meeting as well as to review and evaluate the Board’s performance.

Newly appointed Non-Executive Directors are provided with a formal letter of appointment setting out the Directors’ duties & obligations and term of appointment whereas Executive Directors are provided with a Service Agreement setting out the Executive Directors’ term of office and terms and conditions of appointment.

In addition, the NC also performs the following functions:

- (a) review and recommend to the Board the structure, size and composition of the Board and the Board committees;
- (b) determine the process for search, nomination, selection and appointment of new board members and assessing nominees or candidates for appointment, re-appointment and re-election to the Board;
- (c) review and determine annually the independence of each Director pursuant to the guidelines set out under the Code and whether there are relationships or circumstances which are likely to affect the independence or could appear to affect, the Director’s judgements;

CORPORATE GOVERNANCE REPORT

- (d) ensure all Directors submit themselves for re-election at regular intervals;
- (e) determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- (f) assess the effectiveness of the Board as a whole, after taking into consideration the contributions of each Director to the effectiveness of the Board;
- (g) review succession plans, in particular, the Chairman and CEO ;
- (h) review and make recommendations to the Board on all Board appointments and re-election, having regard to the Directors' contribution and performance;
- (i) make recommendations to the Board for the re-appointment (or not) of services of any Director who has reached the age of seventy (70) years, where appropriate;
- (j) oversee the induction, orientation and training for any new and existing Directors;
- (k) undertake such other functions and duties as may be delegated by the Board.

The NC has adopted a process for the selection and appointment of new Directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The curriculum vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The NC will also meet with the potential candidate before making the nomination to the Board for appointment as director.

Whilst each Independent Director is required to reflect on and sign a declaration of independence based on the substantive requirements of the Code, the NC will review the declaration, to satisfy itself that the substantive principles in the Code on independence are indeed fulfilled. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation by the NC.

For FY2014, the NC had reviewed the independence of Mr Lin Chien, Mr Ho Toon Bah, Mr Tan Sek Khee and Mr Aric Loh Siang Khee and, had considered them independent. The Board concurred with the NC's views.

Pursuant to its Terms of Reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations. A Director with multiple Board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. All Directors are required to declare their board representations. The NC is also satisfied that sufficient time and attention has been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

In consultation with the NC, the Board has adopted a general guideline to address time commitment, that its independent Directors may not hold more than 5 directorships in other public listed companies. A Director who wishes to hold more than 5 directorships in other public listed companies may consult with the Board Chairman before accepting new appointment(s).

The Directors who are retiring at the forthcoming Annual General Meeting ("AGM") are named below:

Name of Director	Date of first appointment	Date of last re-election/ re-appointment	Director due for re-election/ re-appointment
Mr Huang Shih-An	18 November 2000	26 April 2013	–
Mrs Huang Chuang Shueh-Ou	18 November 2000	25 April 2014	–
Mr Huang Chien-Hung	3 August 2009	26 April 2013	Retiring under Article 89
Mr Ho Toon Bah	2 June 2011	26 April 2012	Retiring under Article 89 and not seeking for re-election
Mr Tan Sek Khee	30 June 2011	25 April 2014	–
Mr Lin Chien	26 April 2012	25 April 2014	Re-appointing pursuant to Section 153(6) of the Company Act, Cap.50

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The Directors submit themselves for nomination and re-election at least once in every three years in accordance with the Company's Articles of Association. Each Director is required to retire from office at least once every three years by rotation (Article 89) and all newly appointed Directors will have to retire (Article 88) at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

Pursuant to Article 89, Mr Ho Toon Bah and Mr Huang Chien-Hung will be retiring by rotation. Mr Ho Toon Bah has indicated his intention not to seek re-election. Mr Huang Chien-Hung has signified his consent to remain in office.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Lin Chien, who is over the age of 70 years, will seek re-appointment as a Director of the Company at the forthcoming AGM.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees' meetings, in particular, their contributions to the Group, had recommended the following Directors for re-election at the forthcoming AGM:

- (i) Mr Huang Chien-Hung
- (ii) Mr Lin Chien

It is an established practice that each member of the NC abstains from voting on any resolutions in respect of his re-nomination as a Director. Accordingly, Mr Lin Chien has abstained from all deliberations and decisions in respect of his own re-election.

Board and Board Committees' Performances

The NC has adopted a formal process to assess the effectiveness of the Board as a whole. The NC believes it is more appropriate to assess the Board as a whole, rather than assessing individual directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

A Board performance evaluation was carried out in FY2014 to assess and evaluate the Board's size, composition and expertise, the Board's access to information, as well as Board accountability and processes.

As part of the process, all Directors are required to complete the Board Evaluation Questionnaire which is then collated by the Company Secretary and presented to the NC. The results of the performance evaluation were reviewed by the Chairman of the NC and discussed at the NC meeting, with comparatives from the previous year's results. For the financial year ended 31 December 2014 ("FY2014"), the NC was generally satisfied with the results of the Board Performance evaluation, which indicated areas of strengths. No significant issues were identified. The NC had discussed the results with Board members who agreed to work on areas that could be improved further.

The NC was of the view that given the small Board size and the cohesiveness of the Board members and that the same Independent Directors sit on the various Board Committees, there would not be any value add in having evaluations of Board committees.

Directors' Attendance at Board and Board Committees Meetings in FY2014

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Huang Shih-An	4	4	—	—	—	—	—	—
Huang Chuang Shueh-Ou	4	4	—	—	—	—	—	—
Huang Chien-Hung	4	4	—	—	—	—	—	—
Aric Loh Siang Khoo *	4	2	4	2	—	—	—	—
Ho Toon Bah	4	4	4	4	1	1	1	1
Tan Sek Khoo	4	3	4	4	1	1	1	1
Lin Chien	4	4	4	4	1	1	1	1

* appointed on 9 May 2014 and resigned on 1 March 2015

CORPORATE GOVERNANCE REPORT

Access to Information

The Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully aware and understand the decisions and actions of Management. They have unrestricted access to the Group's records and information.

Board papers are prepared for each Board meeting and are normally circulated in advance prior to each meeting. The Board papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. Analysts' reports on the Group are also forwarded to the Directors on an on-going basis as and when received by Management. Management is invited to attend meetings of the Board and Board Committees to provide input and insight into matters being discussed and to respond to any queries that the Directors may have.

The Directors have independent access to the Company Secretaries and senior management of the Group at all times.

The Directors may seek independent legal and other professional advice, as required, to fulfill their duties and responsibilities as Directors and such costs will be borne by the Company.

At least one of the Company Secretaries and/or her representative attends all Board and Board Committees meetings. The Company Secretaries also assist the Chairman to ensure that Board procedures are followed and regularly reviewed to ensure effective functioning of the Board and compliance with relevant rules and regulations applicable to the Company.

The appointment and removal of the Company Secretary is a reserved matter of the Board.

The Directors may seek independent legal and other professional advice, as required, to fulfill their duties and responsibilities as Directors and such costs will be borne by the Company. The appointment of such independent professional advisors is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Remuneration Committee ("RC")

The RC comprises three members, namely, Mr Tan Sek Khee (Chairman), Mr Ho Toon Bah and Mr Lin Chien all of whom are independent Directors.

The principal functions of the RC are as follows :

- (a) review and recommend to the Board a general framework of remuneration for the Board and key management personnel and to recommend to the Board the specific remuneration packages and terms of employment for :
 - (i) each Director and key management personnel of the Group;
 - (ii) employees related to Directors, CEO, or Controlling Shareholders of the Group;

In the event of termination of the Executive Directors and key management personnel's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
 - (iii) the Directors' fees, which are subject to shareholders' approval at the AGM; and
 - (iv) the service contracts of the CEO and Executive Directors (if any).
- (b) review and recommend to the Board long-term incentive schemes which may be set up from time to time.
- (c) undertake such other functions and duties as may be delegated by the Board.

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The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. However, the RC has access to external professional advice on remuneration and human resource related matters, if required.

The Group does not have any employee share option scheme or any long-term scheme after the expiry of the Performance Share Scheme on 26 April 2015.

Level and Mix of Remuneration

In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individuals. The review by the RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, performance shares and options and benefits-in-kind. The RC's recommendations are submitted for endorsement by the Board.

Directors' fees payable to the Independent Directors are set within a remuneration framework and takes into consideration the contribution, effort and time incurred and responsibilities of the Independent Directors. The RC had recommended to the Board an amount of S\$113,333 (equivalent to US\$87,266) as Directors fees for FY2014. This recommendation has been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval.

No Director is involved in deciding his own remuneration. Each of Mr Lin Chien, Mr Ho Toon Bah and Mr Tan Sek Khee being RC members, abstained from deliberation and voting in respect of their own remuneration.

The remuneration for the Executive Directors, the CEO and the key management personnel comprise a basic salary component and a variable annual bonus, which would be based on the Group's performance and the individual performance.

Executive Directors do not receive Directors' fees but are remunerated as members of Management. The annual review of the compensation of Directors are carried out by the RC to ensure that the remuneration of the Executive Directors, the CEO and the key management personnel commensurate with their individual performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO together with other key management personnel are reviewed yearly by the RC and the Board.

Disclosure of Remuneration

Their remuneration package comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

In the service agreements of the Executive Directors, there is a termination/resignation notice period of six months or less and do not contain onerous removal clauses. The service agreements may also be terminated if any of the Executive Directors commits a breach of the service agreements, such as being convicted of an offence involving fraud or dishonesty or being an adjudicated bankrupt.

The remuneration of each individual Director and the CEO in FY2014 is as follows:

Directors' Remuneration

Name	Fees S\$'000	Salary ¹ S\$'000	Bonus S\$'000	Others ² S\$'000	Total S\$'000
Huang Shih-An		424			424
Huang Chuang Shueh-Ou		306			306
Ho Toon Bah	30				30
Tan Sek Khee	30				30
Lin Chien	30				30
Aric Loh Siang Khee	23				23
Huang Chien-Hung		192		4	196

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Notes:

- 1 Includes Employers' CPF contribution
- 2 Includes transport, medical and insurance

Remuneration of Employees Related to a Director or the CEO and Top 6 Key Management Personnel

As at 31 December 2014, there were 5 employees who are related to the Directors or the CEO. These 5 employees are: Mr Huang Hsuan-Chin⁽¹⁾, Ms Huang Chung-Huei⁽²⁾, Ms Huang Yun Ju⁽³⁾, Mr Tan Chee Kong⁽⁴⁾ and Yang Hungi⁽⁵⁾. All of them are executive officers. The basis of determining the remuneration of these related employees is the same as the basis of determining the remuneration of other unrelated employees.

Name	Salary ¹ %	Bonus %	Commission %	Others ² %	Total %
Between S\$150,001 to S\$200,000					
Tan Chee Kong	98.4	1.6			100
Between S\$100,001 to S\$150,000					
Nil					
Between S\$50,001 to S\$100,000					
Huang Yun Ju	97.6			2.4	100
Huang Hsuan-Chin	94.7			5.3	100
Huang Chung-Huei	92.8			7.2	100
Yang Hungi	92.8			7.2	100

Notes:

- 1 Includes Employers' CPF contribution
- 2 Includes transport, medical and insurance

- (1) Mr Huang Hsuan-Chin is a relative of Mr Huang Shih-An, Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, Vice Chairman, and Mr Huang Chien-Hung, CEO/Executive Director.
- (2) Ms Huang Chung-Huei is a relative of Mr Huang Shih-An, Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, Vice Chairman, and Mr Huang Chien-Hung, CEO/Executive Director.
- (3) Ms Huang Yun Ju is an immediate family member of Mr Huang Shih-An, Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, Vice Chairman, and Mr Huang Chien-Hung, CEO/Executive Director.
- (4) Mr Tan Chee Kong is a relative of Mr Huang Shih-An, Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, Vice Chairman, and Mr Huang Chien-Hung, CEO/Executive Director.
- (5) Mr Yang Hungi is a relative of Mr Huang Shih-An, Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, Vice Chairman, and Mr Huang Chien-Hung, CEO/Executive Director.

Adjustments to the remuneration packages for the related employees are reviewed annually by the RC to ensure that they are in line with the Group's staff remuneration guidelines and commensurate with their job scope and level of responsibility. In the event that a member of the RC is related to the employee under review, that member will abstain from the review accordingly.

As at 31 December 2014, the Group's top 6 key management personnel (who are not Directors of the Company) were: Mr Tan Chee Kong, Mr Timothy Tan Joo Kwang, Mr Hsieh Min Tsun, Ms Leong Mei Theng, Ms Huang Yun Ju and Huang Hsuan-Chin.

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The table below sets out the remuneration of the top 6 key management personnel (who are not Directors) of the Group in FY2014:

Name	Salary ¹ %	Bonus %	Commission %	Others ² %	Total %
Below S\$250,000					
Tan Chee Kong	98.4	1.6			100
Tan Joo Kwang	100				100
Hsieh Min Tsun	97.6			2.4	100
Leong Mei Theng	100				100
Huang Yun Ju	97.6			2.4	100
Huang Hsuan-Chin	94.3			5.7	100

Notes:

1 Includes Employers' CPF contribution

2 Includes transport, medical and insurance

The aggregate remuneration paid to the top 6 key management personnel for FY2014 was S\$708,560.

(C) ACCOUNTABILITY AND AUDIT

Accountability

In presenting the quarterly, full-year announcements and annual financial statements to shareholders, the Board aims to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. In addition, Management provides to the Executive Directors monthly management accounts, which show the Group's performance, position and prospects, supplemented by updates on matters affecting the financial performance and business of the Group, when necessary.

In line with the requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statement for its full year results announcement.

Audit Committee ("AC")

The AC comprises three members, namely, Mr Ho Toon Bah, Mr Lin Chien and Mr Tan Sek Khee, all of whom are Independent Directors. Mr Aric Loh Siang Khee who was the AC Chairman in FY2014 had resigned from the Company with effect from 1 March 2015. The Company will make the appropriate announcement on the replacement AC Chairman.

The Board is of the view that the AC members have adequate accounting or related financial management expertise and experience to discharge their function.

The AC meets at least 4 times a year and as and when deemed necessary to discuss and review with the external auditors and Management, the Group's accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained.

The AC monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions.

Specifically, the AC is guided by its terms of reference which includes:

- reviewing the annual audit plans (including the nature and scope of the audit before the audit commences) and evaluating their overall effectiveness through regular meetings with the internal and external auditors;
- reviewing and recommending to the Board the re-appointment of internal and external auditors and matters relating to resignation and dismissal of the auditors;

CORPORATE GOVERNANCE REPORT

- reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions including financial, operational, compliance and information technology controls and coordination between the internal and external auditors and risk management;
- evaluating the adequacy of the internal control systems of the Group by reviewing the audit reports from the internal and external auditors, and the Management's responses and actions taken to correct any deficiencies, including cooperation and assistance given by the Management to the internal and external auditors.
- reviewing the quarterly and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with statutory and regulatory requirements; reviewing interested person transactions;
- reviewing interested person transactions;
- reviewing the cost effectiveness of the audit, independence and objectivity of the external auditors including all non-audit service provided by the external auditors to determine if the provision of such service would affect the independence and objectivity of the external auditors before confirming their re-nomination;
- ensuring that arrangements are in place by which staff of the Group and any other persons may in confidence, raise concerns about possible improprieties in financial reporting or other matters; and
- undertakes such other functions and duties as may be required by the statute or the Listing Manual of the SGX-ST .

The AC is authorised to investigate any matter within its terms of reference and has full access to Management and resources, which are necessary to enable it to discharge its functions properly.

The Group has in place a whistle-blowing programme where employees and any other persons may, in confidence, report possible improprieties which may cause financial loss or non financial loss to the Group. The objective is to ensure that arrangements are in place for the independent investigations of such concerns and for appropriate follow-up action. There were no incidents of whistle blowing reported in FY2014.

For FY2014, the AC has:

- (1) held four meetings in a year with Management;
- (2) reviewed the annual audit plan, including the nature and scope of the internal and external audits before commencement of these audits;
- (3) reviewed and approved the consolidated statement of comprehensive income statements and financial position, statements of changes in equity, consolidated cash flow;
- (4) met with the external auditors and internal auditors during the year (without the presence of Management) to obtain feedback on Management's cooperation during the audit and on other matters, or, concerns that warrants the AC's attention;
- (5) reviewed the adequacy of audit arrangements, with particular emphasis on the observations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors. Both the internal and external auditors have confirmed that they had access to and received full cooperation and assistance from Management and no restriction were placed on the scope of auditors;
- (6) reviewed the non-audit services provided by the external auditors to ensure that provision of such services will not affect the independence of the external auditors. The external auditors did not provide any non-audit services to the Group and there were no non-audit fees paid to the external auditors. The external auditors had also confirmed their independence in this respect. Audit fees amounting to S\$255,000 were approved;
- (7) recommended the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Public Accountants and Chartered Accountants at the forthcoming AGM;

CORPORATE GOVERNANCE REPORT

- (8) revised the risk factors and mitigation controls compiled by Management; and
- (9) confirmed that the Company has complied with Rules 712 and 715 of the Listing Rules of the SGX-ST. The AC was satisfied that the resources and experience of PwC, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature and operations of the Group. The accounts of the Company, all Singapore incorporated subsidiaries and significant foreign subsidiaries are audited by PwC. PwC is registered with the Accounting and Corporate Regulatory Authority (ACRA) and is the Singapore member firm of the networks of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Risk Management and Internal Controls

The Board acknowledges that it is responsible for the governance of risks, including maintaining a sound system of risk management and internal controls. The Board recognises that no cost effective internal controls system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group currently does not have a separate risk management committee. However, Management reviews the Group's business and operational activities on a regular basis to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

The Group's risks management is described under Note 30 of the Notes to the Financial Statements on page 78 of this Annual Report.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Each business unit is required to document the management and mitigating actions in respect of the identified risks. Management reviews all control policies and procedures, and prepares a risk management checklist highlighting the significant risks and mitigation controls to the AC and Board.

The internal and external auditors have, during the course of their respective audits, carried out a review of the effectiveness of key internal controls within the scope of their respective audits. Non-compliance and recommendations for implementation are reported to the AC. The AC will review the internal and external auditors' comments and ensure that there are adequate internal controls in the Group and follow up actions are implemented.

During the financial year under review, the AC, has reviewed the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems. Based on the reviews conducted by management, work performed by the internal and external auditors, assurances from the CEO and Group Financial Controller on the financial records and effectiveness of the Group's risk management and internal control systems, the Board, with the concurrence of the AC, is of the opinion that the risk management systems and internal controls in place are adequate and effective in addressing the Group's financial, operational, compliance and information technology risks. The AC will ensure that a review of such effectiveness and adequacy is conducted at least annually.

As required under the Code, the Board had received written assurance from the Group's CEO and Group Financial Controller:

- (a) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of its operations and finances; and
- (b) regarding the effectiveness of the Group's risk management and internal control systems.

Internal Audit

The Board recognizes that it is responsible for maintaining a system of internal control processes to safeguard shareholders' interests and the Group's business and assets. The systems that are in place are intended to provide reasonable but not absolute assurance against the occurrence of material errors, human error, losses, fraud or other irregularities, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and best practices, and the containment of business risks. The effectiveness of the internal financial control systems and procedures are monitored by Management and the internal audit function is out-sourced to Baker Tilly Consultancy (Singapore) Pte Ltd ("Baker Tilly").

CORPORATE GOVERNANCE REPORT

The internal auditors report directly to the Chairman of the AC on audit matters and to Management on administrative matters. The Group's internal audit activities are guided by the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The role of the internal auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas on a regular basis and undertaking investigations as directed by the AC. The AC assesses the adequacy of the internal audit function on an annual basis. For FY2014, the AC is satisfied with the adequacy and effectiveness of the internal audit function.

(D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

The Group does not practise selective disclosure. In line with the continuous disclosure obligations of the Group pursuant to the SGX-ST's Listing Rules and the Companies Act, Cap. 50, the Board's policy is that all shareholders are informed of all major developments within the Group. Information is communicated to shareholders on a timely basis through:

- annual reports or circulars that are prepared and issued to all shareholders;
- quarterly and full year results announcements containing a summary of the financial information and affairs of the Group for the period are published through SGXNET and news releases, as appropriate;
- notices of and explanatory notes for Annual General Meetings ("AGM") and Extraordinary General Meetings ("EGM");
- announcements and press releases made through SGXNET on major developments of the Group; and
- the Group's website at www.europtronicgroup.com at which shareholders can access information on the Group.

The Group does not see the need for analyst briefings, investor roadshows or Investors' Day briefings currently and will review such need when the Group's performance improves.

The Company's website provides, *inter alia*, corporate announcements, press releases, annual reports, and profiles of the Group. In addition, shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with shareholders. The notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business.

At the AGM, shareholders are given opportunities to communicate their views on matters pertaining to the Group raise issues or seek clarification and to participate in the meeting. Issues seeking approval of shareholders, if any, are tabled as separate resolutions.

The notice of AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Chairmen of the AC, RC and NC are normally available at the Company's AGM to address any queries raised by shareholders. The external auditors of the Company are also invited to attend the AGM and are available to assist the Directors in addressing shareholders' concerns relating to the conduct of audit, the preparation and content of the auditors' report.

No dividend is proposed for FY2014 due to the Company's loss position and the need to conserve cash for the Company's working capital and operational use.

(E) DEALING IN THE COMPANY'S SECURITIES

The Group has in place policy and procedures governing dealings in the Company's shares by the Company, its Directors and key officers of the Company and its subsidiaries.

CORPORATE GOVERNANCE REPORT

All Directors and key officers of the Company and its subsidiaries have been informed not to deal in the Company's shares at all times whilst in possession of unpublished price sensitive information and during the periods commencing two weeks prior to the announcement of the Company's results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

The Directors and key officers are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading period. Where 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.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations. The Company confirmed that it has adhered to its policy for securities transactions for FY2014 pursuant to Rule 1207(19) of the Listing Manual of the SGX-ST.

(F) INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with interested person and has set out the procedures for review and approval of the Group's interested person transactions. All interested person transactions are subject to review by the AC. During the financial year under review, there were no interested person transactions entered into by the Company which were more than 3% of the Group's latest audited NTA.

The Group does not have a shareholders' mandate for interested person transactions.

(G) MATERIAL CONTRACTS

Save for the service agreements entered into with the Executive Directors, the Group did not enter into any material contracts in which the CEO, directors or controlling shareholders has any interests and no such material contracts subsist at FY2014.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Huang Shih-An
Huang Chuang Shueh-Ou
Huang Chien-Hung
Ho Toon Bah
Tan Sek Khee
Lin Chien

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Performance Share" in this report.

Directors' interests in shares and debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
Company				
<i>(No. of ordinary shares)</i>				
Huang Shih-An	161,620,193	161,620,193	92,124,465	92,124,465
Huang Chuang Shueh-Ou ⁽¹⁾	92,124,465	92,124,465	161,620,193	161,620,193
Huang Chien-Hung ⁽²⁾	12,397,620	12,397,620	—	—

(1) Huang Chuang Shueh-Ou is the spouse of Huang Shih-An.

(2) Huang Chien-Hung is the son of Huang Shih-An and Huang Chuang Shueh-Ou.

By virtue of Section 7 of the Singapore Companies Act (Cap. 50) (the "Act"), Huang Shih-An and Huang Chuang Shueh-Ou are deemed to have interests in all the subsidiaries at the beginning and at the end of the financial year.

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have an employment relationship with the Company, and has received remuneration in that capacity.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company and its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries.

Europtronic Performance Share Scheme

- (a) The Europtronic Performance Share Scheme (the "Performance Share Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting held on 26 April 2005. The Performance Share Scheme is administered by the Remuneration Committee ("RC"), comprising Tan Sek Khee (Chairman), Ho Toon Bah and Lin Chien.

The purpose of adopting the Performance Share Scheme is to give the Group greater flexibility to align the interests of employees, especially key executives, with those of shareholders as well as to reward, retain and motivate employees to achieve superior performance.

- (b) Since the commencement of the Performance Share Scheme, 2,000,000 ordinary shares vested were satisfied by delivery of shares and have been granted, as permitted under the Performance Share Scheme.
- (c) No performance shares have been granted to controlling shareholders of the Company or their associates.
- (d) No participant under the scheme has received 5% or more of the total number of shares available under the scheme.
- (e) The Performance Share Scheme will expire on 26 April 2015 and the Company has no intention to renew the Scheme.

Some information on the Performance Share Scheme is as follows:

- (i) Awards over the Company's ordinary shares may be granted to all the executive directors, non-executive directors and executives of the Group, except those who are controlling shareholders, as may be determined by the Remuneration Committee from time to time.
- (ii) Under the Performance Share Scheme, awards represent the right of a participant to receive fully paid ordinary shares in the Company free of charge, upon the participant achieving prescribed performance targets.

The selection of a participant and the number of shares which are the subject to each award to be granted to a participant in accordance with the Performance Share Scheme shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve the performance target within the performance period.

- (iii) The total number of new shares of the Company which may be issued pursuant to awards granted under the Performance Share Scheme on any date, when added to the number of total number of new shares issued and issuable in respect of all awards granted under the Performance Share Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company.
- (iv) Subject to the prevailing legislation and SGX-ST guidelines, the Company will have the flexibility to deliver ordinary shares of the Company to participants under the Performance Share Scheme upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares held by the Company in treasury.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Aric Loh Siang Khee (Chairman)
Ho Toon Bah
Tan Sek Khee
Lin Chien

Mr Aric Loh Siang Khee had resigned from the Company with effect from 1 March 2015. The Company will make the appropriate announcement on the replacement of the Audit Committee Chairman.

All members of the Audit Committee were independent non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Huang Shih-An
Director

Huang Chuang Shueh-Ou
Director

31 March 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 36 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Huang Shih-An
Director

Huang Chuang Shueh-Ou
Director

31 March 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Europtronic Group Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Europtronic Group Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 94, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 2.1 to these financial statements which states that the Group has continued to incur net loss from its operations (2014: US\$8,357,000; 2013: US\$11,467,000). In addition to this, at 31 December 2014, the Group's current liabilities exceeded its current assets by US\$32,050,000, and its cash and cash equivalents amounted to US\$3,227,000. Furthermore, the Company has net liabilities of US\$4,973,000 at the balance sheet date. These conditions, along with other matters as described in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and of the Company to continue as going concerns. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the Members of Europtronic Group Ltd

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 31 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

		Group	
	Note	2014 US\$'000	2013 US\$'000
Revenue	4	25,066	37,949
Cost of sales		(26,805)	(37,991)
Gross loss		(1,739)	(42)
Other income	5	211	356
Other gains/(losses) - net	6	417	(2,367)
Expenses			
– Distribution and marketing		(980)	(1,754)
– Administrative		(4,896)	(4,906)
– Finance	7	(1,337)	(2,453)
Loss before income tax		(8,324)	(11,166)
Income tax expense	10	(33)	(301)
Net loss		(8,357)	(11,467)
Other comprehensive (losses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Reclassification		(878)	(43)
Currency translation differences arising from consolidation			
– (Losses)/gains		(320)	775
– Reclassification		(413)	—
		(1,611)	732
Item that will not be reclassified subsequently to profit or loss:			
Revaluation (losses)/gains on property, plant and equipment		(16,010)	28,019
Other comprehensive (losses)/income, net of tax		(17,621)	28,751
Total comprehensive (losses)/income		(25,978)	17,284
Loss attributable to:			
Equity holders of the Company		(8,357)	(11,467)
Non-controlling interests		—	—
		(8,357)	(11,467)
Total comprehensive (losses)/income attributable to:			
Equity holders of the Company		(25,978)	17,284
Non-controlling interests		—	—
		(25,978)	17,284
Loss per share attributable to equity holders of the Company (cents per share)			
– Basic and diluted	11	(1.06)	(1.46)

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2014

		Group		Company	
	Note	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	3,227	6,261	18	368
Available-for-sale financial assets	13	1	1	1	1
Trade and other receivables	14	10,857	17,149	2,525	2,230
Inventories	15	4,276	6,073	—	—
		18,361	29,484	2,544	2,599
Non-current assets					
Available-for-sale financial assets	13	—	2,186	—	—
Investments in subsidiaries	16	—	—	13,800	13,800
Investment properties	17	3,329	3,303	—	—
Property, plant and equipment	18	42,459	54,431	—	—
Intangible assets	19	406	424	—	—
		46,194	60,344	13,800	13,800
Total assets		64,555	89,828	16,344	16,399
LIABILITIES					
Current liabilities					
Trade and other payables	20	21,071	21,994	14,234	12,884
Current income tax liabilities		66	195	—	—
Provision for corporate guarantee	21	7,083	—	7,083	—
Borrowings	22	22,191	33,753	—	—
		50,411	55,942	21,317	12,884
Non-current liabilities					
Borrowings	22	2,215	2,259	—	—
Deferred income tax liabilities	24	7,326	1,046	—	—
		9,541	3,305	—	—
Total liabilities		59,952	59,247	21,317	12,884
NET ASSETS/(LIABILITIES)		4,603	30,581	(4,973)	3,515
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	43,950	43,950	43,950	43,950
Treasury shares	25	—	—	—	—
Other reserves	26	24,030	41,651	3,426	3,426
Accumulated losses	27	(63,306)	(54,949)	(52,349)	(43,861)
		4,674	30,652	(4,973)	3,515
Non-controlling interests		(71)	(71)	—	—
Total equity		4,603	30,581	(4,973)	3,515

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Attributable to equity holders of the Company										Non-controlling Interests	Total equity
	Share capital	Treasury shares	Share option reserve	Capital and statutory reserve	Fair value reserve	Currency translation reserve	Asset revaluation reserve	Accumulated losses	Total			
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
2014												
Beginning of financial year	43,950	—	132	1,652	878	1,095	37,894	(54,949)	30,652	(71)	30,581	
Total comprehensive income/(loss) for the year	—	—	—	—	(878)	(733)	(16,010)	(8,357)	(25,978)	—	(25,978)	
End of financial year	43,950	—	132	1,652	—	362	21,884	(63,306)	4,674	(71)	4,603	
2013												
Beginning of financial year	43,950	(426)	132	1,586	921	320	9,875	(43,482)	12,876	(71)	12,805	
Disposal of treasury shares	—	426	—	66	—	—	—	—	492	—	492	
Total comprehensive income/(loss) for the year	—	—	—	—	(43)	775	28,019	(11,467)	17,284	—	17,284	
End of financial year	43,950	—	132	1,652	878	1,095	37,894	(54,949)	30,652	(71)	30,581	

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 US\$'000	2013 US\$'000
Cash flows from operating activities			
Net loss before tax		(8,324)	(11,166)
Adjustments for:			
- Write-back of allowance for inventories obsolescence		(678)	(691)
- Amortisation of intangible assets		11	11
- Bad debts written off		—	164
- Depreciation of property, plant and equipment		2,744	2,139
- Fair value gain on investment properties		(26)	—
- Net gain on disposal of a subsidiary		(1,437)	—
- Net gain on disposal of available-for-sale financial assets		275	(51)
- Loss/(gain) on disposal of property, plant and equipment		19	(41)
- Loss on disposal of intangible assets		—	9
- Dividend income		(38)	(88)
- Interest income		(16)	(106)
- Finance expenses		1,337	2,453
- Impairment of non-trade receivables		1,700	1,531
- Impairment loss on available-for-sale financial assets		—	1,032
- Reclassification from other comprehensive income on disposal of available-for-sale financial assets		(878)	—
- Currency exchange differences		(12)	(72)
		(5,323)	(4,876)
Change in working capital, net of effects from disposal of subsidiaries:			
- Inventories		2,475	3,542
- Trade and other receivables		1,099	267
- Trade and other payables		2,831	3,853
Cash generated from operations		1,082	2,786
Interest received		16	106
Interest paid		(224)	(520)
Income tax paid		(162)	(235)
Net cash provided by operating activities		712	2,137
Cash flows from investing activities			
Additions to property, plant and equipment		(993)	(1,486)
Disposal of available-for-sale financial assets		1,902	117
Disposal of intangible assets		—	10
Disposal of property, plant and equipment		1	45
Net cash provided by/(used in) investing activities		910	(1,314)

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 US\$'000	2013 US\$'000
Cash flows from financing activities			
Proceeds from re-issuance of treasury shares		—	492
Proceeds from borrowings		57,301	70,000
Repayment of borrowings		(62,176)	(83,520)
Proceeds from finance lease liabilities		3,074	1,226
Repayments of finance lease liabilities		(2,392)	(722)
Proceeds from advances from Directors		1,064	5,847
Repayments of provision for corporate guarantee		(414)	—
Interest paid		(1,113)	(1,933)
Bank deposits released from pledged		3,020	9,635
Bank deposits pledged		(204)	(900)
Net cash (used in)/provided by financing activities		(1,840)	125
Net (decrease)/increase in cash and cash equivalents		(218)	948
Cash and cash equivalents			
Beginning of financial year		3,445	2,497
End of financial year	12	3,227	3,445

The accompanying notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Europtronic Group Ltd (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are disclosed in Note 36 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

Going concern

The Group has continued to incur net loss from its operations (2014: US\$8,357,000; 2013: US\$11,467,000). In addition to this, at 31 December 2014, the Group’s current liabilities exceeded its current assets by US\$32,050,000, and its cash and cash equivalents amounted to US\$3,227,000. Furthermore, the Company has net liabilities of US\$4,973,000 at the balance sheet date. These conditions indicate the existence of a material uncertainty that casts significant doubt on the ability of the Group and of the Company to operate as going concerns.

Notwithstanding with the above, the financial statements have been prepared on a going concern basis upon considering the following:

- The controlling shareholders, who are also directors of the Company, have provided personal undertakings to provide continuing financial support to the Group;
- The Company expects to obtain financial support from Kampac Oil Middle East FZCO after the latter’s reverse takeover of the Company (Note 33);
- The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which enhance the Group’s ability to continue with the current credit facilities as well as to diversify the bank borrowings to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future; and
- The directors of the Company are confident of stronger customer support from product mix transitions and positive operating outcomes in the next financial year.

The validity of the going concern assumption on which these financial statements have been prepared depends on the favourable outcome of reverse takeover transaction with Kampac Oil Middle East FZCO and continuing financial support from the controlling shareholders and the extent of diversifying the bank borrowings as well as favourable outcome of operating activities and customer orders. If the Group is unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded as at the balance sheet date. In addition, the Group may have to provide for further liabilities that might arise. The effect of these adjustments has not been reflected in the financial statements.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 from 1 January 2014.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from these sales is recognised when the Group has delivered the goods to locations specified by its customers and the customers have accepted the goods in accordance with the sales contract.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

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

Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2.
Significant accounting policies (continued)

2.3
Group accounting (continued)

(b)
Transactions with non-controlling interests

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4
Property, plant and equipment

(a)
Measurement

(i)
Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers on an annual basis and/or whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

(ii)
Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii)
Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(b)
Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land, buildings and improvements	40 - 50 years
Machinery and equipment	5 - 15 years
Motor vehicles	5 years

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation (continued)

Construction-in-progress is not depreciated until commissioned, as these assets are not available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses – net". Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and business on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and business prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries and business is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries and business include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Patent and club memberships

Patent and club memberships acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives, range from 10 to 50 years and periods of contractual rights. Club membership with infinite useful lives is not amortised.

(c) Customer relationship

Customer relationship acquired is initially recognised at cost and is subsequently carried at cost less accumulated impairment losses.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.5 Intangible assets

(d) *Research and development*

Research expenditure is written off as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if this cost is identifiable and it is probable that the cost will generate future economic benefit and its recoverable value exceeds the cost and can be measured reliably. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other expenditure is recognised in the statement of comprehensive income as an expense when incurred. Capitalised development expenditure is stated at cost less impairment losses. The management will carry out annual assessment that the criteria for capitalisation of development cost including technical and commercial feasibilities are met, if these criteria are not met, expenditure would be written off.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investment properties

Investment properties comprise apartments and office units that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations of improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

(a) *Goodwill (continued)*

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Intangible assets Property, plant and equipment Investments in subsidiaries*

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the 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.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 14) and "cash and cash equivalents" (Note 12) on the balance sheet.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) Classification (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately as income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment (continued)*

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries and a non-related party. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries and a non-related party fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using effective interest method.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. The Group also estimates the fair values of the financial assets by reference to the net assets of these equity securities. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases certain plant and machinery and motor vehicles under finance leases, factories and warehouses under operating leases from non-related parties.

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor:*

Lessor - Operating leases

The Group leases investment properties under operating leases to non-related parties. Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.18 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employees share option scheme*

The directors of the Company (including non-executive and independent directors) and employees of the Group receive remuneration in the form of share options as consideration for services rendered ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. The share option reserve is transferred to revenue reserve upon expiry of the options.

(c) *Performance share scheme*

Employees of the Company receive remuneration in the form of fully paid shares as consideration for services rendered. The cost of these equity settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. This cost is recognised in profit or loss, with a corresponding increase in equity. There is no vesting period for these performance shares.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains / (losses) – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) *Impairment of machinery and equipment*

Impairment is recognised when events and circumstances indicate that machinery and equipment may be impaired and the carrying amounts of the machinery and equipment exceed the recoverable amounts. Recoverable amount is defined as the higher of the machinery and equipment's fair value less costs to sell and its value-in-use. As at 31 December 2014, the carrying amount of machinery and equipment was US\$8,978,000.

When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period. In determining the recoverable amounts of the machinery and equipment, certain estimates regarding the current fair market value of the machinery and equipment are made. The current fair market value is determined based on valuations from an independent appraisal for the machinery and equipment, with an indicative value of US\$9,983,000.

(b) *Uncertain tax position*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's and the Company's income tax liabilities. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax liabilities and deferred income tax liabilities in the period in which such determination is made. The carrying amounts of the Group's income tax liabilities at the balance sheet date were US\$66,000 (2013: US\$195,000). As at 31 December 2014, the carrying amount of the Group's deferred income tax liabilities as at 31 December 2014 was US\$7,326,000 (2013: US\$1,046,000).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. Revenue

	Group	
	2014 US\$'000	2013 US\$'000
Sale of goods	25,029	37,924
Rendering of services	37	25
	25,066	37,949

5. Other income

	Group	
	2014 US\$'000	2013 US\$'000
Interest income - bank deposits	19	106
Rental income from investment properties (Note 17)	139	110
Dividend income	38	88
Others	15	52
	211	356

6. Other gains / (losses) - net

	Group	
	2014 US\$'000	2013 US\$'000
Currency translation gain - net	70	113
Available-for-sale financial assets		
- Impairment loss (Note 13)	—	(1,032)
- (Loss)/gain on disposal	(275)	8
- Reclassification from other comprehensive income on disposal (Note 26(iv))	878	43
Fair value gain on investment properties	26	—
(Loss)/gain on disposal of property, plant and equipment	(19)	41
Gain on disposal of a subsidiary (Note 12)	1,437	—
Loss on disposal of intangible assets	—	(9)
Impairment of non-trade receivables	(1,700)	(1,531)
	417	(2,367)

7. Finance expenses

	Group	
	2014 US\$'000	2013 US\$'000
Interest expense		
- Bank borrowings	893	997
- Trust receipts	224	520
- Finance lease liabilities	126	49
- Other third parties	94	887
Finance expenses recognised in profit or loss	1,337	2,453

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. Expenses by nature

	Group	
	2014 US\$'000	2013 US\$'000
Write-back of allowance for impairment of inventory	(678)	(691)
Amortisation of intangible assets (Note 19)	11	11
Fees on audit services paid/payable to:		
– Auditor of the Company	118	145
– Other auditors*	93	108
Bad debt write off	—	164
Bank charges	223	197
Changes in inventories	2,505	3,680
Depreciation of property, plant and equipment (Note 18)	2,744	2,139
Employee compensation (Note 9)	7,172	8,003
Entertainment	128	194
Freight and handling charges	449	516
Insurance	308	259
Professional fees	214	196
Purchases of inventories	15,584	24,969
Rental expense on operating leases	606	680
Repair and maintenance	269	397
Transportation	298	256
Utilities	929	1,000
Others	1,708	2,428
Total cost of sales, distribution and marketing costs and administrative expenses	32,681	44,651

* Includes the network of member firms of PricewaterhouseCoopers International Limited outside Singapore.

9. Employee compensation

	Group	
	2014 US\$'000	2013 US\$'000
Wages, salaries and bonuses	6,665	7,414
Employer's contribution to defined contribution plans including Central Provident Fund	507	589
	7,172	8,003

Key management remuneration is disclosed in Note 31(b).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. Income tax expense

	Group	
	2014 US\$'000	2013 US\$'000
Tax expense attributable to loss is made up of:		
Current income tax		
- Foreign	33	298
	33	298
- Under provision in prior financial years:		
Current income tax – Singapore	—	3
	33	301

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Loss before income tax	(8,324)	(11,166)
Tax calculated at tax rate of 17%	(1,415)	(1,898)
Effects of:		
- different tax rates in other countries	(542)	(479)
- expenses not deductible for tax purposes	930	2,295
- income not subject to tax	(70)	(124)
- deferred tax assets not recognised	1,130	489
- others	—	15
Tax charge	33	298

The tax (charge)/credit relating to each component of other comprehensive income is as follows:

	2014			2013		
	Before tax US\$'000	Tax charge US\$'000	After Tax US\$'000	Before tax US\$'000	Tax credit US\$'000	After tax US\$'000
Fair value gains and reclassification adjustments on available-for-sale financial assets	(878)	—	(878)	(43)	—	(43)
Revaluation (loss)/gains on property, plant and equipment	(9,750)	(6,260)	(16,010)	25,911	2,108	28,019
Currency translation differences arising from consolidation and disposal of a subsidiary	(733)	—	(733)	775	—	775
Other comprehensive income	(11,361)	(6,260)	(17,621)	26,643	2,108	28,751

Following the Compulsory Acquisition notice in 2013 from Wujiang Economic and Technological Development Zone (the "PRC Authority") to acquire the Group's land and buildings at Wujiang, management had intended to recover the carrying value of such land and building at US\$39,454,000 entirely through sale. Accordingly, management assessed the corresponding deferred tax liabilities based on local capital gain tax rate. In accordance with the local tax regulation, there would not be any capital gain tax imposed in connection with the compulsory acquisition by local authority for the purpose of urban planning and as such, management did not provide any deferred tax on revaluation gains of land and buildings at Wujiang in 2013.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. Income tax expense (continued)

During the financial year, the Company had received from the PRC Authority a letter dated 17 December 2014 wherein the PRC Authority had informed the Company that the PRC Authority and the Company have not been able to reach an agreement relating to the amount of compensation for the Compulsory Acquisition; and in view of such circumstances, the PRC Authority shall, in the meantime, cease to carry out the Compulsory Acquisition and the parties shall, when the opportunity arises in the future, resume or commence negotiations for the proposed acquisition by the PRC Authority of the Premises. As at 31 December 2014, the carrying value of the land and building is US\$28,484,000.

Accordingly, management has assessed that the recovery through sale is unlikely in the foreseeable future. Management recognized the deferred tax liability at US\$6,293,000 on the revaluation of land and building in 2014, based on manner of recovery of carrying amount of land and building through use.

11. Loss per share

Basic and diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

There is no difference between basic loss per share and diluted loss per share as the Company has no dilutive potential ordinary shares.

	Group	
	2014	2013
Net loss attributable to equity holders of the Company (US\$'000)	(8,357)	(11,467)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	786,444	786,444
Basic and diluted loss per share (cents per share)	(1.06)	(1.46)

12. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	3,227	3,445	18	368
Short-term bank deposits	—	2,816	—	—
	3,227	6,261	18	368

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2014	2013
	US\$'000	US\$'000
Cash and bank balances (as above)	3,227	6,261
Less: Bank deposits pledged	—	(2,816)
Cash and cash equivalents per consolidated statement of cash flows	3,227	3,445

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 22).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Cash and cash equivalents (continued)

Disposal of a subsidiary

On 26 September 2014, the Group disposed of its entire interest in Europtronic (Singapore) Pte Ltd for a cash consideration of US\$0.80.

The effects of the disposal on the cash flows of the Group were:

	Group 2014 US\$'000
<i>Carrying amounts of assets and liabilities disposed</i>	
Cash and cash equivalents	(14)
Trade and other receivables	(2,985)
Inventories	—
Property, plant and equipment	(203)
Total assets	(3,202)
Trade and other payables	4,310
Borrowings	7,413
Total liabilities	11,723
Net liabilities derecognised and disposed of	8,521
The aggregate cash outflows arising from the disposal of Europtronic (Singapore) Pte Ltd were:	
Net liabilities disposed of (as above)	(8,521)
- Reclassification of currency translation reserve to profit or loss (Note 26(v))	(413)
	(8,934)
Provision for corporate guarantee (Note 21)	7,497
Gain on disposal	1,437
Cash proceeds from disposal	—
Less: Cash and cash equivalents in a subsidiary disposed of	(14)
Net cash outflow on disposal	(14)

13. Available-for-sale financial assets

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	2,187	3,328	1	1
Impairment losses	—	(1,032)	—	—
Disposals	(2,186)	(109)	—	—
End of financial year	1	2,187	1	1
Less: Current portion	(1)	(1)	(1)	(1)
Non-current portion	—	2,186	—	—

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Available-for-sale financial assets (continued)

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Quoted equity securities				
- Singapore	1	1	1	1
- Taiwan	—	2,186	—	—
Total	1	2,187	1	1

During the financial year, the Group disposed its entire interest in Tecstar, a quoted available-for-sales investment listed in GreTai Securities Market, Taiwan. Previously recognised gain on available-for-sales investment of US\$878,000 has been reclassified from other comprehensive income to the income statement and a fair value loss of US\$275,000 has been recognised upon disposal.

14. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
- Non-related parties	8,571	13,131	—	—
- Bill receivables	32	43	—	—
	8,603	13,174	—	—
Less: Allowance for impairment of receivables	(54)	(234)	—	—
Trade receivables - net	8,549	12,940	—	—
Other receivables				
- Subsidiaries	—	—	7,801	7,367
- Receivables from disposal of subsidiary	—	127	—	—
- Advances to non-related parties	1,653	1,659	—	—
- Receivables from related party companies	30	391	—	—
- Others	1,416	1,107	3	—
	3,099	3,284	7,804	7,367
Less: Allowance for impairment of receivables	(1,653)	—	(5,494)	(5,406)
Non-trade receivables - net	1,446	3,284	2,310	1,961
Deposits	96	110	—	—
Prepayments	766	815	215	269
	862	925	215	269
Total	10,857	17,149	2,525	2,230

The amount due from subsidiaries, related party companies and advances to non-related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Inventories

	Group	
	2014 US\$'000	2013 US\$'000
Raw materials	1,012	1,073
Work-in-progress	1,247	1,387
Finished/trading goods	2,017	3,613
	4,276	6,073

The cost of inventories recognised as an expense and included in “cost of sales” amounts to US\$18,538,000 (2013: US\$29,164,000).

During the financial year, the Group has recognised a write back of allowance for inventory obsolescence, amounting to US\$678,000 (2013: US\$691,000).

16. Investments in subsidiaries

	Company	
	2014 US\$'000	2013 US\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	41,472	37,264
Additions	—	4,208
Disposal	(11,322)	—
End of financial year	30,150	41,472
<i>Accumulated impairment</i>		
Beginning of financial year	27,672	12,142
Allowance made	—	15,530
Disposal	(11,322)	—
End of financial year	16,350	27,672
Total	13,800	13,800

On 26 September 2014, the Company disposed of its entire interest in Europtronic (Singapore) Pte Ltd for a cash consideration of US\$0.80.

Details of significant subsidiaries are included in Note 36.

17. Investment properties

	Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	3,303	203
Transfer from property, plant and equipment (Note 18)	—	3,094
Fair value gain on investment properties	26	—
Currency translation differences	—	6
End of financial year	3,329	3,303

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Investment properties (continued)

The following amounts are recognised in profit and loss:

	Group	
	2014	2013
	US\$'000	US\$'000
Rental income (Note 5)	139	110
Direct operating expenses arising from:		
- Investment properties that generate rental income	(13)	(31)

Investment properties are leased to non-related parties under operating leases (Note 29(b)).

An investment property is mortgaged to secure bank loans (Note 22(a)).

At the balance sheet date, the details of the Group investment properties are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
Block 28 #103/104 San Xing Road Song Ling Town (松陵镇三兴路1188号美岸青城), People's Republic of China	Residential properties	Vacant	65 years	Expiring on 7 August 2075
13F-A, D and A/D No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Office and carpark lot No.64 and 67	Office building	50 years	Expiring on 5 December 2042

Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)		
	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	US\$'000	US\$'000	US\$'000

Group – 31 December 2014

Recurring fair value measurements

Investment properties:

- Residential properties - People's Republic of China
- Office units - People's Republic of China

—	—	209
—	—	3,120

Group — 31 December 2013

Recurring fair value measurements

Investment properties:

- Residential properties - People's Republic of China
- Office units - People's Republic of China

—	—	209
—	—	3,094

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Investment properties (continued)

Reconciliation of movements in Level 3 fair value measurement:

	Residential properties US\$'000	Office units US\$'000
Investment properties:		
31 December 2014		
Beginning of financial year	209	3,094
Gains recognised in profit and loss, under "Other gains/(losses) – net"	—	26
End of financial year	209	3,120
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the financial year, under "Other gains/(losses) - net"	—	—
31 December 2013		
Beginning of financial year	203	—
Gains recognised in profit and loss, under "Other gains/(losses) – net"	6	—
Transfer from property, plant and equipment (Note 18)	—	3,094
End of financial year	209	3,094
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the financial year, under "Other gains/(losses) - net"	6	—

There were no changes in valuation techniques during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy which involve significant unobservable inputs:

Description	Fair value at 31 December 2014 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Investment properties					
Residential properties	209 (2013: 209)	Direct Comparison Approach	Estimated market price	US\$804 per square meter (2013: US\$801)	The higher the adjusted valuation per square meter, the higher the fair value.
Office units	3,120 (2013: 3,094)	Direct Comparison Approach	Estimated market price	US\$4,378 per square meter (2013: US\$4,366)	The higher the adjusted valuation per square meter, the higher the fair value.

¹ There were no significant inter-relationships between unobservable inputs.

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties annually based on the properties' highest and best use.

The Direct Comparison Approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in the respective countries. Necessary adjustments have been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment

	Freehold land US\$'000	Leasehold land, buildings and improvements US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Construction -in-progress US\$'000	Total US\$'000
<i>Group</i>						
2014						
<i>Cost or valuation</i>						
Beginning of financial year						
Cost	—	363	22,625	491	14	23,493
Valuation	3,463	40,938	—	—	—	44,401
	3,463	41,301	22,625	491	14	67,894
Currency translation differences	(141)	(100)	(26)	(2)	—	(269)
Additions	—	1	855	137	—	993
Disposals and write off	—	(349)	(2,245)	(255)	—	(2,849)
Revaluation surplus/(deficit)	48	(9,798)	—	—	—	(9,750)
End of financial year	3,370	31,055	21,209	371	14	56,019
<i>Representing:</i>						
Cost	—	15	21,209	371	14	21,609
Valuation	3,370	31,040	—	—	—	34,410
	3,370	31,055	21,209	371	14	56,019
<i>Accumulated depreciation</i>						
Beginning of financial year	—	245	12,929	289	—	13,463
Currency translation differences	—	(5)	(24)	(2)	—	(31)
Depreciation charge	—	1,178	1,522	44	—	2,744
Disposals and write off	—	(292)	(2,196)	(128)	—	(2,616)
End of financial year	—	1,126	12,231	203	—	13,560
Net book value						
End of financial year	3,370	29,929	8,978	168	14	42,459

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

	Freehold land US\$'000	Leasehold land, buildings and improvements US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Construction -in-progress US\$'000	Total US\$'000
<u>Group</u>						
2013						
<i>Cost or valuation</i>						
Beginning of financial year						
Cost	—	324	20,907	539	13	21,783
Valuation	2,261	19,064	—	—	—	21,325
	2,261	19,388	20,907	539	13	43,108
Currency translation differences	(37)	320	490	4	1	778
Additions	—	39	1,262	185	—	1,486
Disposals and write off	—	—	(34)	(237)	—	(271)
Transfer to investment properties	(175)	(2,943)	—	—	—	(3,118)
Revaluation surplus	1,414	24,497	—	—	—	25,911
End of financial year	3,463	41,301	22,625	491	14	67,894
<i>Representing:</i>						
Cost	—	363	22,625	491	14	23,493
Valuation	3,463	40,938	—	—	—	44,401
	3,463	41,301	22,625	491	14	67,894
<i>Accumulated depreciation</i>						
Beginning of financial year	—	138	11,166	468	—	11,772
Currency translation differences	—	(424)	262	4	—	(158)
Depreciation charge	—	555	1,530	54	—	2,139
Disposals and write off	—	—	(29)	(237)	—	(266)
Transfer to investment properties	—	(24)	—	—	—	(24)
End of financial year	—	245	12,929	289	—	13,463
Net book value						
End of financial year	3,463	41,056	9,696	202	14	54,431

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

	Machinery and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<u>Company</u>			
2014 and 2013			
Cost			
Beginning and end of financial year	2	51	53
Accumulated depreciation			
Beginning and end of financial year	2	51	53
Net book value			
End of financial year	—	—	—

- (a) The carrying amounts of machinery and equipment and a motor vehicle held under finance leases are US\$1,350,000 (2013: US\$291,000) and US\$114,000 (2013: US\$147,000) respectively at the balance sheet date.
- (b) The freehold land, leasehold land, buildings and improvements of the Group were valued by independent professional valuers based on the properties' highest-and-best-use using the Cost Approach, Direct Market Comparison and Income method at the balance sheet date.

Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
Group – 31 December 2014			
Recurring fair value measurements			
Properties, plant and equipment:			
- Land and factory - People's Republic of China	—	—	28,484
- Office units - Republic of China	—	—	4,815
Group – 31 December 2013			
Recurring fair value measurements			
Properties, plant and equipment:			
- Land and factory - People's Republic of China	—	—	39,454
- Office units - Republic of China	—	—	4,947

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

Reconciliation of movements in Level 3 fair value measurement:

	Leasehold land and factory US\$'000	Freehold land and office units US\$'000
Property, plant and equipment:		
31 December 2014		
Beginning of financial year	39,454	4,947
Gains recognised in profit and loss, under "Other operating expenses"	(1,081)	(36)
Gains recognised in profit and loss, under "Other gains/(losses) – net"	(35)	(200)
Gains recognised in profit and loss, under "Other comprehensive (losses)/income"	(9,854)	104
End of financial year	28,484	4,815
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the financial year, under "Other gains/(losses) - net"	(35)	(200)
31 December 2013		
Beginning of financial year	14,961	6,364
Gains recognised in profit and loss, under "Other operating expenses"	(390)	(58)
Gains recognised in profit and loss, under "Other gains/(losses) – net"	677	30
Gains recognised in profit and loss, under "Other comprehensive income"	24,206	1,705
Transfer to investment properties (Note 17)	—	(3,094)
End of financial year	39,454	4,947
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the financial year, under "Other gains/(losses) - net"	677	30

There were no changes in valuation techniques during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of properties, plant and equipment categorised under Level 3 of the fair value hierarchy which involve significant unobservable inputs:

Description	Fair value at 31 December 2014 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Properties, plant and equipment					
Land and factory	28,484 (2013: 39,454)	Cost Approach	Estimated market price Depreciated replacement costs	US\$449 per square meter (2013: US\$651) US\$4,331,000 (2013: US\$4,440,000)	The higher the adjusted valuation per square meter, the higher the fair value. The higher the depreciated replacement costs, the higher the fair value.
Freehold land and office units	4,815 (2013: 4,947)	Direct Comparison Approach Income Capitalisation Approach	Estimated market price Estimated rental value per square meter per month Capitalisation rate	US\$5,263 per square meter (2013: US\$5,444) US\$12 per square meter per month (2013: US\$12) 1.65% (2013: 1.7%)	The higher the estimated market price, the higher the fair value. The higher the estimated rental value per square meter, the higher the fair value. The higher the capitalisation rate, the lower the fair value.

¹ There were no significant inter-relationships between unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment annually based on the properties' highest and best use.

The Cost approach involves separately determining the values of the land and building and a summation of these values is taken to be the fair value of land and building. The value of the land is arrived at by the comparison approach in which it takes reference to transactions of similar lands in the surrounding with adjustments made for any differences. The buildings are valued by reference to their depreciated replacement cost. It is determined by taking current replacement cost of the building as new and allowing for depreciation for obsolescence.

The Direct Comparison Approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in the respective countries. Necessary adjustments have been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

In the Income Capitalisation Approach, gross rental income is estimated at a mature maintainable occupancy level from which total expenses have been deducted and net income capitalised at an appropriate rate.

- (c) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

	Group	
	2014	2013
	US\$'000	US\$'000
Freehold land	1,263	1,316
Leasehold land, buildings and improvements	6,592	6,788

- (d) Bank borrowings are secured on freehold and leasehold land, buildings and improvements of the Group with carrying amounts of US\$33,299,000 (2013: US\$44,519,000) (Note 22).

19. Intangible assets

	Group	
	2014	2013
	US\$'000	US\$'000
<u>Composition:</u>		
Patents (Note (a))	1	6
Club memberships (Note (b))	405	418
	406	424

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. Intangible assets (continued)

(a) Patents

	Group	
	2014 US\$'000	2013 US\$'000
<i>Cost</i>		
Beginning of financial year	48	46
Currency translation differences	—	2
End of financial year	48	48
<i>Accumulated amortisation</i>		
Beginning of financial year	42	36
Amortisation charge	5	5
Currency translation differences	—	1
End of financial year	47	42
<i>Net book value</i>		
End of financial year	1	6

(b) Club memberships

	Group	
	2014 US\$'000	2013 US\$'000
<i>Cost</i>		
Beginning of financial year	464	485
Disposal	—	(27)
Currency translation differences	(7)	6
End of financial year	457	464
<i>Accumulated amortisation</i>		
Beginning of financial year	46	44
Amortisation charge	6	6
Disposal	—	(9)
Currency translation differences	—	5
End of financial year	52	46
<i>Net book value</i>		
End of financial year	405	418

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables to				
- Non-related parties	7,141	9,137	—	—
- Bills payables	1,658	1,310	—	—
	8,799	10,447	—	—
Non-trade payables to				
- Subsidiaries	—	—	11,600	10,726
- Advances from directors	6,911	5,847	2,141	1,838
- Non-related parties	1,990	2,692	—	—
- Related parties	365	—	—	—
Accruals for operating expenses	3,006	3,008	493	320
	21,071	21,994	14,234	12,884

The non-trade amounts due to subsidiaries of the Company are unsecured, bear interest at 0.75% (2013: 0.225%) per annum and are repayable on demand.

The non-trade advances from the directors of the Company are unsecured, interest free and repayable on demand except for an amount of US\$4,000,000 which bear interest at 3% per annum with effect from 1 June 2014.

21. Provision for corporate guarantee

As part of the Group's divestment of Europtronic (Singapore) Pte Ltd on 26 September 2014, the Company has agreed to provide corporate guarantees over the principal and its related interest costs on the outstanding bank borrowings of Europtronic (Singapore) Pte Ltd. The Company is not obliged against the subsequent drawdown of the bank borrowings incurred by Europtronic (Singapore) Pte Ltd.

Movement of provision for corporate guarantee

	Group and Company 2014 US\$'000
Initial recognition	7,497
Less: repayments	(414)
	7,083

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Borrowings

	Group	
	2014 US\$'000	2013 US\$'000
<i>Current</i>		
Bank borrowings		
- Trust receipts	2,348	11,560
- Short-term loan	19,082	21,122
- Term loan	137	139
Loan from available-for-sale investee company	—	682
	21,567	33,503
Finance lease liabilities (Note 23)	624	250
	22,191	33,753
<i>Non-current</i>		
Bank borrowings		
- Term loan	1,711	1,939
Finance lease liabilities (Note 23)	504	320
	2,215	2,259
Total borrowings	24,406	36,012

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Not later than one year	22,191	33,503
Between one and five years	2,215	2,509
	24,406	36,012

(a) Security granted

Bank borrowings of the Group are secured over certain bank deposits (Note 12), an investment property (Note 17), certain land and buildings (Note 18) and corporate guarantee by the Company. In addition, the controlling shareholders of the Group have also provided personal guarantees and pledged certain personal properties to secure the credit facilities undertaken by the Group.

Finance lease liabilities of the Group are secured by the rights to the leased plant and equipment, and motor vehicles (Note 18), which will revert to the lessor in the event of default by the Group.

(b) Breach of loan covenants

The bank borrowing is subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. In 2013, a subsidiary of the Group has breached certain financial covenants, in connection with the credit facilities of US\$14,539,000. The breach of financial covenants is an event of default and may result in the banks exercising their rights under the credit facility agreements to recall the credit facilities and to demand immediate repayment. The breaches of these financial covenants were remedied as the banks had agreed to waive the breaches.

During the financial year, the subsidiary has been disposed and the Company has recognised a provision for corporate guarantee over the principal and its related costs on the outstanding bank borrowings (Note 21).

The fair value of the borrowings is expected to approximate their carrying values as interest rate of these borrowings is adjusted for changes in the relevant market interest rates.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group	
	2014 US\$'000	2013 US\$'000
Minimum lease payments due		
- Not later than one year	764	294
- Between one and five years	627	389
	1,391	683
Less: Future finance charges	(263)	(113)
Present value of finance lease liabilities	1,128	570

The present values of finance lease liabilities are analysed as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Not later than one year (Note 22)	624	250
Between one and five years (Note 22)	504	320
	1,128	570

24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Deferred income tax liabilities to be settled after one year	7,326	1,046

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Deferred income taxes

Movement in deferred income tax account is as follows:

	Asset revaluation gains - net US\$'000	Total US\$'000
<u>Group</u>		
2014		
Beginning of financial year	1,046	1,046
Currency translation differences	20	20
Tax charged to:		
- equity	6,260	6,260
End of financial year	<u>7,326</u>	<u>7,326</u>
2013		
Beginning of financial year	3,145	3,145
Currency translation differences	9	9
Tax credited to:		
- equity	(2,108)	(2,108)
End of financial year	<u>1,046</u>	<u>1,046</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US\$9,243,000 (2013: US\$13,500,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

25. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Share Capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
<u>Group and Company</u>				
2014				
Beginning and end of financial year	<u>786,445</u>	<u>—</u>	<u>43,950</u>	<u>—</u>
2013				
Beginning of financial year	786,445	(12,500)	43,950	(426)
Disposal	—	12,500	—	426
End of financial year	<u>786,445</u>	<u>—</u>	<u>43,950</u>	<u>—</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Other reserves

Composition:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Share option reserve	132	132	132	132
Capital and statutory reserve	1,652	1,652	66	66
Asset revaluation reserve	21,884	37,894	—	—
Fair value reserve	—	878	—	—
Currency translation reserve	362	1,095	3,228	3,228
	24,030	41,651	3,426	3,426
(i) Share options reserve				
Beginning and end of financial year	132	132	132	132
(ii) Capital and statutory reserve				
Beginning of financial year	1,652	1,586	66	—
Gain on disposal of treasury shares	—	66	—	66
End of financial year	1,652	1,652	66	66

Subsidiaries incorporated in the People's Republic of China are required by law to set aside 10% of their annual net profit after tax less prior year's losses, if any, as statutory reserve until the accumulated reserve reaches an amount equal to 50% of the respective subsidiaries' paid-up capital. Such statutory reserve can be used to offset a deficit in the Group's revenue reserve. This statutory reserve is not available for distribution as dividends.

	Group	
	2014	2013
	US\$'000	US\$'000
(iii) Asset revaluation reserve		
Beginning of financial year	37,894	9,875
Deferred tax (Note 24)	(6,260)	2,108
Revaluation (loss)/gains	(9,750)	25,911
End of financial year	21,884	37,894
(iv) Fair value reserve		
Beginning of financial year	878	921
Available-for-sale financial assets		
– Reclassification to profit or loss (Note 6)	(878)	(43)
End of financial year	—	878

Fair value reserve records the cumulative fair value changes for available-for-sale financial assets until they are de-recognised or impaired.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Other reserves (continued)

Composition: (continued)

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
(v) Currency translation reserve				
Beginning of financial year	1,095	320	3,228	3,228
Net currency translation differences of financial statements of foreign subsidiaries	(733)	775	—	—
End of financial year	362	1,095	3,228	3,228

Currency translation reserve is related to exchange differences arising from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's presentation currency. Such reserve is not available for distribution as dividends.

27. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	Company	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	43,861	27,611
Net loss	8,488	16,250
End of financial year	52,349	43,861

28. Contingencies

Contingent liabilities

Contingent liabilities, of which the probability of settlement is not remote at the balance sheet date, are as follows:

Group

On 3 November 2014, a claim for US\$348,000 was lodged by a third party against Europtonic (HK) Company Limited (the "Subsidiary") in respect to collection of payments from the customer of a related party on their behalf.

Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. Commitments

- (a) Operating lease commitments - where the Group is a lessee

The Group leases warehouses and office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Not later than one year	356	558
Between one and five years	509	685
	865	1,243

- (b) Operating lease commitments - where the Group is a lessor

The Group and Company lease out office space to non-related parties under non-cancellable operating lease. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Not later than one year	38	137
Between one and five years	—	34
	38	171

30. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as foreign currency borrowings to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and establishes detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Group Financial Controller. Regular reports are also submitted to the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, People's Republic of China, Hong Kong and Taiwan. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD") and New Taiwan Dollar ("NTD").

In addition, the Group is also exposed to currency translation risk on the net assets in foreign operations, including Hong Kong, People's Republic of China and Taiwan.

The Group does not have any formal hedging policy against foreign exchange fluctuations.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD US\$'000	USD US\$'000	RMB US\$'000	NTD US\$'000	Others US\$'000	Total US\$'000
<u>At 31 December 2014</u>						
Financial assets						
Cash and cash equivalents	16	625	688	1,869	29	3,227
Available-for-sale financial assets	1	—	—	—	—	1
Trade and other receivables	38	5,632	4,301	98	22	10,091
Receivables from related corporations	—	69,437	14,741	1,359	—	85,537
	55	75,694	19,730	3,326	51	98,856
Financial liabilities						
Trade and other payables	(4,541)	(2,224)	(11,149)	(3,103)	(54)	(21,071)
Borrowings	(117)	(17,737)	(4,703)	(1,848)	(1)	(24,406)
Provision for corporate guarantee	—	(7,083)	—	—	—	(7,083)
Payables to related corporations	—	(68,838)	(14,837)	(1,598)	—	(85,273)
	(4,658)	(95,882)	(30,689)	(6,549)	(55)	(137,833)
Net financial liabilities	(4,603)	(20,188)	(10,959)	(3,223)	(4)	(38,977)
Less: Net financial liabilities/ (assets) denominated in the respective entities functional currency						
	—	16,074	8,102	3,188	—	27,364
Net currency exposure	(4,603)	(4,114)	(2,857)	(35)	(4)	(11,613)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD US\$'000	USD US\$'000	RMB US\$'000	NTD US\$'000	Others US\$'000	Total US\$'000
<u>At 31 December 2013</u>						
Financial assets						
Cash and cash equivalents	123	2,707	2,013	1,407	11	6,261
Available-for-sale financial assets	1	—	—	2,186	—	2,187
Trade and other receivables	130	9,498	5,849	767	90	16,334
Receivables from related corporations	—	71,300	11,830	979	—	84,109
	254	83,505	19,692	5,339	101	108,891
Financial liabilities						
Trade and other payables	(3,150)	(5,040)	(10,186)	(3,564)	(54)	(21,994)
Borrowings	(711)	(28,675)	(3,864)	(2,760)	(2)	(36,012)
Payables to related corporations	—	(71,116)	(11,824)	(979)	—	(83,919)
	(3,861)	(104,831)	(25,874)	(7,303)	(56)	(141,925)
Net financial assets/(liabilities)	(3,607)	(21,326)	(6,182)	(1,964)	45	(33,034)
Less: Net financial liabilities/ (assets) denominated in the respective entities functional currency	—	17,637	5,165	3,746	—	26,548
Net currency exposure	(3,607)	(3,689)	(1,017)	1,782	45	(6,486)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD US\$'000	USD US\$'000	RMB US\$'000	Total US\$'000
2014				
Financial assets				
Cash and cash equivalents	4	14	—	18
Available-for-sale financial assets	1	—	—	1
Trade and other receivables	3	1	2,306	2,310
	8	15	2,306	2,329
Financial liabilities				
Trade and other payables	(2,634)	(11,600)	—	(14,234)
Provision for corporate guarantee	—	(7,083)	—	(7,083)
	(2,634)	(18,683)	—	(21,317)
Net financial assets/(liabilities)	(2,626)	(18,668)	2,306	(18,988)
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies	—	18,668	—	18,668
Net currency exposure	(2,626)	—	2,306	(320)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD US\$'000	USD US\$'000	RMB US\$'000	Total US\$'000
2013				
Financial assets				
Cash and cash equivalents	1	367	—	368
Available-for-sale financial assets	1	—	—	1
Trade and other receivables	—	—	1,961	1,961
	2	367	1,961	2,330
Financial liabilities				
Trade and other payables	(2,158)	(10,726)	—	(12,884)
	(2,158)	(10,726)	—	(12,884)
Net financial assets/(liabilities)	(2,156)	(10,359)	1,961	(10,554)
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies				
	—	10,359	—	10,359
Net currency exposure	(2,156)	—	1,961	(195)

The Group and Company have no other significant currency exposure, except to RMB and NTD. Currency exposure to NTD mainly arose from its available-for-sale financial assets in the form of equity investments and borrowings. If the RMB and NTD change against the USD by 5% (2013: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset / liability position will be as follows:

	2014		2013	
	Increase/(decrease)			
	Group		Company	
	Loss after tax US\$'000	Other comprehensive income US\$'000	Loss after tax US\$'000	Other comprehensive income US\$'000
The Group				
RMB against USD				
- strengthened	(143)	—	(51)	—
- weakened	143	—	51	—
NTD against USD				
- strengthened	(2)	—	—	89
- weakened	2	—	—	(89)
The Company				
RMB against USD				
- strengthened	(115)	—	(98)	—
- weakened	115	—	98	—

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group has insignificant exposure to equity price risk as it does not hold any significant equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure and by keeping bank loans to the minimum required to sustain the operations of the Group.

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in USD. If the USD interest rate had increased/decreased by 1% (2013: 1%) with all other variables including tax rate being held constant, the loss after tax would have been higher/lower by US\$244,000 (2013: US\$360,000).

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Chief Executive Officer ("CEO") based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the CEO.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Corporate guarantees provided to banks on subsidiaries' loans	30,361	32,348

The trade receivables of the Group comprise five debtors (2013: five debtors) that represented 44% (2013: 47%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
<u>By geographical areas</u>		
People's Republic of China	7,380	8,788
Asia	1,169	4,152
	8,549	12,940

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables not past due include receivables amounting to US\$5,849,000 (2013: US\$8,052,000). The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Past due < 3 months	2,632	4,736
Past due > 3 months	68	152
	2,700	4,888

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Gross amount	54	236
Less: Allowance for impairment	(54)	(234)
	—	2
Beginning of financial year	234	207
Currency translation differences	(2)	1
Allowance made	—	26
Allowance utilised	(178)	—
End of financial year	54	234

No allowance for impairment was recognised during the financial year based on amount recoverable. The impaired receivables arise mainly from debtors with significant financial difficulties, default or delay in payments.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining sufficient cash and flexibility in funding by keeping committed credit lines available.

Short-term funding is obtained from bank loans and borrowings. The Group manages this risk by monitoring working capital projections, taking into account the available banking facilities of the Group and ensuring that the Group has adequate working capital to meet current requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$'000	Between 1 and 5 years US\$'000
<u>Group</u>		
At 31 December 2014		
Trade and other payables	21,071	—
Provision for corporate guarantee	7,083	—
Borrowings	22,426	2,467
At 31 December 2013		
Trade and other payables	21,994	—
Borrowings	33,925	2,581
<u>Company</u>		
At 31 December 2014		
Trade and other payables	14,234	—
Financial guarantee contracts	30,361	—
At 31 December 2013		
Trade and other payables	12,884	—
Financial guarantee contracts	32,348	—

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(d) Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern by maintaining a strong credit rating, healthy capital ratios and optimal capital structure so as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or achieve an optimal capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or to sell assets to reduce borrowings.

The Group monitors capital based on total capital. Net debt is calculated as borrowings and provision for corporate guarantee plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Net debt	49,333	51,745	21,299	12,516
Total equity	4,603	30,581	(4,973)	3,515
Total capital	53,936	82,326	16,326	16,031

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 2013 except for the breach of loan covenants as disclosed in Note 22(b) to the financial statements.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

See Note 17 and 18 for disclosure of the investment properties and property, plant and equipment that are measured at fair value.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<u>Group</u>				
2014				
Assets				
Available-for-sale financial assets	—	—	—	—
2013				
Assets				
Available-for-sale financial assets	2,187	—	—	2,187
<u>Company</u>				
2014 and 2013				
Assets				
Available-for-sale financial assets	1	—	—	1

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using value-in-use method. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are included in Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The following table presents the changes in Level 3 instruments:

	Group	
	2014 US\$'000	2013 US\$'000
<u>Available-for-sale financial assets</u>		
Beginning of financial year	—	550
Impairment loss	—	(550)
End of financial year	—	—

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of borrowings and provision for corporate guarantee approximates their carrying amount.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Financial risk management (continued)

- (f) Financial Instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Available-for-sale financial assets	1	2,187	1	1
Loans and receivables	13,318	22,595	2,328	2,329
Financial liabilities at amortised cost	52,560	58,006	21,317	12,884

31. Related party transactions

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

- (a) Transactions with a related party

	Group	
	2014 US\$'000	2013 US\$'000
Rental expenses paid to a director of the Company	28	28
Purchase of bio-logical assets from a related party company	—	16

Related party companies are companies which are controlled by a common shareholder/director. Balances with the related party companies at the balance sheet date are set out in Note 14.

- (b) Key management personnel compensation

	Group	
	2014 US\$'000	2013 US\$'000
Salaries, wages and bonuses	1,218	1,310
Employer's contribution to defined contribution plans including Central Provident Fund	46	48
	1,264	1,358

Included in the above is total compensation to directors of the Company amounting to US\$721,000 (2013: US\$730,000).

32. Segment information

Management has determined the operating segments based on the reports reviewed by the Senior Management that are used to make strategic decisions. The Senior Management comprises the Chief Executive Officer, the Regional Financial Officer and the department heads of each business within each geographic segment.

The Group is primarily divided into 2 business segments, namely manufacture and sale of film capacitors ("Manufacturing") and distribution of active and passive components ("Distribution"). The Group adopts these 2 business segments as the basis for its primary segment information.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Segment information (continued)

Other services included within Singapore, the People's Republic of China, Hong Kong and Taiwan include investment holding and provision of management services. The results of these operations are included in the "investment holding and other" column. The segment information provided to the Senior Management for the reportable segments are as follows:

	Manufacturing US\$'000	Distribution US\$'000	Investment holding and other US\$'000	Total reportable segments US\$'000
Group				
2014				
Revenue:				
- Total segment sales	18,292	8,655	126	27,073
- Inter-segment sales	(875)	(1,130)	(2)	(2,007)
Sales to external parties	17,417	7,525	124	25,066
Gross (loss)/profit	(2,075)	268	68	(1,739)
Loss before tax	(6,521)	(433)	(1,370)	(8,324)
Other (gains)/losses:				
- Depreciation	2,565	179	—	2,744
- Amortisation	10	1	—	11
- Fair value gain on investment properties	—	(26)	—	(26)
- Impairment of non-trade receivables	1,653	—	47	1,700
- Net gain on disposal of subsidiary	—	—	(1,437)	(1,437)
- Loss on disposal of available-for-sale financial assets	—	—	275	275
- Loss on disposal of property, plant and equipment	17	2	—	19
- Reclassification from other comprehensive income on disposal of an available-for-sale financial asset	—	—	(878)	(878)
Segment assets	50,259	5,340	8,956	64,555
Segment assets includes:				
Additions to property, plant and equipment	874	117	2	993
Segment liabilities	27,582	22,634	9,736	59,952

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Segment information (continued)

	Manufacturing US\$'000	Distribution US\$'000	Investment holding and other US\$'000	Total reportable segments US\$'000
Group				
2013				
Revenue:				
- Total segment sales	21,537	21,344	49	42,930
- Inter-segment sales	(2,375)	(2,599)	(7)	(4,981)
Sales to external parties	19,162	18,745	42	37,949
Gross (loss)/profit	(1,232)	1,181	9	(42)
Loss before tax	(5,753)	11,977	(17,390)	(11,166)
Other (gains)/losses:				
- Depreciation	1,871	255	13	2,139
- Amortisation	10	1	—	11
- Impairment loss of available-for-sale financial assets	—	—	1,032	1,032
- Impairment of trade and non-trade receivables	1,531	—	—	1,531
- Gain on disposal of available-for-sale financial assets	—	—	(51)	(51)
- Gain on disposal of property, plant and equipment	—	(41)	—	(41)
Segment assets	66,401	11,780	11,647	89,828
Segment assets includes:				
Additions to property, plant and equipment	1,276	208	2	1,486
Segment liabilities	18,979	37,408	2,860	59,247

Sales between segments are carried out at arm's length. The revenue from external parties reported to the senior management is measured in a manner consistent with that in the statement of comprehensive income.

The senior management assesses the performance of the operating segments based on the segment profits which exclude expenses of the investment holding company.

Segment assets

The amounts provided to the senior management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the senior management monitors the property, plant and equipment, inventories, trade and other receivables, available-for-sale financial assets, deferred income tax assets and operating cash attributable to each segment. All assets are allocated to reportable segments other than the operating cash and available-for-sale financial assets of the investment holding company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Segment information (continued)

Segment liabilities

The amounts provided to the senior management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than liabilities of the investment holding company.

Geographical segments

The Group's business segments operate mainly in the following geographical areas:

- (i) Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the trading of electronic components and investment holding;
 - (ii) Hong Kong – the operations in Hong Kong are principally the trading of electronic components;
 - (iii) People's Republic of China and Taiwan – the operations in People's Republic of China and Taiwan include the manufacture of own in-house electronic components and trading of electronic components.
- (i) Revenue by geographical segments are as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
People's Republic of China	20,348	23,022
Asia	4,718	14,292
Other	—	635
	25,066	37,949

Revenue of approximately US\$3,994,000 (2013: US\$5,443,000) is derived from a single external customer. These revenues are attributable to the People's Republic of China distribution and Asia distribution segment.

- (ii) Carrying amounts of non-current assets by geographical segments are as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
People's Republic of China	41,060	52,680
Asia	5,134	7,664
	46,194	60,344

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. Events occurring after balance sheet date

Potential reverse takeover transaction with Kampac Oil Middle East FZCO

On 7 February 2015, Europtronic Group Limited (the “Company”) entered into a non-legally binding Term Sheet with Charles Ampofo, Rodney Whitney and 13 employees (collectively, the “Vendors”) in respect of the following:

- (i) Proposed acquisition of a 100% interest in Kampac Oil Middle East FZCO by the Company.
- (ii) The proposed acquisition by the Company of a 100% interest in Kampac Oil Middle East FZCO is contingent on the following key conditions:
 - Completion and satisfactory due diligence results;
 - Completion and satisfactory technical or geological report and an independent professional valuation report on the resources of the oil exploration sites of Kampac Oil Middle East FZCO;
 - The Whitewash Resolution being duly passed and approved;
 - Approval of Singapore Stock Exchange and shareholders as well as other conditions as stipulated in the definitive agreements and must be completed within 3 months from the date of Term Sheet.

At the date of these financial statements, management is still in negotiation on the definitive sales and purchase agreements with the Vendors to arrive at the purchase consideration.

Proposed disposal of eight wholly owned subsidiaries

On 9 March 2015, Europtronic Group Limited (the “Company”) together with Europtronic Investment Pte Ltd and Europtronic Suzhou Co., Ltd, had entered into a conditional Sale and Purchase Agreement with Mr Tan Chee Kong (the “Purchaser”), Mr Huang Shih-An, Mrs Huang Chuang Shueh-Ou and Mr Huang Chien-Hung (collectively, the “Guarantors”) relating to the proposed disposal of eight wholly owned subsidiaries (the “Sale Entities”) of the Company. The Sale Entities comprise the following:

- Europtronic (HK) Company Limited (“Europtronic Hong Kong”)
- Europtronic (Taiwan) Ind. Corp. (“Europtronic Taiwan”)
- UPT Component (S) Pte Ltd (“UPT Component Singapore”)
- Europtronic Electronic (Shenzhen) Co., Ltd (“Europtronic Shenzhen”)
- Europtronic Green Energy Pte Ltd (“Europtronic Green Energy”)
- UPT Crypson Component (Shanghai) Co., Ltd (“UPT Component Shanghai”)
- Housing Technology Corp. (“Housing Technology”)
- Crypson Electronics (S) Pte Ltd (“Crypson Singapore”)

The total consideration of S\$1.00 for the proposed disposal of the Sale Entities represents a gain of approximately US\$1.3 million over the aggregate negative net assets value of the Sale Entities as at 31 December 2014.

The proposed disposal of the Sales Entities is conditional on the Company obtaining approval from Singapore Exchange and its shareholders at an extraordinary general meeting to be convened in relation to the proposed disposal of the Sales Entities. The proposed disposal has yet to be completed at the date of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 102 *Share-based payment* (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies the definition of vesting condition and separately defines 'performance condition' and 'service condition'. The Group will apply this amendment from 1 January 2015, but this is not expected to have any significant impact on the financial statements of the Group.

- FRS 103 *Business Combinations* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32, Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 40 *Investment Property* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

The Group will apply this amendment for acquisition of investment property taking place on/after 1 January 2015.

- FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 16 *Property, Plant and Equipment* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

This amendment is not expected to have any significant impact on the financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. New or revised accounting standards and interpretations (continued)

- FRS 24 *Related Party Disclosures* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 *Fair Value Measurement* (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

The management does not expect the adoption of the above FRSs and amendments to FRS in the future periods to have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Europtronic Group Ltd on 31 March 2015.

36. Listing of significant companies in the Group

Name of companies	Principal activities (Country of business/incorporation)	Equity holding	
		2014 %	2013 %
Subsidiaries held by the Company			
Europtronic (HK) Company Limited ^(c)	Trading of electronic components (Hong Kong)	100	100
Europtronic (Singapore) Pte Ltd ^(d)	Trading of electronic components, and provision of handling services (Singapore)	—	100
Europtronic (Taiwan) Ind. Corp. ^(c)	Trading of electronic components, procurement centre and business development centre (Republic of China)	100	100
Europtronic Investment Pte Ltd ^(a)	Investment holding (Singapore)	100	100
UPT Component (S) Pte Ltd ^(a)	Trading of electronic components (Singapore)	100	100

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Listing of significant companies in the Group (continued)

Name of companies	Principal activities (Country of business/incorporation)	Equity holding	
		2014 %	2013 %
Subsidiaries held by the Company (continued)			
Europtronic Electronic (Shenzhen) Co., Ltd ^(b)	Manufacture and distribution of own in-house manufactured metalised film capacitors, electronic components and ballasts (People’s Republic of China)	100	100
Europtronic (Suzhou) Co., Ltd ^(b)	Manufacture and distribution of own in-house manufactured metalised film capacitors, plastic film capacitors, ceramic capacitors, tantalum capacitors and various types of chip capacitors (People’s Republic of China)	100	100
Europtronic Technology (Suzhou) Co., Ltd	Dormant (People’s Republic of China)	100	100
Europtronic Green Energy Pte Ltd ^(a)	Growing of bio-fuel related plantlets and renewable energy related business development (Singapore)	100	100
Subsidiary held by Europtronic Investment Pte Ltd:			
Crypson Electronics (S) Pte Ltd ^(a)	Trading of electronic components and related goods (Singapore)	100	100
Subsidiary held by UPT Component (S) Pte Ltd:			
UPT Crypson Component (Shanghai) Co., Ltd ^(b)	Trading of electronic components (People’s Republic of China)	100	100
Subsidiary held by Europtronic (Taiwan) Ind. Corp.:			
Housing Technology Corp. ^(c)	Manufacture and distribution of chip inductors and chip beads (Republic of China)	99.97	99.97

(a) The financial statements of these subsidiaries are audited by PricewaterhouseCoopers LLP, Singapore for statutory reporting purpose.

(b) The financial statements of these companies are audited by PricewaterhouseCoopers Zhong Tian LLP for group reporting purpose.

(c) The financial statements of these companies are audited by PricewaterhouseCoopers Hong Kong and PricewaterhouseCoopers Taiwan for statutory reporting purpose.

(d) The entity is disposed off during financial year ended 31 December 2014

SUPPLEMENTARY INFORMATION

(SGX-ST Listing Manual Disclosure Requirement)

The Group's properties as at 31 December 2014 are:

Name of building/location	Description	Tenure
10E-4 No. 2 Lane 258 Rueiguang Road, Neihu District Taipei, Taiwan ROC	Office	Freehold
No. 1618 Yundongdadao Wujiang Economic Development Zone Suzhou, Jiangsu Province, PRC	Production, warehouse and dormitory	50 years commencing 9 August 1999 to 8 August 2049
13F-A No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Office	50 years commencing 6 December 1992 to 5 December 2042
13F-D No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Office	50 years commencing 6 December 1992 to 5 December 2042
13F-A/D No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Carpark Lot No. 64 & No. 67	50 years commencing 6 December 1992 to 5 December 2042

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.65	154	0.00
100 - 1,000	76	4.96	49,110	0.01
1,001 - 10,000	292	19.05	1,719,077	0.22
10,001 - 1,000,000	1,050	68.49	123,795,314	15.74
1,000,001 AND ABOVE	105	6.85	660,880,499	84.03
TOTAL	1,533	100.00	786,444,154	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	114,755,658	14.59
2	PHILLIP SECURITIES PTE LTD	34,030,300	4.33
3	LEONG WAI PING	28,941,000	3.68
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	27,954,043	3.55
5	HSBC (SINGAPORE) NOMINEES PTE LTD	27,465,000	3.49
6	ONG HO YONG ADAM	25,998,000	3.31
7	LIM HAN QIN	23,834,000	3.03
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	22,547,000	2.87
9	HONG LEONG FINANCE NOMINEES PTE LTD	18,306,000	2.33
10	RAFFLES NOMINEES (PTE) LIMITED	17,920,000	2.28
11	PHUA CHENG YENN	14,700,000	1.87
12	UOB KAY HIAN PRIVATE LIMITED	13,337,000	1.70
13	LIM CHAP HUAT	12,542,000	1.59
14	SUEN YIU CHUNG DICKY	11,514,818	1.46
15	DB NOMINEES (SINGAPORE) PTE LTD	11,378,512	1.45
16	HUANG YUN JU	10,557,704	1.34
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	8,979,800	1.14
18	DBS NOMINEES (PRIVATE) LIMITED	8,549,800	1.09
19	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	8,050,000	1.02
20	LIM GHUAT TEE	7,500,000	0.95
	TOTAL	448,860,635	57.07

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

Shareholders' Information as at 13 March 2015

Number of Issued Shares	:	786,444,154
Number of Issued Shares (excluding Treasury Shares)	:	786,444,154 ordinary shares
Number/Percentage of Treasury Shares	:	NA
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

Substantial Shareholders as at 14 March 2014

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Huang Shih-An	161,620,193	20.55	92,124,465*	11.71
Huang Chuang Shueh-Ou	92,124,465	11.71	161,620,193**	20.55

Notes:

* Mr Huang Shih-An is deemed to have an interest in the shares held by his spouse, Mrs Huang Chuang Shueh-Ou.

** Mrs Huang Chuang Shueh-Ou is deemed to have an interest in the shares held by her spouse, Mr Huang Shih-An.

Shareholdings Held in Hands of Public

As at 13 March 2015, approximately 64.82% of the Company's issued ordinary shares (excluding Treasury Shares) are held in the hands of the public.

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

NOTICE OF ANNUAL GENERAL MEETING

Europtronic Group Ltd (Incorporated In The Republic Of Singapore)
(Co.Reg.No: 200009775K)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EUROPTRONIC GROUP LTD (the "Company") will be held at The Conference Room, 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979, on Friday, 24 April 2015 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Huang Chien-Hung, a Director of the Company retiring pursuant to Article 89 of the Company's Articles of Association. **(Resolution 2)**
3. To note the retirement of Mr Ho Toon Bah, a Director of the company retiring pursuant to Article 89 of the Company's Articles of Association and to further note that Mr Ho has given notice to the Company that he will not be seeking re-election.
4. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Chapter 50:

"That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Lin Chien be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
[See Explanatory Note (i)] **(Resolution 3)**
5. To approve the payment of Directors' fees of S\$113,333 (US\$87,266) for the year ended 31 December 2014 [2013: S\$100,000 (US\$80,000)]. **(Resolution 4)**
6. To re-appoint Pricewaterhouse Coopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
7. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

8. Authority to Issue Shares

That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (Notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

Europtronic Group Ltd (Incorporated In The Republic Of Singapore)
(Co.Reg.No: 200009775K)

Provided that:

- (1) The aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (Subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) In exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) Unless revoked or varied by the Company in a 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 to be held, whichever is earlier.
[See Explanatory Note (ii)]

(Resolution 6)

By Order of the Board

Yeo Poh Noi Caroline
Toh Lei Mui

Company Secretaries
Singapore, 8 April 2015

Explanatory Notes on Resolutions to be passed:

- (i) The effect of the Ordinary Resolution 3 proposed in item No. 4 above, is to re-appoint a director who is over 70 years of age.
- (ii) The Ordinary Resolution 6 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

Europtronic Group Ltd (Incorporated In The Republic Of Singapore)
(Co.Reg.No: 200009775K)

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

EUROPTRONIC GROUP LTD

(Incorporated In the Republic of Singapore)
(Co. Reg. No: 200009775K)

IMPORTANT:

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

Personal Data Privacy

- By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____
of _____

being a member/members of EUROPTRONIC GROUP LTD (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on at The Conference Room, 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979 on Friday, 24 April 2015 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Re-election of Mr Huang Chien-Hung as a Director		
3	Re-appointment of Mr Lin Chien as a Director		
4	Approval of Directors' fees amounting to S\$113,333 (US\$87,266)		
5	Re-appointment of Pricewaterhouse Coopers LLP as Auditors		
6	Authority to Issue Shares		

*Delete where inapplicable

Dated this _____ day of _____ 2015

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

Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979, not less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE DIRECTORY

SINGAPORE (Corporate Headquarters)

Europtronic Group Ltd

Cypson Electronics (Singapore) Pte Ltd

UPT Component (Singapore) Pte Ltd

Europtronic Investment Pte Ltd

60 Kaki Bukit Place
Eunos Techpark #01-10
Singapore 415979
Tel: (65) 64472037
Fax: (65) 64471582

Europtronic Green Energy Pte Ltd – Floral Architect

60 Kaki Bukit Place
Eunos Techpark #01-10
Singapore 415979
Tel: (65) 68845797

PEOPLE'S REPUBLIC OF CHINA

Shanghai

UPT Crypson Component (Shanghai) Co. Ltd.

No. 65, 7th floor, Block C, 421 Hongcao Road,
Caohejing Development Zone,
Shanghai, PRC 200233
Tel: (86) 21-64162909
Fax: (86) 21-64167138

Beijing

Europtronic Beijing Representative Office

No. 17 Huayuan Road, Room 451, West Building 7,
Haidian District,
Beijing, PRC 100088
Tel: (86) 138-10120745

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