Jadason Enterprises Ltd

Registration No. 199003898K

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Jadason Enterprises Ltd

ANNUAL REPORT 2016

CONTENTS

CORPORATE PROFILE

The Group started its business in 1980 and has since become a leading supplier of equipment and supplies to the printed circuit board ("PCB") industry in Asia. The Group has a distribution network spanning China, Hong Kong, Japan, Malaysia, Singapore, Thailand and Taiwan. To support the equipment sales and to better service its customers, the Group has established a service network covering all the locations where it has marketing presence.

The Group also provides PCB drilling services in Dongguan and Suzhou. Through a subsidiary company in Dongguan, the Group provides mass lamination services to PCB manufacturers operating in China.

CHAIRMAN'S STATEMENT

QUEENY HO
Non-Executive Chairman

RESULTS AND DIVIDENDS

In 2016, China's economic growth came in at a rate weaker than the previous year, which was already the slowest pace in recent years. Amidst the subdued business environment, the Group, which operates mainly in China, reported a profit after taxation of S$1.8 million for 2016. The results included non-cash items such as depreciation expense of S$1.4 million, impairment loss on amount owing by associate of S$0.3 million and a write-back in allowance for inventory obsolescence of S$0.5 million.

Facing a very uncertain world, the Board is not recommending any dividend payment for the year ended 31 December 2016. Continuing with prudent financial management and maintaining financial resources in this challenging operating environment are key considerations in making this decision.

GROUP'S PERFORMANCE

Equipment and Supplies business revenue decreased from S$34.1 million in 2015 to S$22.6 million in 2016 due to the continued weakness in demand from printed circuit board ("PCB") manufacturers. This business segment reported an operating loss of S$0.2 million for 2016.

Revenue of the Manufacturing and Support Services business for 2016 increased by 19% to S$34.5 million compared with 2015. This business segment experienced higher demand from customers during the year under review and reported an operating profit of S$2.7 million, compared with an operating loss of S$25.5 million for 2015. Included in the operating loss of this business segment for 2015 was an impairment loss of plant and equipment of S$13.8 million, a write-down in value of inventories of S$3.4 million and higher depreciation charges.

CHAIRMAN'S STATEMENT

Notwithstanding the difficult operating environment, we generated cash from operations of S$0.9 million in 2016 and ended the year with cash and cash equivalents of S$18.7 million. We had net cash, defined by cash and cash equivalents less bank loans and leasing obligations, of S$11.1 million at the end of 2016.

At 31 December 2016, the net asset value per share of the Group was 7.0 cents.

THE YEAR AHEAD

As mentioned previously, a key focus of the Group in 2016 was to exit the Singapore Exchange Securities Trading Limited ("SGX-ST") watch-list in accordance with Rule 1314 of the SGX-ST Listing Manual. Having recorded a consolidated pre-tax profit excluding exceptional or non-recurrent income and extraordinary items of S$1.7 million for 2016, and thereby satisfying one of the two requirements under Listing Rule 1314(1), the Company has submitted an application to SGX-ST to request for an extension of a further twelve months to satisfy the requirements for removal from the watch-list. We shall update our shareholders on the status of the application in due course.

Against the backdrop of an uncertain global economy and the slower growth in China, PCB manufacturers are likely to remain cautious in their capital expenditure programmes, and we expect a challenging environment for our Equipment and Supplies business. However, based on discussions with customers, the Group's plants in China which are engaged in the provision of manufacturing and support services are expected to see improvements in utilization rates in 2017.

We will continue to focus on cost control and productivity enhancement measures at our existing core businesses, as we expect 2017 to be another challenging year. At the same time, we continue to work on expanding our product lines to enhance the resilience of our businesses.

Whilst we remain prudent and disciplined in managing our businesses, we will invest to enhance our manufacturing services capabilities and ensure that we are able to meet the requirements of our customers. In 2016, the Group invested S$2.3 million in plant and equipment.

We remain open to exploring new businesses or opportunities in other fields for growth. With cash and cash equivalents of S$18.7 million and net cash of S$11.1 million at the end of 2016, we are able to support potential initiatives. However, we will pursue such activities based on our existing competencies and with caution.

ACKNOWLEDGEMENT AND APPRECIATION

I wish to thank our staff and management for their hard work and dedication, and our fellow Directors for their contributions and guidance. On behalf of our Directors, I would also like to thank our bankers and business associates for their support to the Group.

Finally, I want to express my appreciation to our shareholders for their trust in us during these difficult times.

QUEENY HO
Non-Executive Chairman
March 2017

FINANCIAL HIGHLIGHTS

Results for the years ended 31 December (S$'000)

	2016	2015	2014	2013	2012
Turnover	57,149	63,097	80,837	90,289	90,703
Profit/(Loss) before taxation	1,876	(31,947)	(8,731)	(5,348)	(4,208)
Profit/(Loss) after taxation	1,828	(32,101)	(8,923)	(5,861)	(6,291)
Earnings/(Loss) per share (¢)	0.25	(4.44)	(1.24)	(0.81)	(0.87)

Balance Sheets as at 31 December (S$'000)

	2016	2015	2014	2013	2012
Property, plant & equipment	19,479	19,492	36,870	39,758	43,565
Land use rights	490	531	538	552	536
Other receivables	-	-	-	1,307	1,892
Current assets	58,201	68,899	90,144	113,783	107,650
	78,170	**88,922**	**127,552**	**155,400**	**153,643**
Current liabilities	26,683	34,737	45,115	61,706	55,393
Non-current liabilities	533	2,824	1,194	4,889	6,357
	27,216	**37,561**	**46,309**	**66,595**	**61,750**
Shareholders' equity	50,954	51,361	81,243	88,805	91,893
	78,170	**88,922**	**127,552**	**155,400**	**153,643**

OPERATIONS AND FINANCIAL REVIEW

GROUP PROFILE

Our core businesses are:

Equipment and Supplies

We commenced our business in 1980 and are a leading supplier in Asia for equipment and supplies to the printed circuit board ("PCB") industry. We have an extensive network, covering Singapore, Malaysia, Thailand, China, Hong Kong, Taiwan and Japan. We also fabricate some of the equipment used in the PCB manufacturing process.

Manufacturing and Support Services

To support the equipment sales and to better service our customers, we have established a service network covering all the locations where we have marketing presence.

We also provide PCB drilling services in Dongguan and Suzhou. Through a subsidiary company in Dongguan, we provide mass lamination services to PCB manufacturers operating in China.

CORPORATE OBJECTIVES

The past few years have seen the Group rationalizing its operations in the face of challenging conditions in the PCB industry. During this time, we continue to strengthen our businesses, simplify processes for faster turnaround times and invest when appropriate. The Group will also explore new businesses or opportunities for growth, based on its existing competencies.

The Group is committed to be a competent provider of PCB drilling services. Over the years, we have consistently demonstrated our technical competence in completing high-end PCB drilling jobs and have developed a high level of trust with many of our customers. In the coming year, the Group will invest in upgrading its existing equipment, so as to enhance its performance and customer support capability.

Our PCB mass lamination operation complements the PCB drilling services, by offering a 'one-stop' shop to meet our customers' needs. We remain committed to maintaining stringent quality controls, and aim to move up the value chain. During the year under review, this operation continued to invest in equipment which expanded its capacity and ability to better support its customers' requirement. The operation will continue to review its manufacturing processes and drive yield improvements.

The Group expects the Equipment and Supplies business to face another challenging year, as PCB manufacturers are likely to remain cautious in their capital expenditure programmes given the uncertain global economy and the slower growth in China. This business provides opportunities for the Group to better understand its customers' needs and requirements, and remains important to us in the coming years. To remain relevant and stay competitive, the Group recognizes that it should also develop and manufacture certain PCB equipment through technology collaboration with business partners. The Group is also looking for opportunities to broaden its product range.

OPERATIONS AND FINANCIAL REVIEW

The Group has strived and will continue to maintain a strong balance sheet and a healthy level of cash and cash equivalents. Amidst the uncertain economic environment, the Group is looking at progressively reducing its debt levels.

As disclosed previously, the Company has been placed on the watch-list pursuant to Rule 1311 of the Listing Manual with effect from 4 March 2015. The Group reported a consolidated pre-tax profit of S$1.9 million for FY2016. Excluding a write-back of allowance for inventory obsolescence of S$0.5 million and an impairment loss on amount owing by associate of S$0.3 million, the consolidated pre-tax profit excluding exceptional or non-recurrent income and extraordinary items for FY2016 was S$1.7 million. Having met one of the two requirements under Listing Rule 1314(1), the Company has submitted an application to the Singapore Exchange Securities Trading Limited ("SGX-ST") to request for an extension of a further twelve months to satisfy the requirements for removal from the watch-list. The Company will provide an update to the shareholders as and when there are developments in respect of this matter.

With effect from 3 March 2016, the Company has also been included in the watch-list as its 6-month volume weighted average price has not met the minimum trading price ("MTP") requirement of at least S$0.20. The Company will have to take steps to meet the MTP rule within 36 months from 3 March 2016.

TURNOVER AND OPERATING RESULTS BY BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE

Revenue for FY2016 was S$57.1 million, a decrease of 9% compared with FY2015 revenue of S$63.1 million. However, the Group posted a profit from operations of S$2.6 million for FY2016, compared with a loss from operations of S$30.9 million for FY2015, due mainly to the following factors:

- lower depreciation charge;
- various cost control measures implemented by the Group;
- impairment loss of plant and equipment of S$14.0 million recognised in FY2015;
- write-back of allowance for inventory obsolescence of S$0.5 million in FY2016, compared with an allowance for inventory obsolescence of S$4.4 million in FY2015; and
- higher level of business activities at the Group's Manufacturing and Support Services business segment.

OPERATIONS AND FINANCIAL REVIEW

Following is a summary of the performance of our business segments during the year under review.

Business Segments:	Revenue		Profit/(loss) from Operations	
	FY2016 S$'000	FY2015 S$'000	FY2016 S$'000	FY2015 S$'000
Equipment and Supplies	22,608	34,087	(173)	(4,574)
Manufacturing and Support Services	34,541	29,010	2,726	(25,462)
Others	-	-	-	(906)
Total	**57,149**	**63,097**	**2,553**	**(30,942)**

(Profit/(loss) from operations is arrived at by excluding impairment loss on amount owing by associate and finance cost from profit/(loss) before taxation.)

'Equipment and Supplies' Segment

Revenue of the Equipment and Supplies business for FY2016 decreased by S$11.5 million, or 34%, compared with FY2015 due to the continued weakness in demand from PCB manufacturers. The business segment posted a lower operating loss of S$0.2 million for the year under review due mainly to a write-back of allowance for inventory obsolescence of S$0.5 million compared with an allowance for inventory obsolescence of S$1.0 million in FY2015, changes in sales mix and a lower cost structure.

'Manufacturing and Support Services' Segment

Revenue of the Manufacturing and Support Services business for FY2016 increased by 19% to S$34.5 million compared with FY2015. During the year under review, the Group's Manufacturing and Support Services business experienced higher demand from customers, and the business segment reported an operating profit of S$2.7 million, compared with an operating loss of S$25.5 million for FY2015. The operating results of FY2015 included an impairment loss of plant and equipment of S$13.8 million, an allowance for inventory obsolescence of S$3.4 million and higher depreciation charge.

'Others' Segment

The amount in FY2015 related to an allowance for doubtful non-trade debt made in respect of an amount owing by a former subsidiary, Jadason Technology Limited, and for which the Group has appointed a legal firm to recover the amount. Please refer to our FY2015 report for more details.

Gross Margin

The Group's gross profit and margin improved in FY2016 due mainly to the better performance of the Manufacturing and Support Services business, lower depreciation charge and a write-back of allowance for inventory obsolescence of S$0.5 million.

Depreciation charge decreased in the year under review following the recognition of an impairment loss of plant and equipment in the financial year ended 31 December 2015.

OPERATIONS AND FINANCIAL REVIEW

Included in the cost of sales for FY2016 is a write-back of allowance for inventory obsolescence of S$0.5 million due mainly to the utilization of written down inventory items in producing equipment for use in the Group's Manufacturing and Support Services business.

The Group incurred a negative gross margin in FY2015 due mainly to the weaker performance of the Manufacturing and Support Services business and a write-down in value of inventories of S$4.4 million, recognised by the Group in the light of low demand experienced in its operating segments then.

Other Non-operating Expenses

'Other non-operating expenses' decreased due mainly to an impairment loss on plant and equipment of S$14.0 million recognised in FY2015. The impairment loss in FY2015 related mainly to idle machines in the Group's 'Manufacturing and Support Services' business, as weak demand persisted for PCB drilling and PCB mass lamination services in China.

Income Tax Expense

The effective tax rate was low in FY2016 due mainly to the utilization of prior years' tax losses by certain entities in the Group. An income tax charge arose in FY2015 in spite of the loss before income tax due to an under-provision in respect of prior years, and as certain subsidiaries within the Group were profitable, and that losses incurred by certain entities could not be offset against the profits of other subsidiaries for income tax purposes.

Selected Balance Sheet Items

Property, plant and equipment decreased due mainly to depreciation charge and the effects of translating the financial statements of foreign subsidiaries into Singapore dollar, offset partially by the acquisition of equipment for use in the Group's Manufacturing and Support Services business.

The increases in inventories, trade receivables and trade payables of the Group were related to the higher business activities at the Group's Manufacturing and Support Services business in the last quarter of the year under review.

Bills and other receivables of the Group decreased due mainly to payments received during the year under review.

OPERATIONS AND FINANCIAL REVIEW

Indebtedness / Cash and Cash Equivalents

For the year ended 31 December 2016, net cash generated from operating activities amounted to S$0.9 million. The Group was net cash positive at S$11.1 million at the end of the year.

The amount of the Group's borrowings, cash and cash equivalents and shareholders' equity is set out below:

	31 Dec 2016 S$'000	31 Dec 2015 S$'000
Due within 1 year:		
Finance leases	15	14
Bank loans	7,624	16,206
	7,639	**16,220**
Due after 1 year:		
Finance leases	7	21
Long term bank loans	-	2,280
	7	**2,301**
Total indebtedness	**7,646**	**18,521**
Cash and cash equivalents	**18,721**	**32,568**
Shareholders' equity	**50,954**	**51,361**

Information regarding the Group's borrowings can be found in the Notes to the Financial Statements.

During FY2016, the Group made repayments of S$14.6 million to banks and other financial institutions with regard to the above indebtedness and obtained bank loans / finance leases financing totaling S$3.7 million.

RISK FACTORS / MANAGEMENT

Business Risk

The Group is a provider of equipment, supplies and manufacturing services to the PCB manufacturers and is therefore dependent on the overall electronics cycle. A downturn in the overall electronics sector would negatively impact the performance of the Group. The Group also derives a substantial portion of its revenue from China, the economy of which is undergoing restructuring and has been growing at a slower pace in the past few years.

China is a large electronic products manufacturer. It is also the largest PCB manufacturer in the world. Although manufacturing activities have weakened in recent years, in the mid- to long-term, as its reform gathers momentum and as it develops its next generation mobile technologies, PCB manufacturers in China should see stronger demand.

OPERATIONS AND FINANCIAL REVIEW

Operation Risk

The Group seeks to diversify its revenue and earnings base, and recognize that our earnings will become more robust through the provision of manufacturing and support services. The Group has, over the past few years, expanded facilities and enhanced its capabilities in China to provide PCB drilling and mass lamination services to PCB manufacturers. The Group has a team of dedicated management and staff, who are familiar with the local market conditions and operating environment, to oversee the smooth running of these operations in China.

In recent years, the Group and many other factories in China have faced increasing labor cost and difficulties in retaining the workers. Turnover of workers at the Group's plants in China was high in FY2016, and negatively affected the productivity at these plants. To mitigate this negative impact, the Group has diversified its sources of labour supply, and put in place some schemes to retain workers at its factories. Over the last few years, the Group has also progressively invested in automation equipment and processes to reduce manpower requirement and enhance operational efficiency at its factories.

Financial Risk

The financial risks are described in the Notes to the Financial Statements. There are designated personnel within the Group responsible for compiling regularly the information relevant to managing those risks, and these reports are provided to management for review and taking actions if necessary.

Please also refer to the corporate governance report for further discussion on risk management and internal controls.

DIVIDENDS

The Group does not have a fixed dividend policy as it operates in a cyclical and volatile industry. This is described in greater detail in the first paragraph under the Section on 'Business Risk'. However, management is aware of the need to reward shareholders, and recommends the payment of dividends after considering the financial performance and cash flow needs of the Group.

In respect of FY2016, the Directors, having considered the uncertain operating environment, decided to remain prudent and do not recommend the payment of dividend.

GEOGRAPHICAL PRESENCE

BOARD OF DIRECTORS

Queeny Ho

(Non-Executive Chairman)

Ms Queeny Ho joined the board as a non-executive director on 29 May 2009, and assumed the role of chairman on 7 May 2011. She is a member of the nominating committee, remuneration committee and audit committee. Ms Queeny Ho was also a director of Jadason Enterprises (HK) Limited from July 1980 to January 2003. She is the largest shareholder of the Company.

Fung Chi Wai

(Chief Executive Officer)

Mr Fung joined the Group in April 1983 as a sales manager. He was appointed as a director in August 1990 and the managing director of the Group in June 2000. On 3 March 2006, he was promoted to chief executive officer of the Group.

Mr Fung played a vital role in expanding the Group's business / operations in China and South East Asia. He has more than 30 years of experience in the printed circuit board equipment business and is responsible for all the operational aspects of the Group activities.

Chua Keng Hiang

(Non-Executive Director)

Mr Chua is a practicing member of the Institute of Singapore Chartered Accountants. He has more than 30 years of experience in public accounting, corporate finance and management. Mr Chua holds an honors degree in accountancy from the then University of Singapore and is a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua has been a director of the Company since June 2000. He also serves on the board of Memtech International Ltd and Ocean Sky International Limited.

BOARD OF DIRECTORS

Teo Kiang Kok

(Non-Executive Director)

Mr Teo Kiang Kok was appointed as our director on 3 September 2002. Mr Teo, a senior lawyer, was a partner of Shook Lin & Bok LLP, a firm of advocates and solicitors, from 1987 to 2011. He is currently the firm's senior consultant. Mr Teo has more than 30 years of experience in legal practice. His main areas of practice are corporate finance, international finance and securities. In the course of his legal practice, Mr Teo has advised listed companies extensively on corporate law and compliance requirements. He also serves on the board of Hyflux Ltd, Memtech International Ltd and Wilton Resources Corporation Limited.

Linna Hui Min

(Executive Director)

Ms Hui Min was appointed to the board on 26 March 2007. She is currently the general manager of Jadason Enterprises (HK) Limited, responsible for its day-to-day operations and marketing activities in Hong Kong and China. Ms Hui Min joined the Group in July 1988. In her career with the Group, she has also been responsible for setting up overseas offices and has experience in application and technical support. She holds a Bachelor degree in Science (Chemical Engineering) from the University of California.

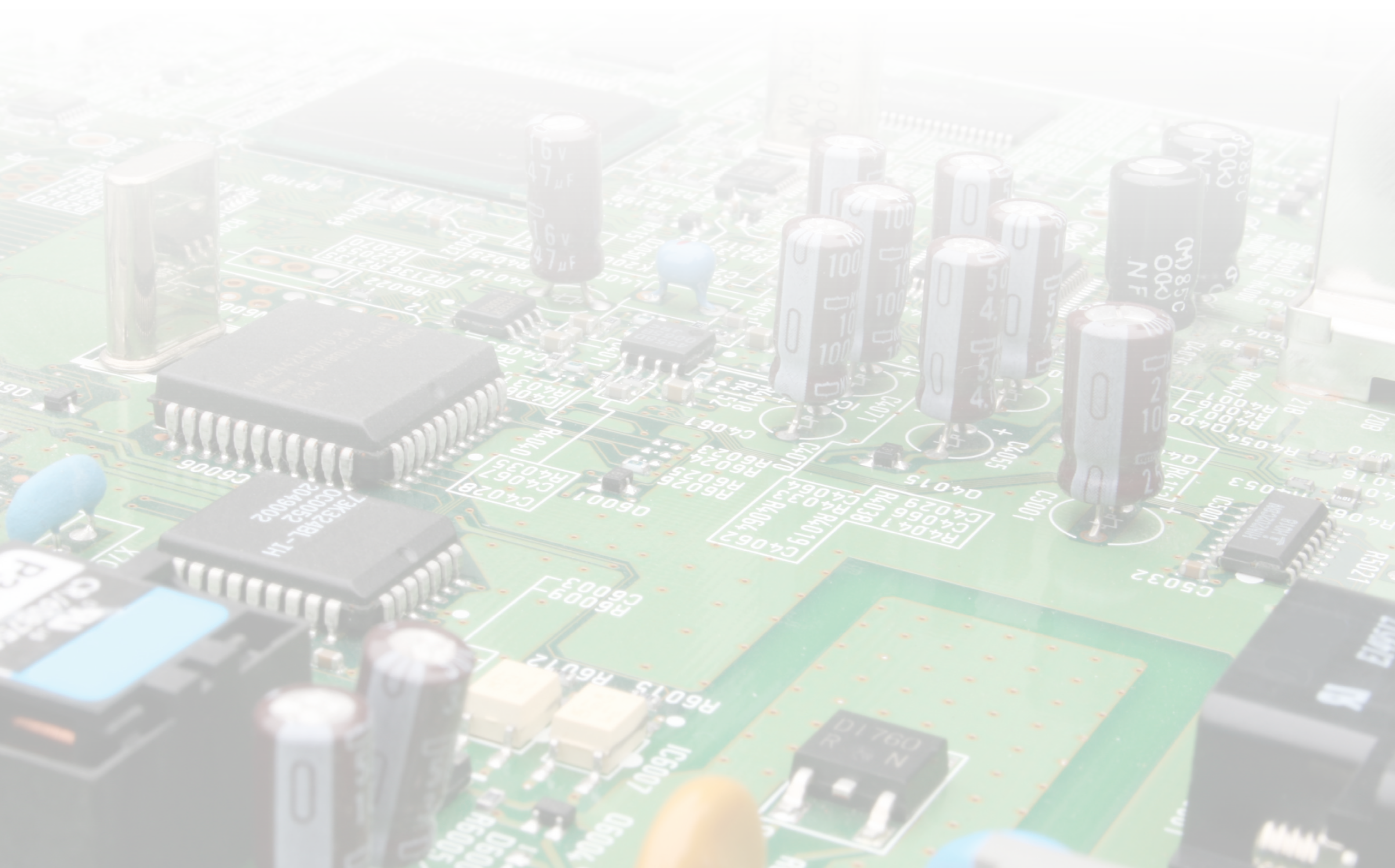
KEY MANAGEMENT

PUNG WEE SENG

Mr Pung Wee Seng is the Director of Marketing of the Company, responsible for the overall sales and marketing activities and after-sales service to customers in the Asean region. He joined the Company in October 1991. Prior to joining the Company, he was a Senior Sales Engineer with Dynavest Pte Ltd from January 1987 to September 1991. He holds a Bachelor degree in Business Administration (RMIT) and two diplomas in other disciplines.

TAN KOK YONG

Mr Tan Kok Yong is the Chief Financial Officer and joined the Group in July 2002. Before joining the Group, he was a Finance Manager of a US multi-national company. From December 1993 to November 1999, he worked in the audit division of an international accounting firm. He holds a Bachelor degree in Accountancy from the National University of Singapore.



GROUP STRUCTURE

Jadason Enterprises Ltd

- Jadason Enterprises (HK) Limited (100%)
  - CymbolicTech Company Limited (100%)
    - Jadason Electronics Equipment (Dongguan) Ltd (100%)
  - Jadason Test Limited (100%)
    - Jadason Test (Suzhou) Limited (100%)
  - Jadason Microelectronics (Dongguan) Ltd (100%)
- Jadason Engineering Sdn Bhd (100%)
- Jadason Electronics (Suzhou) Co., Ltd (100%)
- Jadason Scientific (Shanghai) Co., Ltd (100%)
- Jadason PCB Materials (Dongguan) Ltd (100%)
- Jadason Electronics (Dongguan) Ltd (100%)
- Jadason Scientific (Dongguan) Ltd (100%)
- Jadason Enterprises (Thailand) Limited (100%)
- Jadason Enterprises (Japan) Limited (100%)
- Infinite Graphics Pte Ltd (50%)

CORPORATE INFORMATION

Board of Directors

Queeny Ho
(Non-Executive Chairman)

Fung Chi Wai
(Chief Executive Officer)

Linna Hui Min
(Executive Director)

Chua Keng Hiang
(Non-Executive and Lead Independent Director)

Teo Kiang Kok
(Non-Executive Director)

Audit Committee

Chua Keng Hiang
(Chairman)

Teo Kiang Kok
Queeny Ho

Nominating Committee

Teo Kiang Kok
(Chairman)

Chua Keng Hiang
Queeny Ho

Remuneration Committee

Teo Kiang Kok
(Chairman)

Chua Keng Hiang
Queeny Ho

Company Secretary

Tan Kok Yong

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Share Registrar

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: 6381 6888
Fax: 6381 6899

Principal Bankers

DBS Bank Ltd
United Overseas Bank Limited

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Tel: 6535 7777
Partner-in-charge: Ho Shyan Yan
(Since FY2016)

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to maintaining a high standard of corporate governance so as to ensure that the Group's activities are carried out in the best interests of its shareholders.

This report describes the Company's corporate governance processes and activities during the financial year. The Company has generally adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, explanations or reasons are provided in the report.

BOARD MATTERS

Board's conduct of its affairs
Principle 1

The Board is responsible for setting the corporate strategy and business direction of the Group, and ensures that the necessary financial and human resources are in place for the Group to meet its objectives. It also oversees that appropriate risk management policies and controls are established, reviews management performance, identifies the key stakeholder groups and recognizes that their perceptions affect the Group's reputation, sets the Group's values and standards and ensures that obligations to shareholders and other stakeholders are understood and met, and considers sustainability issues as part of its strategic formulation.

Matters which require Board's approval include corporate restructuring, material investments and divestments, key operational initiatives, significant fund raising exercises, release of Group results, dividends proposal and material interested person transactions.

All Directors exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Group. This is a performance criterion for the assessment of the Directors.

The Board has established three committees, namely, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), to assist it in the execution of its responsibilities. These committees operate within clearly defined terms of reference and the effectiveness of each committee is reviewed on a regular basis.

The current members of the Board and their membership on the Board committees of the Company are as follows:

Name of Director	Board appointments				Board committees as Chairman or member		
	Executive Director	Non-executive Director	Independent Director	Non-independent Director	AC	NC	RC
Queeny Ho (Chairman)		√		√	Member	Member	Member
Fung Chi Wai	√			√			
Chua Keng Hiang		√	√		Chairman	Member	Member
Teo Kiang Kok		√	√		Member	Chairman	Chairman
Linna Hui Min	√			√			

CORPORATE GOVERNANCE

The Board meets on a quarterly basis and when necessary, ad-hoc meetings may be held. The Company Secretary consults the Directors before fixing the dates of these meetings. The Company's constitution provides for telephonic and videoconference meetings. Timely communication among members of the Board can also be achieved through electronic means. The attendance of the Directors at meetings of the Board and Board committees during the financial year is as follows:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
No. of meetings attended:				
Queeny Ho	4	4	1	1
Fung Chi Wai	4	4#	1#	–
Chua Keng Hiang	4	4	1	1
Teo Kiang Kok	4	4	1	1
Linna Hui Min	4	4#	1#	–

Attendance by invitation of the Committee

To ensure that the Board is able to fulfill its responsibilities, the Directors are regularly provided with information on the Group's business activities and developments. Management is prepared to provide further information and explanation on the materials given to Directors and shall meet to discuss any business issues, if required.

The NC reviews and makes recommendations on the training and professional development programs to the Board. On a periodic basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Chief Executive Officer updates the Board at each meeting on the business and strategic developments of the Group. As part of the Company's continuing education for Directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's business to keep Directors updated on current industry trends and issues. News releases issued by Singapore Exchange Limited and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are also circulated to the Board.

New Board members are briefed by the CEO and/or other senior management on the Group's business activities, strategic directions, business and governance practices, and their duties and responsibilities as Directors. Non-executive Directors are also invited to visit the Group's factories in Dongguan, and are briefed by the Chief Executive Officer and/or various factory general managers on the ongoing projects of the Group.

Board composition and balance
Principle 2

The Board consists of five Directors, of whom two are non-executive and independent. The Code requires the independent Directors to comprise at least half of the Board where the Chairman is not an independent Director, with effect from the annual general meeting ("AGM") of the financial year ending 31 December 2017. The Company will take steps to comply with the guideline in due course. Details of the Directors' qualifications and other appointments are set out on pages 12 and 13 of the annual report. There have been no changes to the directorships and chairmanships held by the Directors over the preceding three years in other listed companies and other principal commitments.

The independence of the independent non-executive Directors is reviewed by the NC annually. The NC is of the view that the Board, with independent non-executive Directors making up two-fifths of the Board, has a significant independent element to enable objective judgment on corporate affairs to be exercised.

CORPORATE GOVERNANCE

The Board is of the view that its current size is appropriate to facilitate effective decision making, taking into consideration the scope and nature of the Group's operations and the mix of expertise and experience of its members. The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses core competencies in areas such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

When necessary, the independent non-executive Directors meet without the presence of Management to discuss and review any matters regarding the Group.

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

There is a clear division of responsibilities between the Chairman, Ms. Queeny Ho, who is a non-executive Director, and the CEO, Mr. Fung Chi Wai. The Chairman and the CEO are not related to each other.

The CEO has executive responsibilities over the business directions and day-to-day operations of the Group while the responsibilities of the Chairman include the following:

- leading the Board and ensuring the overall effectiveness of the Board, Board Committees and individual Directors;

- scheduling Board meetings, setting the meeting agendas and ensuring that sufficient time is allocated for thorough discussion of agenda items;

- ensuring that Board members are provided with complete, adequate and timely information;

- promoting an open environment for debates and ensuring that non-executive Directors are able to speak freely and contribute effectively;

- fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholder meetings;

- encouraging constructive relations within the Board and between the Board and Management; and

- promoting high standards of corporate governance.

The Board has appointed Mr. Chua Keng Hiang to act as the lead independent Director. Mr. Chua is also a member of the NC. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate. When necessary, all the independent Directors, including the lead independent Director, meet without the presence of other executive and non-independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

Board membership
Principle 4

The NC comprises Mr. Teo Kiang Kok as Chairman and Mr. Chua Keng Hiang and Ms. Queeny Ho as members. Mr. Teo Kiang Kok and Mr. Chua Keng Hiang are non-executive and independent Directors.

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all Board appointments and re-appointments. The NC's other responsibilities include the following:

- reviews the skills required by the Board, the size and succession plans of the Board;

- determines annually, and as and when circumstances require, the independence of each Director and ensures that the Board comprises at least one-third independent Directors;

- evaluates whether or not a Director is able to and has been adequately carrying his/her duties as Director of the Company, when he/she has multiple board representations;

- proposes a framework for assessing Board effectiveness and individual Director's contribution, and carry out such assessment; and

- reviews and recommends to the Board, the training and professional development programmes for the Directors.

The Directors, other than a Director holding office as Managing Director, submit themselves for re-nomination and re-election at least once every three years. Pursuant to the Company's constitution, one-third of the Directors retire from office at the Company's AGM. The Company's constitution also provides that a newly appointed Director must submit himself/herself for re-election at the annual general meeting following his/her appointment.

The NC is responsible for re-appointment of Directors, and takes into consideration the Director's contribution and performance. The assessment criteria include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board committees, as well as the quality of intervention and special contribution.

Where the need for a new Director arises or an existing Director is required to retire from office, the NC will review the competencies and experience of the Board, identify its needs, and draw up a short-list of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the NC may seek advice from external search consultants. Upon appointment of the new Director, the Company will provide a formal letter of appointment to the Director, setting out the Director's duties and responsibilities.

In carrying out the assessment of the independence of the non-executive independent Directors, namely Mr. Chua Keng Hiang and Mr. Teo Kiang Kok ("NEIDs"), the NC considered the following attributes and contributions of all the NEIDs and concluded that the length of tenure does not impact their independence:

- the NEIDs provide their objective and constructive views to the Board and Management;

- the NEIDs speak up and offer practical solutions to issues and work towards increasing value to the Group and for the benefit of all shareholders;

- the NEIDs evaluate and assess the information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist Management in implementing the plans and policies.

The NC is of the view that the NEIDs' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

All the NEIDs have confirmed in writing of their independence in accordance with the Code.

Accordingly, the NC determines that the NEIDs are independent Directors notwithstanding that each of them has served on the Board for more than nine years from the dates of their respective appointment. The Board accepts the NC's view and affirms the independence of the NEIDs.

For Directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such Directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that the Directors have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board accepts and affirms the view of the NC.

CORPORATE GOVERNANCE

The Directors who are retiring and who will offer themselves for re-election at the forthcoming annual general meeting are named below:

Director	Date of appointment	Date of last election	Due for re-election (√)
Fung Chi Wai	10 August 2000	*	
Chua Keng Hiang	16 June 2000	29 April 2016	
Teo Kiang Kok	3 September 2002	30 April 2015	√
Linna Hui Min	26 March 2007	30 April 2015	√
Queeny Ho	29 May 2009	29 April 2016	

(* Mr. Fung Chi Wai is not subject to retirement by rotation while he is holding office as Managing Director.)

The NC is satisfied that the Directors retiring at the forthcoming annual general meeting are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations.

Mr. Teo Kiang Kok, who will submit himself for re-appointment at the forthcoming annual general meeting, does not have any relationship with the Group, its Directors, officers or shareholders with shareholdings of 10% or more in the voting shares of the Company.

The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The succession and leadership development plans for senior management are reviewed by the NC and considered by the Board.

Board performance
Principle 5

The Board has an established process to assess the performance and effectiveness of the Board as a whole. The appraisal process considered factors such as the size and composition of the Board, the expertise and experience of the Board, the Board's access to information, Board processes and accountability, risks management and internal controls, financial reporting and announcements and the Board's performance in relation to its principal functions. For the year ended 31 December 2016, the Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board. The NC has discussed with the Board its assessment of the Board's performance and effectiveness.

The NC evaluated on a continual basis the performance of individual Directors based on performance criteria which included individual skills, industry experience and business knowledge, attendance record, contributions to strategy development and quality of participation at Board and committee meetings.

Access to information
Principle 6

To ensure that the Board is able to fulfill its responsibilities, all Directors are provided with complete and timely information prior to meetings and on a regular basis. As a general rule, Board papers are sent to Directors three to five days before the Board meetings so that the Directors may better understand the matters before the Board meetings and discussion time may be focused on questions that the Board may have regarding the matters to be considered. Management is prepared to provide further information and explanation on materials given to Directors and shall meet to discuss any issue prior to a Board meeting, if required.

At all times, the Directors have independent access to the Group's senior management and the Company Secretary, who administers, attends and prepares minutes of Board meetings, and is responsible to the Board for ensuring that Board procedures are followed, and that applicable laws and regulations are complied with. The Company Secretary also assists the Chairman in ensuring good information flows within the Board and its Board committees and between Management and non-executive Directors.

The Company Secretary attends all Board meetings. The constitution of the Company provides that the appointment and removal of the Company Secretary is subject to the approval of the Board.

CORPORATE GOVERNANCE

Where the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the CEO and/or Company Secretary will assist in appointing a professional advisor to render the advice, and the cost of such professional advice will be borne by the Company. The Board and AC will be kept informed of such advice.

REMUNERATION MATTERS

Procedures for developing remuneration policies
Principle 7

The RC comprises the following three non-executive Directors:

Mr. Teo Kiang Kok (Chairman);
Mr. Chua Keng Hiang; and
Ms. Queeny Ho.

As mentioned earlier, Mr. Teo Kiang Kok and Mr. Chua Keng Hiang are independent Directors. The RC has access to expert advice from appropriate external advisors as and when it deems necessary. The RC's principal responsibilities, as set out in its written terms of reference, are as follows:

- Review and recommend to the Board a framework of remuneration for the Board of Directors and key executives;

- Consider, review and approve and/or vary the specific remuneration packages for each executive Director;

- Consider whether Directors should be eligible for benefits under long-term incentive schemes including the Company's Share Option Scheme;

- Approve the granting of share options under the Company's Share Option Scheme in accordance with the rules of the Scheme;

- Review the Group's obligations in the event of termination of executive Directors' and key management personnel's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous.

The Company did not engage any remuneration consultant in FY2016.

Level and mix of remuneration
Principle 8

The Group sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate the Directors and senior management to run the Group successfully. In setting remuneration packages for the Directors and executives of the Group, the pay and employment conditions within the industry and in comparable companies are taken into account. The overall Group performance and individual performance are factors considered in determining the annual bonus for employees.

The remuneration for the executive Directors comprises a basic salary component and a variable component (incentive bonus) that is based on the Group's profit before taxation after minority interests and excluding any non-recurring items for each financial year. The RC believes that this measure of determining the variable bonus reflects the financial health and performance of the Group's business and is also a key performance measure used by other companies in similar industry, which allows for general comparability of performance. For the year ended 31 December 2016, no incentive bonus was paid to the executive Directors and senior executives as the performance objective was not met.

The service agreements for the executive Directors have fixed appointment period and clauses relating to early termination. None of the service agreements has any onerous removal clauses. Notice periods are three months for executive Directors.

CORPORATE GOVERNANCE

The remuneration of non-executive Director is in the form of a fixed fee. For non-executive Directors, the remuneration packages take into account the contribution and responsibilities of the Directors. Non-executive Directors are not over-compensated to the extent that their independence may be compromised. The remuneration of non-executive Directors is approved at the annual general meeting.

Disclosure on Directors' remuneration
Principle 9

The remuneration of the Directors for the year ended 31 December 2016 was as follows:

Name	Below S$250,000	S$500,000 – S$749,999
Executive Director		
Fung Chi Wai		√
Linna Hui Min	√	
Non-executive Director		
Chua Keng Hiang	√	
Teo Kiang Kok	√	
Queeny Ho	√	

As no bonus was paid to the Directors for FY2016, Mr. Fung Chi Wai's remuneration comprised 95% as fixed salary, 2% as CPF / MPF (Hong Kong) contribution and 3% as benefits in kind, and Ms. Linna Hui Min's remuneration comprised 99% as fixed salary and 1% as MPF (Hong Kong) contribution.

The key management personnel (who are not Directors or the CEO) of the Group each earned below S$250,000 in FY2016, and the remuneration was in the form of fixed salary only.

The Company is not disclosing the remuneration of Directors and key management personnel (who are not Directors or the CEO) of the Group as it believes that such disclosure is disadvantageous to the retention of personnel and business interests of the Group. Instead, the Company discloses the remuneration in bands of S$250,000. For the same reason, the Company is also not disclosing the names and the aggregate remuneration of the Group's key management personnel (who are not Directors or the CEO) except for those as disclosed on page 14.

For FY2016, no termination, retirement or post-employment benefits have been granted to the Directors, the CEO and key management personnel (who are not Directors or the CEO) of the Group.

Details of the Company's Share Option Scheme can be found in the Directors' Statement under Share Options and in the Notes to the Financial Statements under Share Capital and Treasury Shares.

The Company and its subsidiary companies do not have any employees who are the immediate family members of any of the Directors or the CEO.

ACCOUNTABILITY AND AUDIT

Accountability
Principle 10

The Company has adopted quarterly reporting since FY2004, ahead of the rule requirement at that time. In presenting quarterly and annual results, analyses of the performance and prospect of the Group's business segments are provided. The results, as well as any announcements, are reviewed and approved by the Board before their releases.

Management provides the Board with relevant information on a timely basis to enable it to discharge its duties effectively.

Risk Management and Internal Controls
Principle 11

The Board acknowledges that it is responsible for the overall internal control and risk management systems. In designing these controls, the Directors consider the risks to which the business is exposed, the likelihood of the risks occurring, and the cost of implementing the controls. The Board oversees Management in the formulation, update and maintenance of an adequate and effective risk management framework. The AC reviews the adequacy and effectiveness of the risk management and internal control systems.

The Group has established a risk management framework for the identification, assessment, monitoring and management of significant risks affecting the Group. Material risks, which include strategic, operational, financial, compliance and information technology risks, facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place by the respective business and corporate executive heads.

The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable.

For FY2016, the Board has received written assurance from the CEO and CFO that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and

- the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and information technology risks.

The CEO and CFO have obtained similar assurance from the various business general managers in the Group.

Based on the risk management framework established and maintained by the Group, the work done by the CFO and the finance team of the Group's Hong Kong subsidiary as described in the section on Internal Audit of this report, the audit findings of our external auditors, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

Audit Committee
Principle 12

The AC comprises Mr. Chua Keng Hiang as Chairman, and Mr. Teo Kiang Kok and Ms. Queeny Ho as members, all of whom are non-executive Directors. Mr. Chua Keng Hiang and Mr. Teo Kiang Kok are also independent Directors. Mr. Chua Keng Hiang is a practicing public accountant with more than 30 years of accounting and auditing experience. Mr. Teo Kiang Kok, a senior lawyer, was a partner of Shook Lin and Bok LLP, a firm of advocates and solicitors, from 1987 to 2011 and is currently the firm's senior consultant. His main areas of practice are corporate finance, international finance and securities. Ms. Queeny Ho was a Director of Jadason Enterprises (HK) Limited from July 1980 to January 2003. The Board is of the view that members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions. The non-executive Directors communicate regularly to discuss matters that concern the financial performance and internal controls of the Group.

The AC, which has written terms of reference, performs the following functions:

- Review quarterly, half-yearly and annual financial statements to be released before submission to the Board for approval;

CORPORATE GOVERNANCE

- Review significant financial reporting and judgmental issues to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance before submission to the Board for approval;

- Review interested person transactions;

- Review with the external auditors their audit plan, evaluation of the systems of internal controls, audit report and any other matters which the external auditors wish to discuss;

- Review the assistance given by management to external auditors;

- Review the independence and objectivity of the external auditors;

- Review the nature and extent of non-audit services performed by external auditors;

- Consider the appointment / re-appointment of external auditors and the audit fees;

- Review with management the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management; and

- Appoint internal auditors and review the scope and results of internal audit procedures.

The AC discusses with Management regularly on the progress of major initiatives and significant financial reporting issues.

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

In February 2017, the AC met with the external auditors, Ernst & Young LLP, without the presence of the Company's Management, to review the results for FY2016, and reviewed with the external auditors the audit observations arising from the audit of the financial statements for FY2016.

The AC met four times in FY2016. Details regarding the members' attendance at these meetings are shown in page 18 of this report. The Directors and the Company Secretary were invited to these meetings. During FY2016, the AC had 3 meetings with the external auditors, one of which without the presence of Management. The principal activities of the AC during FY2016 are summarized below:

<u>Financial reporting</u>

The AC met quarterly and reviewed the quarterly and full-year financial results announcements before submitting them to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC also reviewed the annual financial statements, and discussed with Management, the CFO and the external auditors the significant policies, judgement and estimate applied by Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

<u>External audit processes</u>

On behalf of the Board, the AC manages the relationship with the Group's external auditors. During FY2016, the AC carried out its annual assessment of the auditor's audit approach and the cost effectiveness of the audit process, and concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. The AC therefore recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of Ernst & Young LLP.

CORPORATE GOVERNANCE

The Group has engaged Ernst & Young Hua Ming LLP Shenzhen Branch ("EYSZ") to audit its principal subsidiaries in China for the purpose of reporting the group accounts, although EYSZ is not the statutory auditor for these entities. Ernst & Young LLP is also the auditor of the Group's associated company. The AC is of the opinion that the Group has complied with Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual in relation to its auditing firms.

Auditor independence

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors and reviewing the non-audit fees awarded to them. The audit fee payable to auditors of the Company for FY2016 is S$170,000. There is no non-audit fee payable to auditors of the Company for the year, and the AC is satisfied with the independence of the external auditors.

Internal audit

During FY2016, the AC reviewed and discussed with the Board and Management the size and complexity of the Group's operations, the need for an internal audit function within the Group and the outsourcing of the internal audit function to an external auditing firm. Please refer to the section on "Internal Audit – Principle 13" of this report for a more detailed discussion on this matter.

Interested person transactions ("IPT")

The AC reviewed the Group's IPT to ensure that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders, and the rules under Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual are complied with. On a quarterly basis, Management reports to the AC the IPTs for the quarter under review. The Group does not have a general mandate from shareholders for interested party transactions pursuant to Rule 920 of the Singapore Exchange Securities Trading Limited's Listing Manual, and has not entered into any transaction with interested party of more than S$100,000 (as set out in the Singapore Exchange Securities Trading Limited's Listing Manual) in FY2016.

The AC also reviewed the adequacy of the Group's whistle blowing policy and procedures through which staff and external parties may raise concerns in confidence about possible improprieties in matters of financial reporting or other matters to the AC.

The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements by attending external seminars. The AC members are also briefed by the external auditors on such changes.

Internal audit
Principle 13

The Board recognizes and is responsible for maintaining a system of internal controls to safeguard the Group's business and assets. It regularly reviews the Group's business and operational activities to identify areas of significant business risks, as well as the adequacy of measures to control and mitigate these risks within the Group's policies and strategies.

The current size of operations of the Group does not warrant the establishment of an in-house internal audit function. As the Group has substantial operations in China, the AC has instructed the CFO and the finance team at the Group's Hong Kong subsidiary to review certain critical areas at the Group's China subsidiaries and enhance the internal controls if necessary. The AC has considered and determined that the CFO and the finance team at the Group's Hong Kong subsidiary were independent and competent to carry out the review of the activities. The findings and recommendations arising from these reviews and testings were discussed with Management and presented to the AC and the Board.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder rights
Principle 14

The Group is committed to providing shareholders with adequate, timely and sufficient information regarding changes to the Group's business which could have a material impact on the Company's share price.

CORPORATE GOVERNANCE

To encourage shareholder participation, the Group holds its AGM at a central location in Singapore. Shareholders are informed of the rules, including voting procedures, that govern general meetings of shareholders through the notice of AGM.

The Company's constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in his place at general meetings. In January 2016, the Companies Act was amended to allow 'relevant intermediaries' to appoint more than two proxies, so that shareholders who hold shares through these relevant intermediaries can attend and participate in general meetings as proxies. Relevant intermediaries include licensed corporations which provide nominee / custodial services and the Central Provident Fund ("CPF") Board. Hence, indirect investors, including CPF investors, can be appointed as proxies to participate in shareholders' meetings.

Communication with shareholders
Principle 15

The Group provides shareholders with an assessment of its performance, position and prospects on a quarterly basis via quarterly announcements of results and other ad hoc announcements. Information on the Group's major new initiatives is also disseminated via SGXNET, followed by news release (if necessary). The Company does not practise selective disclosure.

During AGMs, shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters.

The Group does not have a fixed dividend policy as the nature of its business is cyclical and volatile. A downturn in the overall electronics sector could negatively affect the performance of the Group. However, the Directors are aware of the need to reward shareholders, and will recommend payment of dividends after considering the financial performance and cash flow needs of the Group.

In respect of FY2016, the Board has considered the uncertain operating environment and decided to remain prudent and does not recommend the payment of dividend.

Conduct of shareholder meetings
Principle 16

All shareholders of the Company receive the annual report and notice of the AGM. The notice of the AGM is also published in the Business Times and posted onto the SGXNET. The Company's constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in his place at general meetings. For the time being, the Group has decided not to allow for absentia voting at AGM due to concern over the authentication of shareholders' identity.

All the resolutions at the AGM are single item resolutions and are put to vote by poll, conducted in the presence of independent scrutineers. The results showing the number of votes cast for and against each resolution and the respective percentages are announced immediately at the AGM and through SGXNET.

The AGM of the Company provides shareholders with the opportunity to air their views and ask Directors, chairpersons of each Board committees and Management questions regarding the Group. The external auditors are also invited to attend the AGM to address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

The Company prepares minutes of general meetings that include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

The Company observes the best practices on dealings in securities as recommended in the Listing Manual of the Singapore Exchange Securities Trading Limited. It has issued a policy to its Directors and officers setting out the guidance on dealings in the securities of the Company. Directors and employees of the Group are not allowed to deal in the Company's shares during the period commencing two weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of the results. Directors and officers are also expected to observe insider trading laws at all times, and are discouraged from dealing in the Company's securities on short-term considerations.

Every quarter, the Group issues reminders to the Directors and employees, informing them of the dates of the release of quarterly and/or annual results and advising them not to deal in the Company's securities during the window periods. Directors of the Company are required to report to the Company Secretary whenever they deal in the Company's securities.

The Directors' interests in shares of the Company are found on pages 31 and 32 of the annual report.

SUSTAINABILITY REPORTING

The operating segments of the Group are described on pages 5 and 92 of the annual report. The Group does not operate in industries which are sensitive to environmental and social issues.

The Company notes that listed companies are required to issue their first sustainability report for the financial year ending 31 December 2017, and will take steps to comply with the requirement in due course.

MATERIAL CONTRACTS

Except as disclosed in this report and in the Directors' Report pertaining to share options, there are no other material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO or any Director or substantial shareholder.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Jadason Enterprises Ltd (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the Directors

In the opinion of the Directors,

(a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance of the business, and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended on that date; 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.

Directors

The Directors of the Company in office at the date of this statement are:

Queeny Ho	(Non-Executive Chairman)
Fung Chi Wai	(Chief Executive Officer)
Chua Keng Hiang	
Teo Kiang Kok	
Linna Hui Min	

In accordance with Article 89 of the Company's Articles of Association, Teo Kiang Kok and Linna Hui Min retire, and being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
<u>**The Company**</u>				
Jadason Enterprises Ltd				
(Ordinary shares)				
Queeny Ho	236,000,000	236,000,000	–	–
Fung Chi Wai	30,800,000	30,800,000	–	–
Chua Keng Hiang	8,500,000	8,500,000	–	–
Linna Hui Min	8,380,000	8,380,000	–	–
(Options to subscribe for ordinary shares)				
Fung Chi Wai	3,000,000	3,000,000	–	–
Linna Hui Min	1,500,000	1,500,000	–	–
Chua Keng Hiang	1,000,000	1,000,000	–	–
Teo Kiang Kok	1,000,000	1,000,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2017 except that Fung Chi Wai acquired an additional 1,600,000 ordinary shares of the Company via market transactions.

By virtue of Section 7 of the Singapore Companies Act, Queeny Ho is deemed to have interests in shares of the subsidiaries held by the Company.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share options

The Company's employee share incentive plan, Jadason Share Option Scheme 2000 (the Scheme), was adopted in June 2000 for granting non-transferable options that were settled by physical delivery of the ordinary shares of the Company to eligible Directors and employees. Options were granted for a term of 10 years to purchase the Company's ordinary shares at not less than the market value of the shares at the date of grant.

The 10-year share option scheme expired in June 2010 and no options can be granted under the Scheme after June 2010. The expiration of the Scheme, however, does not affect the share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse.

The committee administering the Jadason Share Option Scheme comprises three Directors, Queeny Ho, Fung Chi Wai and Chua Keng Hiang.

DIRECTORS' STATEMENT

Share options (continued)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Jadason Share Option Scheme as at 31 December 2016 are as follows:

Date of grant	Balance at 1.1.2016	Granted	Exercised	Cancelled	Balance at 31.12.2016	Exercise price	Exercise period
16.09.2009	15,300,000	–	–	(500,000)	14,800,000	$0.10	16.09.2010 to 15.09.2019
	15,300,000	–	–	(500,000)	14,800,000		

Details of share options to subscribe for ordinary shares of the Company granted to Directors of the Group are as follows:

Name	Options granted during financial year	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Directors				
Queeny Ho#	–	3,700,000	–	–
Fung Chi Wai	–	6,700,000	–	3,000,000
Chua Keng Hiang	–	2,000,000	1,000,000	1,000,000
Teo Kiang Kok	–	1,000,000	–	1,000,000
Linna Hui Min	–	4,300,000	500,000	1,500,000

Ms Queeny Ho is a substantial shareholder of the Company.

Since the commencement of the Jadason Share Option Scheme till the end of the financial year:

- no options have been granted to the controlling shareholders of the Company and their associates, other than those mentioned above;
- no participant has received 5% or more of the total options available under the plans;
- no options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- no options have been granted at a discount.

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the external auditors of the Company, and ensures the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external auditors;

- Reviewed the annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;

- Reviewed effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;

- Recommended to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope, results and quality of the audit;

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual.

There are no non-audit services provided by the external auditors to the Group. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Fung Chi Wai
Director

Linna Hui Min
Director

Singapore
24 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditor's report to the members of Jadason Enterprises Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jadason Enterprises Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the income statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet, income statement, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditor's report to the members of Jadason Enterprises Ltd

Allowance for doubtful trade receivables

The trade receivables balances as at year end are significant to the Group as they amounted to S$26,871,000 and represent 34.4% of the total consolidated assets as at 31 December 2016. During the year, allowance for doubtful debt and write-back of allowance for doubtful debts recognised in the profit and loss amounted to $3,000 and $53,000 respectively.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The determination as to whether trade receivable is collectable involves management judgements. Management considered the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers in estimating the allowance for doubtful debts. As such, we determined this to be a key audit matter.

Our audit procedures included, but not limited to, the following procedures. We assessed the Group's processes and controls relating to the monitoring of trade receivables and reviewed aging of receivables to identify collection risks. We obtained trade receivable confirmations, reviewed management's reconciliation of confirmation replies where applicable, and obtained evidence of receipts from selected trade debtors subsequent to financial year end. We assessed management's assumptions used in assessing the trade receivables impairment amount through review of specific debtors' payment history and management's assessment of credit risk of these debtors. We also assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 16 and 29 to the financial statements.

Allowance for obsolete inventories

As at 31 December 2016, the Group's total inventories amounted to $5,086,000, representing 8.7% of the total current assets of the consolidated balance sheet. During the current financial year, the Group has write-back of allowance for obsolete inventories of $473,000 and write-off of inventories of $171,000. The allowance for obsolete inventories relates mainly to drill bits and spare parts.

The Group is exposed to risk of obsolete inventory. Significant judgement is required for the estimation of allowance for obsolete inventories. Such estimation is subject to factors such as future market demand, pricing competition and technological advances. As such, we determined this to be a key audit matter.

As part of our audit, we attended and observed management's inventory counts at selected inventory locations. We reviewed management's process to identify obsolete inventories. We evaluated management's analyses and assessments on the net realisable values of obsolete inventories and their expected usage. We tested the accuracy of ageing of inventories. We also assessed the adequacy of the disclosures related to inventories in Note 15 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditor's report to the members of Jadason Enterprises Ltd

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditor's report to the members of Jadason Enterprises Ltd

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

24 March 2017

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Revenue	4	57,149	63,097	10,456	9,563
Cost of sales		(44,211)	(65,088)	(9,154)	(8,563)
Gross profit/(loss)		12,938	(1,991)	1,302	1,000
Other income	5	1,701	1,648	2,521	209
Selling and distribution expenses		(1,662)	(2,240)	(195)	(210)
Administrative expenses		(9,478)	(13,181)	(2,402)	(2,916)
Finance costs	6	(376)	(578)	(100)	(122)
Other expenses	5	(1,247)	(15,605)	(3,498)	(779)
Profit/(loss) before taxation	7	1,876	(31,947)	(2,372)	(2,818)
Income tax expense	8	(48)	(154)	(99)	(16)
Profit/(loss) for the year		1,828	(32,101)	(2,471)	(2,834)
Attributable to:					
Owners of the Company		1,828	(32,101)	(2,471)	(2,834)
Basic earnings/(loss) per share (cents)	9	0.25	(4.44)		
Diluted earnings/(loss) per share (cents)	9	0.25	(4.44)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Profit/(loss) for the year	1,828	(32,101)	(2,471)	(2,834)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(2,235)	2,219	(4)	2
Other comprehensive income for the financial year, net of tax	(2,235)	2,219	(4)	2
Total comprehensive income for the financial year	(407)	(29,882)	(2,475)	(2,832)
Total comprehensive income attributable to:				
Owners of the Company	(407)	(29,882)	(2,475)	(2,832)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	10	19,479	19,492	198	278
Land use rights	11	490	531	–	–
Intangible assets	12	–	–	–	–
Investments in subsidiaries	13	–	–	62,708	62,708
Investment in an associate	14	–	–	–	–
		19,969	20,023	62,906	62,986
Current assets					
Inventories	15	5,086	4,525	325	697
Trade and other receivables	16	34,138	31,630	2,347	5,063
Prepayments		256	176	37	26
Cash and cash equivalents	17	18,721	32,568	2,916	1,071
		58,201	68,899	5,625	6,857
Current liabilities					
Trade and other payables	18	17,328	16,161	14,892	3,124
Trust receipts	19	1,715	2,197	1,715	2,197
Finance leases	20	15	14	14	13
Interest-bearing loans and borrowings	21	7,624	16,206	1,000	8,830
Provision for taxation		1	159	–	–
		26,683	34,737	17,621	14,164
Net current assets/(liabilities)		31,518	34,162	(11,996)	(7,307)
Non-current liabilities					
Finance leases	20	7	21	7	21
Interest-bearing loans and borrowings	21	–	2,280	–	2,280
Provision for long service payment	22	510	499	–	–
Deferred taxation	23	16	24	16	16
		533	2,824	23	2,317
Net assets		50,954	51,361	50,887	53,362
Equity attributable to owners of the Company					
Share capital	24(a)	50,197	50,197	50,197	50,197
Treasury shares	24(b)	(307)	(307)	(307)	(307)
Reserves	25	1,064	1,471	997	3,472
Total equity		50,954	51,361	50,887	53,362

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company							
Group	**Share capital** $'000	**Treasury shares** $'000	**Employee share option reserve** $'000	**Foreign currency translation reserve** $'000	**Reserve and enterprise expansion funds** $'000	**(Accumulated losses)/retained earnings** $'000	**Total reserves** $'000	**Total equity** $'000
2016								
Balance at 1 January 2016	50,197	(307)	1,280	1,755	6,063	(7,627)	1,471	51,361
Profit for the financial year	–	–	–	–	–	1,828	1,828	1,828
Other comprehensive income								
Foreign currency translation	–	–	–	(2,235)	–	–	(2,235)	(2,235)
Total comprehensive income for the financial year	–	–	–	(2,235)	–	1,828	(407)	(407)
Distributions to owners								
Transfer from reserve and enterprise expansion funds	–	–	–	–	(352)	352	–	–
Balance at 31 December 2016	50,197	(307)	1,280	(480)	5,711	(5,447)	1,064	50,954
2015								
Balance at 1 January 2015	50,197	(307)	1,280	(464)	6,005	24,532	31,353	81,243
Loss for the financial year	–	–	–	–	–	(32,101)	(32,101)	(32,101)
Other comprehensive income								
Foreign currency translation	–	–	–	2,219	–	–	2,219	2,219
Total comprehensive income for the financial year	–	–	–	2,219	–	(32,101)	(29,882)	(29,882)
Contributions by owners								
Transfer to reserve and enterprise expansion funds	–	–	–	–	58	(58)	–	–
Balance at 31 December 2015	50,197	(307)	1,280	1,755	6,063	(7,627)	1,471	51,361

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company						
Company	**Share capital**	**Treasury shares**	**Employee share option reserve**	**Foreign currency translation reserve**	**Retained earnings/ (accumulated losses)**	**Total reserves**	**Total equity**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
Balance at 1 January 2016	50,197	(307)	1,280	(78)	2,270	3,472	53,362
Loss for the financial year	–	–	–	–	(2,471)	(2,471)	(2,471)
Other comprehensive income							
Foreign currency translation	–	–	–	(4)	–	(4)	(4)
Total comprehensive income for the financial year	–	–	–	(4)	(2,471)	(2,475)	(2,475)
Balance at 31 December 2016	50,197	(307)	1,280	(82)	(201)	997	50,887
2015							
Balance at 1 January 2015	50,197	(307)	1,280	(80)	5,104	6,304	56,194
Loss for the financial year	–	–	–	–	(2,834)	(2,834)	(2,834)
Other comprehensive income							
Foreign currency translation	–	–	–	2	–	2	2
Total comprehensive income for the financial year	–	–	–	2	(2,834)	(2,832)	(2,832)
Balance at 31 December 2015	50,197	(307)	1,280	(78)	2,270	3,472	53,362

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities:			
Profit/(loss) before taxation		1,876	(31,947)
Adjustments for:			
Allowance for impairment loss on amounts due from an associate	16	301	427
Allowance for impairment loss on amount due from a related party	16	–	906
Allowance for doubtful trade debts	16	3	221
Depreciation of property, plant and equipment	10	1,394	5,552
Amortisation of land use rights	11	18	19
Impairment loss on property, plant and equipment	10	–	14,000
Interest expense	6	376	578
Interest income	5	(285)	(813)
Loss/(gain) on disposal of property, plant and equipment	5	3	(251)
Write-back of allowance for doubtful trade debts	5	(53)	(2)
Write-off of property, plant and equipment	10	9	23
(Write-back)/write-down in value of inventories	15	(473)	4,372
Write-off of inventories	15	171	85
Operating cash flows before changes in working capital		3,340	(6,830)
Changes in working capital			
Trade and other receivables		(2,529)	12,136
Prepayments		(80)	37
Inventories		(259)	658
Trade and other payables		1,167	(2,100)
Trust receipts		(482)	(1,390)
Provision for long service payment		11	(136)
Cash flows generated from operations		1,168	2,375
Interest received		285	813
Interest paid		(376)	(578)
Income tax paid		(214)	(76)
Income tax refunded		71	–
Net cash flows generated from operating activities		934	2,534
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(2,324)	(1,388)
Proceeds from disposal of property, plant and equipment		5	547
Amounts due from an associate	16	(301)	(427)
Net cash flows used in investing activities		(2,620)	(1,268)
Cash flows from financing activities:			
Proceeds from interest-bearing loans and borrowings		3,732	9,120
Repayment of interest-bearing loans and borrowings		(14,594)	(13,806)
Repayment of finance leases		(13)	(14)
Net cash flows used in financing activities		(10,875)	(4,700)
Net decrease in cash and cash equivalents		(12,561)	(3,434)
Cash and cash equivalents at beginning of the financial year		32,568	35,400
Effects of exchange rate changes on cash and cash equivalents		(1,286)	602
Cash and cash equivalents at end of the financial year	17	18,721	32,568

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. Corporate information

Jadason Enterprises Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX – ST).

The registered office and principal place of business of the Company is located at 3 Kaki Bukit Crescent #03-01, Singapore 416237.

The principal activities of the Company are those of an investment holding company and distribution of machines and materials for the Printed Circuit Board ("PCB") and semi-conductor industries.

The Company also operates through Jadason Enterprises Ltd, Taiwan Branch (the "Branch") in the Republic of China. The principal activities of the Branch are the promotion of sales and rendering of after-sales service and maintenance.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 116 Leases	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the standard when it becomes effective in 2018. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of FRS 115.

<u>FRS 109 Financial Instruments</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date. The accounting policy for goodwill is set out in Note 2.7(a).

2.5 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.5 Foreign currency (continued)

(b) Consolidated financial statements (continued)

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold building	-	20 – 35 years
Leasehold improvements	-	10 – 35 years
Furniture, fittings and office equipment	-	3 – 10 years
Motor vehicles	-	6 years
Plant and machinery	-	6 – 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(b) Licence fees

License fees include costs incurred in the purchase of licences for manufacturing and distributing licensed products. Licence fees are measured at cost less accumulated amortisation and any impairment loss. Licence fees are fully amortised at the end of the reporting period.

(c) Development costs

Deferred development costs arising from development expenditure on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs are fully amortised at the end of the reporting period.

2.8 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 45.5 years.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

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

The Group accounts for its investment in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of the financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (continued)

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore company in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(c) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted after 22 November 2002 is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised 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 options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

(d) Provision for long service payment

One of the Group's subsidiaries participated in the Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and its eligible employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.20 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Service income are recognised when the services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 Government grants and subsidies

Government grants and subsidies are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants and subsidies are presented in profit or loss under "Other income".

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (continued)

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(a) Impairment of trade and other receivables (continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period is disclosed in Note 16 to the financial statements. If the present value of estimated cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by $1,000 (2015: increase by $76,000).

(b) Allowance for obsolete inventories

The Group periodically assesses the allowance for inventory obsolescence. When inventories are deemed obsolete or when the net realisable value falls below cost, the amount of obsolete or fall in value is recognised as an impairment against the inventory balance. To determine whether there is objective evidence of impairment, the Group considers factors such as future market demand, pricing competition and technological advances. Any possible changes in these estimates could result in revision to the valuation of inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 15 to the financial statements.

(c) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. For machinery, the recoverable amount is based on resale prices in the secondary market. The Group considers prices recently paid or offered for similar machines, and makes adjustments to the indicated market prices to take into consideration the conditions of the machines. The carrying amount of the Group's non-financial assets as at the end of each reporting period is disclosed in Notes 10, 11, 12, 13 and 14 to the financial statements.

(d) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 6 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the end of the reporting period as well as sensitivity analysis on the useful lives of the Group's plant and machinery are disclosed in Note 10 to the financial statements.

(e) Income taxes

The Group has exposure to income taxes in several jurisdictions. Estimation uncertainty is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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 and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the end of the reporting period was $1,000 (2015: $159,000) and $16,000 (2015: $24,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Revenue

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Sale of goods	22,608	34,087	9,104	7,611
Service income	34,541	29,010	1,352	1,952
	57,149	63,097	10,456	9,563

5. Other income/(expenses)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Other income comprise:				
Dividend income from subsidiaries	–	–	2,397	131
Gain on disposal of property, plant and equipment	–	251	–	–
Interest income from financial institutions	285	808	1	–
Interest income from a related party	–	5	–	–
Income from scrap sales	1,078	303	–	–
Write-back of allowance for doubtful trade debts	53	2	3	2
Credit from government schemes	96	25	54	25
Write-back of trade payables	62	–	62	–
Sundry income	127	254	4	51
	1,701	1,648	2,521	209
Other expenses comprise:				
Foreign exchange loss, net	(943)	(1,178)	(116)	(352)
Allowance for impairment loss on amounts due from an associate	(301)	(427)	(301)	(427)
Allowance for impairment loss on amount due from a subsidiary	–	–	(3,081)	–
Allowance for impairment loss on property, plant and equipment	–	(14,000)	–	–
Loss on disposal of property, plant and equipment	(3)	–	–	–
	(1,247)	(15,605)	(3,498)	(779)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Bank borrowings	375	577	99	121
Finance leases	1	1	1	1
	376	578	100	122

7. Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	1,394	5,552	88	102
Amortisation of land use rights	18	19	–	–
Directors' fees	150	150	150	150
Directors' remuneration				
- Directors of the Company	756	761	259	257
(Write-back)/write-down in value of inventories	(473)	4,372	(26)	469
Write-off of inventories	171	85	171	3
Allowance for doubtful trade receivables	3	221	3	–
Allowance for impairment loss on amount due from a related party	–	906	–	–
Staff costs (excluding Directors' remuneration)	13,188	12,131	1,327	1,673
Defined contribution plans included in staff costs (excluding Directors' remuneration)	1,306	1,328	115	130
Operating lease expense	2,650	3,099	208	214
Audit fees:				
- Auditors of the Company	83	83	83	83
- Affiliates of auditors of the Company	87	87	–	–
- Other auditors	73	75	5	5
Non-audit fees:				
- Other auditors	8	8	–	–
Total audit and non-audit fees	251	253	88	88

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current income tax:				
Current tax	68	53	–	–
(Over)/under provision in respect of prior years	(111)	100	–	8
Withholding tax:				
Paid or payable on remittance of profits	98	500	98	7
Origination and reversal of temporary differences	(8)	(500)	–	–
Paid on services rendered to overseas customers	1	1	1	1
	48	154	99	16

(b) Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Profit/(loss) before taxation	1,876	(31,947)	(2,372)	(2,818)
Tax at the statutory rate of 17% (2015: 17%)	319	(5,431)	(403)	(479)
Tax effects of expenses not deductible for tax purposes	199	3,552	603	153
Tax effect of income not subject to tax	(172)	(41)	(413)	(22)
Deferred tax assets not recognised	406	2,633	217	354
Utilisation of deferred tax assets previously not recognised	(994)	(10)	–	–
Differences in tax rates of other countries	310	(650)	(4)	(6)
(Over)/under provision in respect of prior years	(111)	100	–	8
Withholding tax paid or payable on remittance of profits	90	–	98	7
Withholding tax paid on services rendered to overseas customers	1	1	1	1
Income tax expense recognised in profit or loss	48	154	99	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Income tax expense (continued)

(b) Relationship between tax expense and accounting profit/(loss) (continued)

The corporate income tax rate applicable to the Company was 17% (2015: 17%). The corporate income tax rates applicable to The People's Republic of China, Malaysia and Hongkong subsidiaries of the Group were 25% (2015: 25%), 24% (2015: 25%) and 16.5% (2015: 16.5%) respectively.

In prior years, one of the Group's subsidiaries in The People's Republic of China obtained High-Tech Technology Enterprise ("HTNE") certificate. The certificate was valid for three years and was effective from year 2013 until 2015. In accordance with the "Guokefahuo [2008] No. 172", the subsidiary was entitled to enjoy preferential tax rate for high-tech enterprise at 15%.

As at 31 December 2016, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately $41,191,000 (2015: $44,384,000) which are available for set-off against future taxable profits for which no deferred tax is recognised due to uncertainty of its recoverability. As at 31 December 2016, the Company has unutilised tax losses and unabsorbed capital allowances amounting to approximately $9,514,000 (2015: $8,303,000). The use of these tax losses and capital allowances is subject to agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate. The Group's unutilised tax losses and unabsorbed capital allowances have no expiry date, except for an amount of $859,000 which will expire within one year and $11,459,000 which will expire between two to five years.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(loss) for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit/(loss) for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Earnings per share (continued)

The following table reflects the profit/(loss) and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2016	**2015**
	$'000	$'000
Profit/(loss) for the year attributable to owners of the Company used in computation of basic and diluted earnings per share	1,828	(32,101)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	722,395	722,395
Dilutive effect of share options	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	722,395	722,395

Share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Property, plant and equipment

Group	Leasehold building $'000	Leasehold improve-ments $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Total $'000
Cost:						
At 1 January 2015	1,821	10,588	2,824	1,760	107,679	124,672
Net exchange differences	39	253	62	50	2,552	2,956
Additions	10	149	121	60	1,048	1,388
Disposals	–	–	(3)	(31)	(7,316)	(7,350)
Write-off	–	(80)	(95)	–	(734)	(909)
At 31 December 2015 and 1 January 2016	1,870	10,910	2,909	1,839	103,229	120,757
Net exchange differences	(82)	(560)	(35)	(32)	(5,071)	(5,780)
Additions	–	64	51	41	2,168	2,324
Disposals	–	(1)	(30)	(62)	(3)	(96)
Write-off	–	(1)	(13)	–	(43)	(57)
At 31 December 2016	1,788	10,412	2,882	1,786	100,280	117,148
Accumulated depreciation and impairment loss:						
At 1 January 2015	954	4,708	2,592	1,272	78,276	87,802
Net exchange differences	20	84	62	35	1,650	1,851
Charge for the year	118	545	123	156	4,610	5,552
Disposals	–	–	(2)	(31)	(7,021)	(7,054)
Impairment loss	–	1,125	–	–	12,875	14,000
Write-off	–	(76)	(95)	–	(715)	(886)
At 31 December 2015 and 1 January 2016	1,092	6,386	2,680	1,432	89,675	101,265
Net exchange differences	(48)	(267)	(46)	(29)	(4,464)	(4,854)
Charge for the year	121	462	118	101	592	1,394
Disposals	–	(1)	(29)	(55)	(3)	(88)
Write-off	–	(1)	(13)	–	(34)	(48)
At 31 December 2016	1,165	6,579	2,710	1,449	85,766	97,669
Net carrying amount:						
At 31 December 2015	778	4,524	229	407	13,554	19,492
At 31 December 2016	623	3,833	172	337	14,514	19,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Property, plant and equipment (continued)

Company	Leasehold improve-ments	Furniture, fittings and office equipment	Motor vehicles	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2015	160	637	480	1,009	2,286
Additions	–	57	60	–	117
At 31 December 2015 and 1 January 2016	160	694	540	1,009	2,403
Additions	–	9	–	–	9
Disposals	–	(14)	–	–	(14)
Write-off	–	(8)	–	–	(8)
At 31 December 2016	160	681	540	1,009	2,390
Accumulated depreciation:					
At 1 January 2015	146	559	351	967	2,023
Charge for the year	3	28	55	16	102
At 31 December 2015 and 1 January 2016	149	587	406	983	2,125
Charge for the year	3	34	36	15	88
Disposals	–	(13)	–	–	(13)
Write-off	–	(8)	–	–	(8)
At 31 December 2016	152	600	442	998	2,192
Net carrying amount:					
At 31 December 2015	11	107	134	26	278
At 31 December 2016	8	81	98	11	198

In prior year, the Group recognised an impairment loss of property, plant and equipment of S$14,000,000 in the income statement as a result of the review conducted by the management for the recoverable amount of the property, plant and machinery in China. Management considered the prices recently paid or offered for similar machines and made adjustment to the indicated market prices to take into consideration the conditions of the machines.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Property, plant and equipment (continued)

Assets held in trust

The carrying amount of motor vehicles of the Group and Company held in trust by certain employees at the end of the reporting period was $98,000 (2015: $129,000).

Assets held under finance leases

The carrying amounts of motor vehicles and office equipment of the Group held under finance leases at the end of the reporting period were $50,000 (2015: $71,000) and $2,000 (2015: $2,000) respectively.

The carrying amounts of motor vehicles of the Company held under finance leases at the end of the reporting period was $50,000 (2015: $71,000).

Leased assets are pledged as security for the related finance lease liabilities.

Leasehold building

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

Company	Location	Description	Area	Tenure
Jadason Electronics (Suzhou) Co., Ltd	Unit 42 Huoju Road, Suzhou New District, People's Republic of China	Leasehold factory and office buildings	Land 10,417 m^2	Lease term of 45.5 years from October 2004

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the useful life of plant and machinery, with all other variables held constant:

	Group	
	2016	**2015**
	$'000	$'000
Useful life - increased by 2 years	(1,038)	2,154
Useful life - decreased by 2 years	367	(1,237)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Land use rights

	Group	
	2016	**2015**
	$'000	$'000
Cost:		
At 1 January	740	724
Net exchange differences	(32)	16
At 31 December	708	740
Accumulated amortisation:		
At 1 January	209	186
Net exchange differences	(9)	4
Charge for the year	18	19
At 31 December	218	209
Net carrying amount	490	531
Amount to be amortised:		
- Not later than one year	21	21
- Later than one year but not later than five years	84	84
- Later than five years	385	426

The Group has land use rights over a plot of state-owned land in The People's Republic of China where Jadason Electronics (Suzhou) Co., Ltd resides. The land use rights are transferable and have a remaining tenure of 33.5 years (2015: 34.5 years).

12. Intangible assets

Group	Goodwill	Licence fees	Development costs	Total
	$'000	$'000	$'000	$'000
Cost:				
At 31 December 2015, 1 January 2016 and 31 December 2016	1,303	742	3,372	5,417
Accumulated amortisation and impairment:				
At 31 December 2015, 1 January 2016 and 31 December 2016	1,303	742	3,372	5,417
Net carrying amount:				
At 31 December 2015	–	–	–	–
At 31 December 2016	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Investments in subsidiaries

	Company	
	2016	**2015**
	$'000	$'000
Unquoted equity shares, at cost	63,873	63,873
Impairment loss on investment in a subsidiary	(1,165)	(1,165)
	62,708	62,708

Details of subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016	**2015**
			%	%
Held by the Company				
Jadason Enterprises (HK) Limited[1]	Hong Kong	Distribution of equipment and supplies and provision of support services to the PCB and semiconductor industries.	100	100
Jadason Engineering Sdn Bhd[2]	Malaysia	Provision of drilling and resharpening services and distribution of supplies to the PCB industry.	100	100
Jadason Enterprises (Thailand) Limited[3]	Thailand	Installation of machines and provision of support services to the PCB and semiconductor industries.	100	100
Jadason Electronics (Suzhou) Co., Ltd[4]	The People's Republic of China	Manufacturing, trading and provision of services to the PCB and semiconductor industries.	100	100
Jadason Scientific (Shanghai) Co., Ltd[5],[8]	The People's Republic of China	Trading and distribution of equipment, supplies and materials to the PCB industry.	100	100
Jadason Enterprises (Japan) Limited[6]	Japan	Provision of sales support and procurement services.	100	100
Jadason PCB Materials (Dongguan) Ltd[7],[8]	The People's Republic of China	Mass lamination of printed circuit boards.	100	100
Jadason Electronics (Dongguan) Ltd[7],[8]	The People's Republic of China	Provision of drilling services to the PCB and semiconductor industries.	100	100
Jadason Scientific (Dongguan) Ltd[7],[8]	The People's Republic of China	Assembly of laser photoplotters, exposure machines and other PCB equipment for the PCB industry.	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Investments in subsidiaries (continued)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Held by Jadason Enterprises (HK) Limited				
ibooks Limited	Hong Kong	Dormant. The company was de-registered during the year.	–	100
Quicktest Limited	Hong Kong	Dormant. The company was de-registered during the year.	–	100
Jadason Test Limited[1]	Hong Kong	Provision of machinery installation and maintenance services for PCB manufacturers. The company is dormant.	100	100
CymbolicTech Company Limited[1]	Hong Kong	Manufacturing and trading of machinery. The company is dormant.	100	100
Jadason Microelectronics (Dongguan) Ltd[7,8]	The People's Republic of China	Provision of drilling services to the PCB and semiconductor industries.	100	100
Held by CymbolicTech Company Limited				
Jadason Electronics Equipment (Dongguan) Ltd	The People's Republic of China	Production and distribution of wet process equipment. The company is dormant and has applied for de-registration.	100	100
Held by Jadason Test Limited				
Jadason Test (Suzhou) Limited[4]	The People's Republic of China	Provision of testing services for printed circuit boards. The company is dormant during the year.	100	100

(1) Audited by CK Yau & Partners CPA Limited.
(2) Audited by member firm of Ernst & Young Global Limited in Malaysia.
(3) Audited by KT&R Associate Partnership.
(4) Audited by Suzhou Lixin Certified Public Accountants Co., Ltd.
(5) Audited by Nexia TS (Shanghai) Co., Ltd. for statutory audit.
(6) Not required to be audited by the law of country of incorporation.
(7) Audited by Dongguan Peanal Certified Public Accountants for statutory audit.
(8) Audited by member firm of Ernst & Young Hua Ming LLP in Shenzhen for reporting to Group.

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries are:

Cash and cash equivalents of $14,005,000 held in The People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends and trade related settlements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Investment in an associate

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	200	200	200	200
Impairment loss on investment in an associate	–	–	(200)	(200)
Share of post-acquisition reserves	(200)	(200)	–	–
	–	–	–	–

Details of the associate are as follows:

Name	Country of incorporation	Principal activity	Proportion of ownership interest	
			2016	**2015**
			%	%
Held by the Company				
Infinite Graphics Pte Ltd[(1)]	Singapore	Manufactures large format photo masks.	50	50

(1) Audited by Ernst & Young LLP, Singapore.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2016	**2015**
	$'000	$'000
Assets and liabilities:		
Total assets	238	406
Total liabilities	4,661	4,378
Results:		
Revenue	682	964
Loss after tax representing total comprehensive income for the year	(451)	(359)

The Company carried out a review of the investment in the associate and the recoverability of the amounts owing by the associate (Note 16), and noted that the expansion of the associate into certain key markets was not progressing as planned. The review led to the recognition of an impairment loss of $301,000 (2015: $427,000) on the amounts owing by the associate of the Company.

The impairment loss recognised by the Group on the amounts owing by the associate of the Company during the year was $301,000 (2015: $427,000) (Note 16).

The unrecognised share of losses of the associate for the year ended 31 December 2016 is $226,000 and cumulatively is $468,000 as the interest in associate has been fully impaired by the Company and the Group.

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15. Inventories

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	1,130	960	–	–
Work-in-progress	340	202	–	–
Finished goods	3,616	3,363	325	697
Total inventories at lower of cost and net realisable value	5,086	4,525	325	697
Income statement:				
Inventories recognised as an expense in cost of sales inclusive of the following charge:	27,157	42,844	9,132	8,502
- Inventories written-off	171	85	171	3
- Inventories (written-back)/written-down	(473)	4,372	(26)	469

The reversal of write-down of inventories was made during the year as the related inventories were either utilised in producing equipment for use in the Group's business or sold above their carrying amounts.

16. Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	27,438	21,538	2,059	1,901
Less: Allowance for doubtful trade receivables	(567)	(617)	(139)	(141)
	26,871	20,921	1,920	1,760
Bills receivables	6,168	9,081	–	–
Trade amount due from subsidiaries	–	–	7	14
Non-trade amount due from subsidiaries	–	–	3,445	3,229
Less: Allowance for impairment loss on amount due from a subsidiary	–	–	(3,081)	–
Trade amount due from an associate	–	–	92	90
Non-trade amount due from an associate	2,777	2,476	4,429	4,130
Less: Allowance for impairment loss on amounts due from an associate (Note 14)	(2,777)	(2,476)	(4,521)	(4,220)
Non-trade amount due from a related party	906	906	–	–
Less: Allowance for impairment loss on amount due from a related party	(906)	(906)	–	–
Deposits	237	293	46	47
Others	862	1,335	10	13
Total trade and other receivables (current)	34,138	31,630	2,347	5,063
Add: Cash and cash equivalents (Note 17)	18,721	32,568	2,916	1,071
Total loans and receivables	52,859	64,198	5,263	6,134

16. Trade and other receivables (continued)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Bills receivables

Bills receivables have an average maturity period of 90 (2015: 120) days from the end of the reporting period with effective interest rates of 4.00% to 5.00% (2015: 3.00% to 4.00%) per annum.

Amounts due from subsidiaries and associate

Amounts due from subsidiaries and associate are unsecured, interest-free and repayable on demand in cash.

During the financial year, the Company reviewed the recoverability of the amount of $3,081,000 owing by a subsidiary and noted that the cessation of production of certain equipment had affected the revenue, profitability and prospect of the subsidiary. The review led to the recognition of an impairment loss of $3,081,000 on the amount owing by the subsidiary to the Company.

Amount due from a related party

Amount due from a related party is denominated in Hong Kong dollars and relates to the outstanding amount owing by Jadason Technology Limited ("JTL"), a former subsidiary. The amount is scheduled to be repaid to the Group on an instalment basis over the period from February 2012 to February 2015. Interest is charged on the outstanding balance at 3% per annum. From 2012 to 2014, the Group had received the first three instalments, totaling S$1,951,000 (HK$12,000,000), from JTL in accordance with the repayment schedule. However, in respect of the final instalment of S$1,384,000 (HK$8,000,000) due in 2015, the Group has not received the full amount at 31 December 2015 and at the date of these financial statements.

The Group has appointed a legal firm to recover the outstanding balance of S$906,000 (HK$4,000,000 plus interest) owing by JTL, and an allowance for doubtful debt was made in respect of this amount in prior year.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore Dollar	74	136	143	266
United States Dollar	2,509	2,227	1,894	2,934
Japanese Yen	134	210	235	1,708
Euro Dollar	70	66	18	54
Hong Kong Dollar	227	624	2	1
Renminbi	30,612	27,866	–	–
Malaysian Ringgit	272	299	–	–
Others	240	202	55	100
	34,138	31,630	2,347	5,063

16. Trade and other receivables (continued)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $5,402,000 (2015: $4,324,000) and $990,000 (2015: $973,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade receivables past due:				
Less than 30 days	2,513	2,095	646	638
30 to 60 days	1,369	813	255	233
61 to 90 days	702	797	59	57
91 to 120 days	587	223	6	2
More than 120 days	231	396	24	43
	5,402	4,324	990	973

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the end of the reporting period and the movements of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Movement in allowance accounts:				
At 1 January	617	398	141	143
Charge for the year	3	221	3	–
Recovery for the year	(53)	(2)	(5)	(2)
At 31 December	567	617	139	141

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17. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	16,743	14,791	2,916	1,071
Bank deposits	1,978	17,777	–	–
	18,721	32,568	2,916	1,071

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.001% to 1.00% (2015: 0.001% to 1.00%) per annum.

Bank deposits with financial institutions earn interest at 2.25% (2015: 1.00% to 3.40%) per annum.

Cash and cash equivalents of the Group and Company are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Singapore Dollar	383	113	378	108
United States Dollar	2,574	1,084	2,391	796
Japanese Yen	52	40	9	15
Euro Dollar	55	45	9	15
Hong Kong Dollar	959	6,140	2	2
Renminbi	14,311	24,711	72	54
Malaysian Ringgit	233	290	–	–
Others	154	145	55	81
	18,721	32,568	2,916	1,071

18. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade payables	12,997	11,512	2,930	1,409
Trade amount due to subsidiaries	–	–	370	317
Non-trade amount due to subsidiaries	–	–	11,183	973
Other payables	1,433	719	1	2
Accruals	2,898	3,930	408	423
Total trade and other payables	17,328	16,161	14,892	3,124
Add:				
Trust receipts (Note 19)	1,715	2,197	1,715	2,197
Finance leases (Note 20)	22	35	21	34
Interest-bearing loans and borrowings (Note 21)	7,624	18,486	1,000	11,110
Total financial liabilities at amortised cost	26,689	36,879	17,628	16,465

Trade payables

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables

Other payables are unsecured, interest-free and normally settled on 30 to 90-day terms.

Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest-free, repayable on demand and to be settled in cash.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Singapore Dollar	473	527	5,297	755
United States Dollar	3,403	2,054	4,694	2,128
Japanese Yen	130	317	11	24
Euro Dollar	32	16	10	12
Hong Kong Dollar	268	440	4,671	–
Renminbi	12,922	12,677	54	56
Others	100	130	155	149
	17,328	16,161	14,892	3,124

19. Trust receipts

Trust receipts have a maturity period of 120 days (2015: 120 days) with interest rates of 2.25% to 3.43% (2015: 2.34% to 2.70%) per annum.

Trust receipts are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollar	1,567	2,197	1,567	2,197
Swiss Franc	148	–	148	–
	1,715	2,197	1,715	2,197

20. Finance leases

The Group and the Company have entered into finance leases for certain items of motor vehicles and office equipment. There are no restrictions placed upon the Group and the Company by entering into these leases. These leases expire over the next 18 months. Renewals are at the option of the specific entity that holds the lease.

The finance lease liabilities for the Group bear interest at rates ranging from 3.7% to 8.0% (2015: 3.7% to 8.0%) per annum.

The finance lease liabilities for the Company bear interest at 3.7% (2015: 3.7%) per annum.

Future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments are as follows:

	2016		2015	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$'000	$'000	$'000	$'000
Group				
Within 1 year	15	15	15	14
After 1 year but within 5 years	8	7	22	21
Total minimum lease payments	23	22	37	35
Less: Amounts representing finance charges	(1)	–	(2)	–
Present value of minimum lease payments	22	22	35	35
Company				
Within 1 year	14	14	14	13
After 1 year but within 5 years	8	7	22	21
Total minimum lease payments	22	21	36	34
Less: Amounts representing finance charges	(1)	–	(2)	–
Present value of minimum lease payments	21	21	34	34

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20. Finance leases (continued)

Finance leases of the Group and the Company are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current				
Singapore Dollar	14	13	14	13
Hong Kong Dollar	1	1	–	–
	15	14	14	13
Non-current				
Singapore Dollar	7	21	7	21
	7	21	7	21

21. Interest-bearing loans and borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Short term loans	7,624	9,366	1,000	1,990
Long term loan:				
- Due within 12 months	–	6,840	–	6,840
- Due after 12 months	–	2,280	–	2,280
	7,624	18,486	1,000	11,110

The Singapore short term bank loans are unsecured and bear interest at 3.40% per annum (2015: 2.60% to 3.47% per annum).

The Hong Kong short term bank loans are unsecured and bear interest at rates ranging from 2.17% to 2.97% per annum (1.50% to 2.25% per annum over HIBOR). In prior year, the Hong Kong bank loans bore interest at rates ranging from 1.89% to 2.73% per annum (1.50% to 2.50% per annum over HIBOR and 1.5% per annum over SIBOR).

The long term loan was unsecured.

In prior year, the long term loan of S$9,120,000 (HK$50,000,000) was repayable over 4 quarterly instalments commencing May 2016 and bore interest at rates ranging from 2.17% to 2.55% per annum (1.75% per annum over 3-month SIBOR). This amount was fully repaid in the current financial year.

The interest rates of the floating rates loans are repriced at intervals of 1 to 3 months.

21. Interest-bearing loans and borrowings (continued)

Interest-bearing loans and borrowings of the Group and the Company are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current				
Singapore Dollar	1,000	3,725	1,000	1,000
Hong Kong Dollar	6,624	11,491	–	6,840
United States Dollar	–	990	–	990
	7,624	16,206	1,000	8,830
Non-current				
Hong Kong Dollar	–	2,280	–	2,280
	–	2,280	–	2,280

22. Provision for long service payment

Provision for long service payment for eligible employees of subsidiaries has been made in the financial statements pursuant to the requirements under the Employment Ordinance in Hong Kong.

	Group	
	2016	**2015**
	$'000	$'000
At beginning of year	499	635
Net exchange differences	12	40
Payment during the year	(1)	(176)
At end of year	510	499

23. Deferred taxation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
At beginning of year	24	524	16	16
Origination and reversal of temporary differences	(8)	(500)	–	–
At end of year	16	24	16	16

The deferred taxation of the Group arises as a result of the excess of net book value over the tax written down value of property, plant and equipment amounting to $16,000 (2015: $16,000) and withholding tax payable upon repatriation of profits by overseas subsidiaries amounting to $Nil (2015: $8,000). The deferred taxation of the Company arises as a result of the excess of net book value over the tax written down value of property, plant and equipment. As at 31 December 2016 and 31 December 2015, there is no deferred tax recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January and 31 December	726,065	50,197	726,065	50,197

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January and 31 December	(3,670)	(307)	(3,670)	(307)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

(c) Share options

(i) The Company's employee share incentive plan, Jadason Share Option Scheme 2000, was adopted in June 2000 for granting non-transferable options to eligible Directors and employees. Options were granted for a term of 10 years to purchase the Company's ordinary shares at not less than the market value of the shares at the date of grant.

The 10-year share option scheme expired in June 2010 and no options can be granted under the Scheme after June 2010. The expiration of the Scheme, however, does not affect the share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Share capital and treasury shares (continued)

(c) Share options (continued)

(ii) Under the Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 31 December 2016 were as follows:

2016

Date of grant	Balance at 1.1.2016	Granted	Exercised	Cancelled	Balance at 31.12.2016	Exercise price	Exercise period
16.9.2009	15,300,000 [(1)]	–	–	(500,000)	14,800,000	$0.10	16 September 2010 to 15 September 2019
	15,300,000	–	–	(500,000)	14,800,000		

2015

Date of grant	Balance at 1.1.2015	Granted	Exercised	Cancelled	Balance at 31.12.2015	Exercise price	Exercise period
16.9.2009	16,500,000 [(1)]	–	–	(1,200,000)	15,300,000	$0.10	16 September 2010 to 15 September 2019
	16,500,000	–	–	(1,200,000)	15,300,000		

(1) These were granted to the Directors and employees of the Group of which 25% of the options are exercisable on or after 16 September 2010, the next 25% on or after 16 September 2011 and the remaining on or after 16 September 2012.

The fair value of equity share options as at the date of grant is measured based on the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are as follows:

Date of grant of options	16.9.2009
Fair value at measurement date:	
Share price (S$)	0.095
Exercise price (S$)	0.100
Expected volatility (%)	64.00
Expected option life (years)	9.00
Expected dividends (%)	1.00
Risk-free interest rate (%)	2.35

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Reserves

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Employee share option reserve	1,280	1,280	1,280	1,280
Foreign currency translation reserve	(480)	1,755	(82)	(78)
Reserve and enterprise expansion funds	5,711	6,063	–	–
(Accumulated losses)/retained earnings	(5,447)	(7,627)	(201)	2,270
	1,064	1,471	997	3,472

(a) *Employee share option reserve*

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
At 1 January and 31 December	1,280	1,280	1,280	1,280

The employee share option reserve represents the equity settled share options granted to employees after 22 November 2002. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

(b) *Foreign currency translation reserve*

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
At 1 January	1,755	(464)	(78)	(80)
Net effect of exchange differences	(2,235)	2,219	(4)	2
At 31 December	(480)	1,755	(82)	(78)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign branch of the Company whose functional currencies are different from that of the Group's presentation currency.

(c) *Reserve and enterprise expansion funds*

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
At 1 January	6,063	6,005	–	–
Transfer (to)/from retained earnings	(352)	58	–	–
At 31 December	5,711	6,063	–	–

25. Reserves (continued)

(c) Reserve and enterprise expansion funds (continued)

Under the accounting principles and relevant financial regulations of The People's Republic of China ("PRC"), certain subsidiary companies are required to set aside a reserve fund and an enterprise expansion fund ("Reserve and Enterprise Expansion Funds") by way of appropriations from their profits. The appropriations to these funds are determined by the subsidiaries' Board of Directors and must be made before distribution of dividends. The relevant PRC subsidiaries have to appropriate at least 10% of their net profit after taxation determined according to their statutory financial statements to the reserve fund and enterprise expansion fund until the funds reach 50% of their registered capital. These funds are not distributable in the form of cash dividends. Utilisation of funds is governed and restricted by the relevant PRC laws and regulations.

26. Related party disclosures

An entity or individual is considered a related party of the Group and the Company for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group and the Company or vice versa; or ii) it is subject to common control or common significant influence.

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place on terms agreed between the parties during the financial year:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Purchase of goods from subsidiaries	–	–	81	174
Sales of goods to subsidiaries	–	–	19	39
Dividend income	–	–	2,397	131
Rental income from an associate	9	–	9	–
Sale of goods to an associate	–	4	–	4
Interest income from Jadason Technology Limited	–	5	–	–

(b) Compensation of key management personnel

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Short-term employment benefits	1,087	1,093	596	596
Defined contribution plans	41	35	35	28
	1,128	1,128	631	624
Comprise amounts paid to:				
Directors of the Group	756	761	259	257
Other key management personnel	372	367	372	367
	1,128	1,128	631	624

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Commitments and contingencies

(a) Operating lease commitments - as lessee

The Group and the Company lease certain property, plant and equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates and contain provisions for rental adjustments. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debts and further leasing. Operating lease payments recognised in profit or loss of the Group and the Company during the year amounted to $2,650,000 and $208,000 (2015: $3,099,000 and $214,000) respectively.

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Within 1 year	2,453	2,702	207	86
After 1 year but within 5 years	2,231	2,510	86	–
	4,684	5,212	293	86

(b) Contingent liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Guarantees provided in respect of credit facilities for:				
Subsidiaries - unsecured	–	–	6,624	7,376

The Company has committed to provide financial support for certain subsidiaries to enable them to operate as going concerns for at least 12 months from the financial year end.

28. Fair value of financial instruments

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Fair value of financial instruments (continued)

(b) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value***

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	2016		2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	$'000	$'000	$'000
Group				
Financial liabilities				
Finance leases (non-current)	7	6	21	19
Company				
Financial liabilities				
Finance leases (non-current)	7	6	21	19

The fair value of the non-current finance leases are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangement at the end of the reporting period.

No amount has been recognised in the income statements in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique for the financial years ended 31 December 2016 and 2015.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value***

Cash and cash equivalents, current trade and other receivables, current trade and other payables, trust receipts, current finance leases and interest-bearing loans and borrowings with variable interest rates

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

29. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the respective heads of subsidiaries, Chief Executive Officer and Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management objectives and policies (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral for its trade accounts receivable. Customers are also assessed based on their historical payment records. Where necessary, customers may be requested to provide advance payments before goods are delivered.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– The carrying amount of each class of financial assets recognised in the balance sheets.

– A nominal amount of $6,624,000 (2015: $7,376,000) relating to guarantees provided by the Company to financial institutions on its subsidiaries' credit facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2016		2015	
	$'000	% of total	$'000	% of total
By country:				
Singapore	1,194	4%	1,085	5%
The People's Republic of China including Hong Kong	24,579	92%	18,828	90%
Malaysia	561	2%	784	4%
Other countries	537	2%	224	1%
	26,871	100%	20,921	100%
By industry sector:				
Equipment and supplies	5,662	21%	7,062	34%
Manufacturing and support services	21,209	79%	13,859	66%
	26,871	100%	20,921	100%

At the end of the reporting period, 52% (2015: 30%) of the Group's trade receivables (current) were due from two major customers (2015: 1).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivables).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Short-term funding is obtained from bank loans and bank overdraft facilities.

The Group monitors its operating cash flows and finances its operations using a combination of borrowings and internal working capital. Adequate credit lines are maintained to ensure that necessary liquidity is available when required.

The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less	One to five years	Total
	$'000	$'000	$'000
2016			
Financial assets			
Trade and other receivables (Note 16)	34,138	–	34,138
Cash and cash equivalents (Note 17)	18,721	–	18,721
Total undiscounted financial assets	52,859	–	52,859
Financial liabilities			
Trade and other payables (Note 18)	17,328	–	17,328
Trust receipts (Note 19)	1,715	–	1,715
Finance leases (Note 20)	15	8	23
Interest-bearing loans and borrowings	7,853	–	7,853
Total undiscounted financial liabilities	26,911	8	26,919
Total net undiscounted financial assets/(liabilities)	25,948	(8)	25,940

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Group	One year or less $'000	One to five years $'000	Total $'000
2015			
Financial assets			
Trade and other receivables (Note 16)	31,630	–	31,630
Cash and cash equivalents (Note 17)	32,568	–	32,568
Total undiscounted financial assets	64,198	–	64,198
Financial liabilities			
Trade and other payables (Note 18)	16,161	–	16,161
Trust receipts (Note 19)	2,197	–	2,197
Finance leases (Note 20)	15	22	37
Interest-bearing loans and borrowings	16,692	2,348	19,040
Total undiscounted financial liabilities	35,065	2,370	37,435
Total net undiscounted financial assets/(liabilities)	29,133	(2,370)	26,763

Company	One year or less $'000	One to five years $'000	Total $'000
2016			
Financial assets			
Trade and other receivables (Note 16)	2,347	–	2,347
Cash and cash equivalents (Note 17)	2,916	–	2,916
Total undiscounted financial assets	5,263	–	5,263
Financial liabilities			
Trade and other payables (Note 18)	14,892	–	14,892
Trust receipts (Note 19)	1,715	–	1,715
Finance leases (Note 20)	14	8	22
Interest-bearing loans and borrowings	1,030	–	1,030
Total undiscounted financial liabilities	17,651	8	17,659
Total net undiscounted financial liabilities	(12,388)	(8)	(12,396)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Company	One year or less $'000	One to five years $'000	Total $'000
2015			
Financial assets			
Trade and other receivables (Note 16)	5,063	–	5,063
Cash and cash equivalents (Note 17)	1,071	–	1,071
Total undiscounted financial assets	6,134	–	6,134
Financial liabilities			
Trade and other payables (Note 18)	3,124	–	3,124
Trust receipts (Note 19)	2,197	–	2,197
Finance leases (Note 20)	14	22	36
Interest-bearing loans and borrowings	9,095	2,348	11,443
Total undiscounted financial liabilities	14,430	2,370	16,800
Total net undiscounted financial liabilities	(8,296)	(2,370)	(10,666)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earlier period in which the guarantee could be called.

Company	One year or less $'000	One to five years $'000	Total $'000
2016			
Financial guarantees	6,624	–	6,624
2015			
Financial guarantees	7,376	–	7,376

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from trust receipts, finance leases, loans and borrowings, and bills receivables.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also seeks to minimise its interest rate exposure through refinancing the existing debt instruments.

29. Financial risk management objectives and policies (continued)

(c) *Interest rate risk (continued)*

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial statements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, for the floating rate interest-bearing loans and borrowings, a change of 1 percent in interest rate with all other variables held constant would increase/(decrease) profit or loss net of tax by the amounts shown below.

	Profit or loss	
	1% increase	**1% decrease**
	$'000	$'000
Group		
2016		
Floating rate interest-bearing loans and borrowings	(61)	61
2015		
Floating rate interest-bearing loans and borrowings	(152)	152
Company		
2016		
Floating rate interest-bearing loans and borrowings	(8)	8
2015		
Floating rate interest-bearing loans and borrowings	(92)	92

(d) *Foreign currency risk*

The foreign exchange risk of the Group arises from subsidiary companies operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies other than the respective functional currencies of these subsidiary companies. These subsidiary companies maintain their books and records in their respective measurement currencies. Fluctuations in the exchange rate between the measurement currencies and Singapore dollar will therefore have an impact on the Group. The foreign currencies in which these transactions are denominated are mainly US Dollars (USD), Hong Kong Dollars (HKD) and Renminbi (RMB). The Group does not hedge exposures arising from such translations.

These exposures are monitored on an on-going basis and are managed as far as possible by natural hedges of matching assets and liabilities. The Group does not enter into foreign exchange contracts for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the USD, HKD and RMB exchange rates (against SGD), with all other variables held constant:

	Group	
	2016	**2015**
	$'000	$'000
USD – strengthened 4%	(79)	(63)
USD – weakened 4%	79	63
HKD – strengthened 4%	(187)	(365)
HKD – weakened 4%	187	365
RMB – strengthened 5%	1	–
RMB – weakened 5%	(1)	–

30. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

As disclosed in Note 25, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within net debt, loans and borrowings, finance leases, excludes trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the abovementioned restricted statutory reserve funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Capital management (continued)

	Group	
	2016	**2015**
	$'000	$'000
Loans and borrowings (Note 21)	7,624	18,486
Finance leases (Note 20)	22	35
Less: Cash and cash equivalents (Note 17)	(18,721)	(32,568)
Net cash	(11,075)	(14,047)
Equity attributable to owners of the Company	50,954	51,361
Less: Reserve and enterprise expansion funds	(5,711)	(6,063)
Total capital	45,243	45,298
Capital and net cash	56,318	59,345
Gearing ratio	N.M	N.M

N.M – The Group's cash and cash equivalents exceeded its total borrowings. Therefore, the gearing ratio does not provide a meaningful indicator of the risk from borrowings.

31. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has the following reportable operating segments:

– Equipment and supplies

Equipment and supplies includes provision of equipment and supplies to the printed circuit board ("PCB") industry.

– Manufacturing and support services

Manufacturing and support services includes the provision of equipment after-sales support and services, PCB drilling services and PCB mass lamination services in China.

– Others

Includes associates, corporate office and consolidation adjustments which are not directly attributable to a particular business segment above.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Segment information (continued)

2016	Equipment and supplies	Manu-facturing and support services	Others	Total
	$'000	$'000	$'000	$'000
Revenue				
- External sales	22,608	34,541	–	57,149
Total	22,608	34,541	–	57,149
Results				
EBITDA*	(50)	3,730	–	3,680
Interest income	24	261	–	285
Depreciation	(147)	(1,247)	–	(1,394)
Amortisation	–	(18)	–	(18)
Operating (loss)/profit	(173)	2,726	–	2,553
Interest expense	(178)	(198)	–	(376)
Allowance for impairment loss on amounts due from associate	–	–	(301)	(301)
(Loss)/profit before taxation	(351)	2,528	(301)	1,876
Income tax (expense)/credit	(130)	82	–	(48)
(Loss)/profit for the year	(481)	2,610	(301)	1,828
Assets/liabilities				
Segment assets	12,104	66,066	–	78,170
Segment liabilities	10,508	16,708	–	27,216
Other segment information				
Purchase of property, plant and equipment	145	2,179	–	2,324
Other non-cash items:				
Write-back in value of inventories	(473)	–	–	(473)
Write off of inventories	63	108	–	171
Allowance for impairment loss on amounts due from associate	–	–	301	301

* EBITDA – Earnings before interest, taxation, depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Segment information (continued)

2015	Equipment and supplies	Manu-facturing and support services	Others	Total
	$'000	$'000	$'000	$'000
Revenue				
- External sales	34,087	29,010	–	63,097
Total	34,087	29,010	–	63,097
Results				
EBITDA*	(4,474)	(20,804)	(906)	(26,184)
Interest income	53	760	–	813
Depreciation	(153)	(5,399)	–	(5,552)
Amortisation	–	(19)	–	(19)
Operating loss	(4,574)	(25,462)	(906)	(30,942)
Interest expense	(231)	(347)	–	(578)
Allowance for impairment loss on amounts due from associate	–	–	(427)	(427)
Loss before taxation	(4,805)	(25,809)	(1,333)	(31,947)
Income tax expense	(40)	(114)	–	(154)
Loss for the year	(4,845)	(25,923)	(1,333)	(32,101)
Assets/liabilities				
Segment assets	19,291	69,631	–	88,922
Segment liabilities	13,588	23,973	–	37,561
Other segment information				
Purchase of property, plant and equipment	167	1,221	–	1,388
Other non-cash items:				
Allowance for doubtful trade receivables	164	57	–	221
Allowance for impairment loss on amounts due from associate	–	–	427	427
Allowance for impairment loss on amount due from related party	–	–	906	906
Write-down in value of inventories	949	3,423	–	4,372
Impairment loss on property, plant and equipment	158	13,842	–	14,000

* EBITDA – Earnings before interest, taxation, depreciation and amortisation.

31. Segment information (continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Singapore	4,924	6,240	198	278
The People's Republic of China including Hong Kong	46,427	52,387	19,424	19,449
Others	5,798	4,470	347	296
	57,149	63,097	19,969	20,023

Non-current assets information presented above consist of property, plant and equipment and land use rights as presented in the consolidated balance sheet.

Revenue from two major customers (2015: 1) amount to $22,295,000 (2015: $14,171,000), arising from sales by the manufacturing and support services segment.

32. Authorisation of financial statements

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 24 March 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 10 MARCH 2017

CLASS OF SHARES	**:**	**ORDINARY SHARES**
Voting rights	:	One vote per share
Number of ordinary shares (excluding treasury shares)	:	722,395,000

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	506	14.85	500,100	0.07
1,001 - 10,000	1,119	32.83	6,743,900	0.93
10,001 - 1,000,000	1,733	50.85	175,079,900	24.24
1,000,001 and above	50	1.47	540,071,100	74.76
Total	**3,408**	**100.00**	**722,395,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1.	HO QUEENY	211,000,000	29.21
2.	LIAW HIN HAO	42,292,700	5.85
3.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	36,703,000	5.08
4.	FUNG CHI WAI	32,400,000	4.49
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	25,021,000	3.46
6.	DBS NOMINEES (PRIVATE) LIMITED	19,751,900	2.73
7.	RAFFLES NOMINEES (PTE) LIMITED	16,293,900	2.26
8.	MAYBANK KIM ENG SECURITIES PTE LTD	16,104,000	2.23
9.	LIEW SEUK ENG	12,176,500	1.69
10.	HUANG JINRUI CLEMENT	11,000,000	1.52
11.	LIU WENYING	10,500,000	1.45
12.	OCBC SECURITIES PRIVATE LIMITED	10,120,111	1.40
13.	HUI MIN LINNA	8,380,000	1.16
14.	PHILLIP SECURITIES PTE LTD	7,947,800	1.10
15.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,380,300	0.88
16.	PUNG WEE SENG	5,000,000	0.69
17.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,000,000	0.55
18.	UNION TOOL CO.	4,000,000	0.55
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,335,100	0.46
20.	TAN KIAN CHYE	3,200,000	0.44
	TOTAL	**485,606,311**	**67.20**

STATISTICS OF SHAREHOLDINGS

AS AT 10 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	In the Name of Nominees	Total Interest	%
Queeny Ho	211,000,000	25,000,000	236,000,000	32.67
Liaw Hin Hao	42,292,700	–	42,292,700	5.85

PUBLIC SHAREHOLDINGS

Based on information available to the Company as at 10 March 2017, approximately 54.65% of the issued ordinary shares of the Company was held by the public.

ORDINARY SHARES HELD IN TREASURY ("TREASURY SHARES")

Voting rights: None
Number of Treasury Shares: 3,670,000 Treasury Shares
Percentage of this holding against total number of issued shares excluding treasury shares: 0.51%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jadason Enterprises Ltd (the "Company") will be held at Room 327, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Monday, 24 April 2017 at 10:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Teo Kiang Kok as Director of the Company retiring pursuant to Article 89 of the Constitution of the Company.

   Mr Teo Kiang Kok will, upon his re-election as Director of the Company, remain as the Chairman of the Nominating Committee and the Remuneration Committee, a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. **(Resolution 2)**

3. To re-elect Ms Linna Hui Min as Director of the Company retiring pursuant to Article 89 of the Constitution of the Company.

   Ms Linna Hui Min will, upon her re-election as Director of the Company, be considered non-independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. **(Resolution 3)**

4. To re-appoint Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. To approve the payment of Directors' fees of S$150,000 for the financial year ended 31 December 2016 (previous year: S$150,000) **(Resolution 5)**

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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

NOTICE OF ANNUAL GENERAL MEETING

(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,

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 fifty per centum (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 twenty per centum (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 calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (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 exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution 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 (i)] **(Resolution 6)**

8. **Authority to issue shares under the Jadason Share Option Scheme 2000**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Jadason Share Option Scheme 2000 ("the Scheme"), provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Attachment to the Notice of Annual General Meeting to Shareholders dated 7 April 2017 ("Attachment"), in accordance with the "Terms of the Share Buyback Mandate" set out in the Attachment and this mandate shall, unless revoked or varied by the Company in general meeting, 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 (iii)] **(Resolution 8)**

By Order of the Board

Tan Kok Yong
Secretary
Singapore, 7 April 2017

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 7 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.

(ii) The Ordinary Resolution 7 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 earlier, to issue shares in the Company pursuant to the exercise of options granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 8 proposed in item 9 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Attachment. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2016 are set out in greater detail in the Attachment.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Kaki Bukit Crescent #03-01 Singapore 416237 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 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

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* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

JADASON ENTERPRISES LTD

Company Registration No. 199003898K
(Incorporated in Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name) ______________ (NRIC/Passport No.)

of ____

being a member/members of Jadason Enterprises 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			

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 at Room 327, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 24 April 2017 at 10:30 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, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2	Re-election of Mr Teo Kiang Kok as a Director		
3	Re-election of Ms Linna Hui Min as a Director		
4	Re-appointment of Ernst & Young LLP as Auditor		
5	Approval of Directors' fees amounting to S$150,000		
6	Authority to issue shares		
7	Authority to issue shares under the Jadason Share Option Scheme 2000		
8	Renewal of Share Buyback Mandate		

* If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ______________ 2017

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

____

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 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 (other than a Relevant Intermediary*), 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 (other than a Relevant Intermediary*) 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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Kaki Bukit Crescent #03-01, Singapore 416237 not less than 48 hours before the time appointed for the Meeting.

7. 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.

8. 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, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2017.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.