

ITE

ELECTRIC
GROUP

ITE ELECTRIC CO LTD

REGISTRATION NO. 198201457Z



2015

ANNUAL REPORT

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This document has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this document. This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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CORPORATE INFORMATION

Board of Directors:

Aw Cheok Huat
Wong Ming Kwong
Seow Han Chiang Winston
Koh Yoke Har

Joint Company Secretaries:

Shirley Lim Guat Hua
Eileen Koh

Auditors:

KPMG LLP
Public Accountants and Chartered
Accountants, Singapore
(Appointed with effect from 31 October 1988)
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner in charge:
Mr Loo Kwok Chiang Adrian
(With effect from financial year beginning
1 January 2015)

Bankers:

United Overseas Bank Limited
RHB Bank Berhad
CIMB Bank Berhad
DBS Bank Ltd

Registered Office:

1 Harrison Road #01-01
ITE Electric Building
Singapore 369652
Tel: 62852233, 62869933
Fax: 62843256
Email: ite@ite.com.sg
Website: www.ite.com.sg

Share Registrar

B.A.C.S Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

Sponsor:

RHT Capital Pte Ltd
Six Battery Road, #10-01,
Singapore 049909

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors at ITE Electric Co Ltd ("Company") and its subsidiaries ("Group"), I am pleased to present to you the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015 ("FY2015").

RESULTS

The Singapore economy expanded by 2.0% in 2015, slower than the 3.3% growth achieved in 2014. The manufacturing sector contracted by 5.2% as compared to 2.7% growth in 2014. The services producing industries grew by 3.4% in 2015, easing slightly from the 3.6% growth in 2014. The growth in the construction sector, in which the Group is dependent on, moderated to 2.5% from 3.5% in 2014, mainly due to a lower volume of private industrial and residential building activities.

For FY2015, the Group reported a lower turnover of \$15.8 million in FY2015 as compared to \$20.5 million reported in FY2014, a decrease of 23% or \$4.7 million. The decrease is mainly due to lower sales recorded by the electrical trading segment in Singapore as a result of weak performance in the construction sector and slower growth in the Singapore economy.

The Group undertook some restructuring and streamlining exercises in FY2015. As a result of these exercises, staff costs and other expenses were reduced significantly. Coupled with the absence of losses and expenses relating to shares trading and investment activities in FY2015, the Group reported a marginal pre-tax profit of \$12,000 in FY2015, as compared to a pre-tax loss of \$347,000 reported in FY2014. After allowing for taxation of \$32,000 arising from chargeable income of profitable subsidiaries, the net loss for FY2015 was \$20,000 as compared to a net loss of \$471,000 reported in FY2014.

DIVIDENDS

In view of the losses incurred during the year, the Board is not recommending a dividend for FY2015.

OUTLOOK

The Singapore economy is expected to grow by 1% to 3% in 2016. However, the growth in the construction sector may slow down further in 2016. In light of the current economic conditions, coupled with uncertainty in the recovery of the global economy, the Group expects the overall business environment for the next 6 to 12 months to remain challenging. Nevertheless, the Group will continue to strive to expand its businesses through judiciously expanding its customer base and product range.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, customers, bankers and business partners for your continued support and confidence in the Group. I also thank our management team and staff for their hard work and dedication throughout the year.

Aw Cheok Huat

Chairman

28 March 2016

RISK MANAGEMENT

The following is information on the risk management policies and processes of the Group:

The Group has identified the key types of risks to be as follows:

OPERATIONAL RISK

The Group's core business is that of electrical trading in Singapore. This is subject to operating risks that are common to the construction and property industries. Therefore, a downturn in the construction and property industries, especially in the construction of new buildings and reduction in supply of properties, may result in the reduction in sales volumes and the erosion of profit margins. Such a downturn may also result in an increase in bad debts. To manage the dependence on the Singapore construction and property industries, the Group is actively seeking to expand its electrical trading business into other countries. In addition, the Group is also looking at increasing the level of sales in Malaysia and provide for solution based activities.

In its electrical trading business, the Group serves as an agent/distributor of the products of its principals. Any loss of the major agencies or distributorships could have a material impact on the Group's earnings. However, the Group has built good and long-standing relationships with most of its principals as these agencies have been held by the Group for more than ten years. In addition, the products purchased from these principals can be sourced from other suppliers whose products are of comparable quality, price and market acceptance.

There are risks inherent in doing business overseas, such as unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange and interest rates, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect the Group's overseas operations and, consequently the Group's business, results of operations and financial condition.

FINANCIAL RISK

The Group is exposed to various financial risks, including credit, interest rate and currency risks arising from the normal course of its business. The management of financial risk is outlined in Note 25 to the Financial Statements of the Annual Report 2015.

FINANCIAL REVIEW

REVENUE AND PROFIT

The Group posted a revenue of \$15.8 million in the current financial year ("FY2015"), which was \$4.7 million or 23% lower than \$20.5 million reported in the previous financial year ("FY2014"). The decrease is mainly due to lower sales recorded by electrical trading segment in Singapore as a result of weak performance in the construction sector and slower growth in the Singapore economy. The Group's gross profit margin remains at 25% for both FY2015 and FY2014.

Other income increased slightly by \$13,000 from \$551,000 in FY2014 to \$564,000 in FY2015, mainly due to an increase in rental income.

Staff costs decreased from \$3.0 million in FY2014 to \$2.3 million in FY2015, a decrease of 25% or \$0.7 million. The decrease is mainly due to cost savings following restructuring and streamlining exercises undertaken by the Group.

Other expenses decreased from \$2.8 million in FY2014 to \$2.1 million in FY2015, a decrease of 24% or \$0.7 million. The decrease is mainly due to the absence of the loss on disposal of available-for-sale financial assets amounting to approximately \$215,000, and provision for impairment loss on available-for-sale financial assets of \$77,000 in FY2015. The decrease is also due to a reduction in allowance for doubtful receivables by \$259,000 from \$262,000 in FY2014 to \$3,000 in FY2015.

As a result of the above, the Group reported profit before tax of \$12,000 in FY2015 as compared to loss before tax of \$347,000 in FY2014. After taking into account income tax expense of \$32,000, the Group reported net loss of \$20,000 in FY2015 as compared to net loss of \$471,000 in FY2014. Loss per share for FY2015 was 0.01 cents as compared to loss per share of 0.33 cent in FY2014.

The Group's core business of electrical trading segment in Singapore and Malaysia recorded a segment loss before tax of \$40,000 in FY2015 as

compared to a segment profit before tax of \$201,000 in FY2014, as a result of lower sales orders from some of its major customers in the Singapore construction sector in FY2015.

The manufacturing segment recorded a profit before tax of \$34,000 for FY2015 as compared to a profit before tax of \$12,000 for FY2014. The investment segment reported a profit before tax of \$25,000 in FY2015 as compared to a loss before tax of \$558,000 in FY2014 as a result of the absence of expenses relating to shares trading activities, which had ceased in FY2014.

Assets

The Group's total assets decreased by \$3.0 million from \$12.3 million as at 31 December 2014 to \$9.3 million as at 31 December 2015. The decrease is mainly due to a reduction in trade and other receivables which is in line with the reduction of revenue as mentioned above. The decrease is also due to decrease in cash and cash equivalents as a result of repayment of trust receipts amounting to \$1.7 million in FY2015.

Borrowings

The Group's total borrowings decreased by \$1.7 million from \$1.9 million as at 31 December 2014 to \$0.2 million as at 31 December 2015. The decrease is mainly due to repayment of trust receipts as mentioned above. The Group's gearing ratio as at 31 December 2015 was 0.03 times (31 December 2014: 0.26 times).

Shareholders' Funds

As at 31 December 2015, shareholders' funds were \$7.0 million as compared to \$7.3 million as at 31 December 2014. The decrease is mainly due to foreign currency translation loss of \$0.35 million for FY2015. The net asset value per share as at 31 December 2015 was 5.09 cents (31 December 2014: 5.35 cents).

OPERATION REVIEW

ELECTRICAL TRADING

The Electrical Trading Division undertakes sales of electrical products, system, LED light fittings and luminaries and the related products by the Company's wholly owned subsidiaries, ITE Electric Systems Co. Pte Ltd ("ITEES") and ITE Lumens Pte Ltd ("ITEL") in Singapore, and Electech Distribution Systems Sdn Bhd ("EDSM") in Malaysia.

A significant portion of ITEES and ITEL sales is made to mechanical and electrical contractors in Singapore and a small volume of re-export sales to other Asian countries. Sales of EDSM are mainly to mid-tiered electrical dealers throughout Malaysia with a small percentage to end users such as machine and panel manufacturers.

Sales in Singapore accounted for about 76% of the Group's total sale, while Malaysia accounted for 23% and the balance of 1% were derived from export sales to other Asian countries.

In FY2015, the Electrical Trading Division reported a total turnover of \$15.8 million, a decrease of \$5.0 million or 24% as compared to \$20.8 million reported in FY2014, mainly due to lower sales reported by ITEES as a result of decrease in sales orders from some of its major customers in the construction sector. As a result of the decrease in turnover, the Division reported a segmented loss before tax of \$40,000 for FY2015 as compared to a segment profit before tax of \$201,000 reported in FY2014.

ELECTRICAL MANUFACTURING

The Electrical Manufacturing Division of the Group is carried out by the Group's wholly-owned subsidiary, Electech Manufacturing Sdn Bhd ("EMSB").

This Division is involved in the manufacturing and assembling of electrical products under licence for certain principals and products under the proprietary brand name of the Group. It serves as the support division to the Group's trading and marketing activities. Most of the products manufactured by this Division were marketed by ITEES and EDSM. About 91% of the Division sales were made to ITEES and EDSM, and sales to external customers only accounted for 9%.

The Division reported a turnover of \$935,000 in FY2015, a decrease of \$8,000 or 1% as compared to \$943,000 reported in FY2014. This decrease is mainly due to lower sales to ITEES and EDSM. The Division reported a segment profit before tax of \$34,000 for FY2015 as compared to a segment profit before tax of \$12,000 reported in FY2014, mainly due to higher sales margin achieved in FY2015.

INVESTMENT HOLDINGS

The Investment Holdings Division undertakes investments in stocks and shares, including investment in quoted securities. The Division reported a profit before tax of \$25,000 in FY2015 as compared to a loss before tax of \$558,000 reported in FY2014. The substantial decrease in loss is mainly due to the absence of the loss on disposal of available-for-sale financial assets amounting to approximately \$215,000, and provision for impairment loss on available-for-sale financial assets of \$77,000 in FY2015, as well as decrease in staff costs by \$184,000 from \$413,000 in FY2014 to \$229,000 in FY2015.

As announced in the annual report of previous year, the Group had ceased the trading of quoted securities in FY2014.

FINANCIAL HIGHLIGHTS

For the Year

	2015 \$'000	2014 \$'000	% Change
REVENUE			
1st half	8,501	10,072	(16%)
2nd half	7,289	10,468	(30%)
Total	15,790	20,540	(23%)

PROFIT/(LOSS) AFTER TAX

1st half	34	(400)	108%
2nd half	(54)	(71)	(24%)
Total	(20)	(471)	(96%)

Equity

Share capital	23,018	23,018	—
Reserves	(16,026)	(15,666)	(2%)
Shareholders' funds	6,992	7,352	(5%)
Non-controlling interests	—	29	(100%)
Total Equity	6,992	7,381	(5%)

Borrowings	203	1,941	(90%)
Total Assets	9,301	12,341	(25%)

Financial Ratios

Loss per share (cents)			
Basic and diluted	(0.01)	(0.33)	(97%)
Net asset value per share (cents)	5.09	5.35	(5%)
Total debts to total equity	0.03	0.26	(88%)

FIVE-YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
Financial Results	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	15,790	20,540	20,266	18,718	15,990
Profit/(Loss) before interest and tax	47	(255)	(8,015)	(364)	(47)
Interest income	31	31	38	39	41
Finance costs	(66)	(123)	(114)	(109)	(91)
Profit/(Loss) before tax	12	(347)	(8,091)	(434)	(97)
Taxation	(32)	(124)	(89)	(46)	(95)
Loss for the year	(20)	(471)	(8,180)	(480)	(192)
Financial Position					
Non-current assets	246	331	1,794	17,489	14,523
Current assets	9,055	12,010	12,673	12,106	12,795
Total assets	9,301	12,341	14,467	29,595	27,318
Borrowings	(203)	(1,941)	(1,938)	(1,687)	(1,830)
Other liabilities and non-controlling interests	(2,106)	(3,048)	(4,636)	(4,311)	(4,006)
Total Net Assets	6,992	7,352	7,893	23,597	21,482
Share capital	23,018	23,018	23,018	23,018	23,018
Reserves	(16,026)	(15,666)	(15,125)	579	(1,536)
Shareholders' funds	6,992	7,352	7,893	23,597	21,482
Financial Ratios					
Loss per share (cents)	(0.01)	(0.33)	(5.93)	(0.34)	(0.15)
Net asset value per share (cents)	5.09	5.35	5.75	17.18	15.64
Total borrowings to shareholders' funds	0.03	0.26	0.25	0.07	0.09

CORPORATE GOVERNANCE REPORT

ITE Electric Co Ltd (“the Company”) and together with its subsidiaries (the “Group”) is committed to maintaining a high standard of corporate governance and transparency within the Company in the spirit of the Code of Corporate Governance 2012 (the “Code”). In line with the commitment by the Company to maintaining high standards of corporate governance, the Company has been regularly reviewing its corporate governance processes to strive to fully comply with the Code.

This report describes the Company’s corporate governance processes and activities for the financial year ended 31 December 2015 (“FY2015”) and up to the date of this report. The Company has complied with the principles of the Code where appropriate.

Board of Directors

The Board of Directors (the “Board”) is responsible for setting the strategic direction for the Company. The Board works collectively with the Management to achieve the above. Every Director is expected to act in good faith and always in the best interests of the Company.

The Board currently comprises four Directors, two of whom are independent and non-executive and whose collective experience and contributions are valuable to the Company.

The Board members as at the date of this report are:

Mr Aw Cheok Huat	Non-Independent and Non-Executive Chairman
Mr Wong Ming Kwong	Executive Director
Mr Seow Han Chiang Winston	Lead Independent and Non-Executive Director
Ms Koh Yoke Har	Independent and Non-Executive Director

The profile of the Directors can be found on page 20 of this Annual Report.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has examined its size and is of the view that the current arrangement is adequate given that the Independent Directors form at least half of the Board composition, thereby fulfilling the Code’s recommendation that Independent Directors make up at least half of the Board when the Chairman of the Board is not an independent director. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgment of the Group’s affairs. The Board has sought and obtained written confirmation from each of the Independent and Non-Executive Directors that apart from their office as Directors of the Company, none of them has any relationship (in business or otherwise) with the Company, its subsidiaries, related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgement in the best interests of the Company. The Nominating Committee (“NC”) is satisfied that the Independent Directors have met with the criterion of independence as set forth and each of them has the ability to act independently. The independence of the Independent Directors will be reviewed annually by the NC based on the guidelines given in the Code. The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. The Board comprises individuals who have experience in accounting, finance, legal, business, management, industry knowledge and strategic planning experience. The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Please refer to page 20 for details and qualifications and experience of the Directors.

To assist the members of the Board, the Company has arranged for the Board to be updated by the Company Secretary and its other consultants on the continuing obligations and various requirements expected of a public company. The Directors may and are encouraged to attend other appropriate courses, conferences and seminar to further develop themselves professionally, at the expense of the Company. When a Director is first appointed to the Board, an orientation program is arranged for him to ensure that he is familiar with the Company’s business, its corporate strategic direction and governance practices and is aware of his duties as a Director and how to discharge them. All newly appointed Directors are issued formal letters of appointment setting out the scope of duties and obligation as Directors.

To assist the Directors to understand the Group’s businesses, operations and management, Directors meet with the key personnel and management of the Group from time to time.

CORPORATE GOVERNANCE REPORT

In recognition of the high standard of accountability to the shareholders, the Directors have established a Nominating Committee, a Remuneration Committee and an Audit Committee. The Board has delegated specific responsibilities to these three Committees, which function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Committees are chaired by an Independent Director and the majority of members are non-executive and independent.

Chairman and Chief Executive Officer

The Board has appointed Mr Aw Cheok Huat as a Non-Independent and Non-Executive Chairman since 28 August 2014.

The Non-Independent and Non-Executive Chairman:

- leads the Board to ensure its effectiveness on all aspects of its role;
- sets the agenda and ensures that adequate time is available for discussion of all items on the agenda, in particular strategic issues;
- promotes a culture of openness and debate at the Board;
- ensures that the Directors receive complete, adequate and timely information;
- ensures effective communication with shareholders;
- encourages constructive relations within the Board and between Board and Management;
- facilitates the effective contribution of non-executive directors; and
- promotes high standards of corporate governance.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All major decisions are made in consultation with the Board and where necessary, external consultants are invited to attend Board meetings to assist the Directors in deliberation. All the Board committees are chaired by Independent Directors and at least half of the Board consist of Independent Directors.

Mr Wong Ming Kwong, the Executive Director, has been responsible for the daily operations of the Company. The Board has no intention to appoint a Chief Executive Officer in the near future.

The Board has appointed Mr Seow Han Chiang Winston as the Lead Independent Director of the Company. The Lead Independent Director will assist the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company. The Lead Independent Director will make himself available to shareholders to address their concerns (if any). The Lead Independent Director of the Company will meet with the other Independent Director periodically (in the absence of Management) and will provide feedback to the Chairman after such meetings.

Board Matters

The Board is entrusted with the responsibility for the overall management of the Company. The Board's primary responsibilities include the review and approval of policy guidelines, setting of direction to ensure that the strategies undertaken lead to enhanced shareholders' wealth.

The principal functions of the Board are:

- to provide entrepreneurial leadership and approve the board's policies and set strategic objectives of the Company and monitor the performance of the Management;
- to ensure that necessary financial and human resources are in place for the Company to meet its objectives;
- to oversee the processes for evaluating the adequacy of internal controls, financial reporting and compliance;
- to approve the change of directors and key management personnel of the Company;
- to assume responsibility for corporate governance; and
- to set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

The Board also monitors and evaluates the Group's operation and financial performance, sets targets and goals, work with and monitors the Management in achieving such targets and goals.

CORPORATE GOVERNANCE REPORT

The following matters require the Board's approval and the Board and the relevant committees are guided by their respective terms and references and operating procedures which are reviewed from time to time:

- Statutory requirements such as approval of financial statements;
- Other requirements such as half year and full year financial results announcements;
- Corporate strategic direction, strategies and action plans;
- Issuance of policies and key business initiatives;
- The Group's policies, strategies and financial objectives and monitoring the performance of management;
- Processes for evaluating the adequacy of internal controls, risk management and compliance;
- The appointment and removal of the Company Secretary and internal and external auditors and key management staff;
- Acquisition/disposal proposal, annual budgets, major funding proposals and other material transactions;
- Declaration of interim dividends and proposal of final dividends; and
- Convening of shareholders' meetings.

The Board ensures such terms and references and operating procedures have been disseminated and the management is aware of such terms, operating procedures and the matters requiring Board's approval.

The Directors have separate and independent access to the Management, Company Secretary, the external and internal auditors and other engaged professionals at all times. Directors' may, on a case-to-case basis, propose to the Board for such independent and professional advice, the cost of which will be borne by the Company.

The Management provides the Board with detailed management accounts of the Group's performance, position and prospects on a monthly basis.

The Company Secretary assists in the conduct of Board meetings and ensures that Board procedures are adhered to. The Company Secretary will also ensure that the requirements of the Companies Act, Chapter 50 of Singapore (the "Companies Act") and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Catalist Rules") are complied with.

Directors' Attendance at Board, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") Meetings during the financial year under review

The Board meets regularly and ad-hoc meetings are convened as warranted by particular circumstances, as deemed appropriate by the Board members. The Company's Constitution allows a Board meeting to be conducted by way of tele-conference and video conference.

The number of Board and Board Committee meetings held and attended by each Director for the financial year under review is set out below:

Meeting of:	Board	AC	NC	RC
Total held in FY2015	2	2	1	1
	No. of Meetings attended	No. of Meetings attended	No. of Meetings attended	No. of Meetings attended
Mr Aw Cheok Huat	2	2	1	1
Mr Wong Ming Kwong	2	—	—	—
Mr Seow Han Chiang Winston*	1	1	—	—
Ms Koh Yoke Har*	2	2	1	1

* Independent Directors

CORPORATE GOVERNANCE REPORT

Nominating Committee (“NC”)

The NC comprises the following members, the majority of whom, including the Chairman, are Independent Directors:

Mr Seow Han Chiang Winston	–	Chairman, Lead Independent Director
Ms Koh Yoke Har	–	Member, Independent Director
Mr Aw Cheok Huat	–	Member, Non-Independent Director

The NC’s principal functions are as follows:

- identify suitable candidates and to review all nominations for appointments and re-appointment to the Board;
- conduct annual reviews of the composition, structure and size of the Board;
- determine the independence status of the Directors annually in accordance with Guideline 2.3 and 2.4 of the Code and the NC’s view on the independence of the relevant Director;
- determine whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- evaluate the performance and effectiveness of the Board as a whole and the contribution of each Director;
- review succession plans for the Board; and
- review the training and professional development programmes for the Board.

The Board, through delegation of authority to the NC, has used its best efforts to ensure that Directors possess the necessary knowledge, skills and experience including but not limited to those in areas of finance, business and management. Each of the Directors, through their combination brings to the Board an independent and objective perspective in view of balanced and well considered decisions to be made.

The Board is satisfied that the current size and composition of the Board has adequate ability to meet the Company’s existing scope of needs and the nature of operation and facilitate effective decision making. From time to time, the Board will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment.

Where a vacancy exists or where additional Directors are required, the Board will seek potential candidates and refer them to the NC for interview and assessment of the credentials and suitability for appointment. The NC will after assessment, recommend the selected candidates to the Board for formal appointment.

The NC in addition to the above, is at liberty to refer to, and instruct executive search companies, personal contacts (as relevant) and deliberate on and consider recommendations in its search and nomination process and in identifying the right candidates.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors’ independent business judgement with a view to the best interests of the Company. In accordance with the requirements of the Code, the NC has reviewed the status of the Independent Directors and is of the view that they are in compliance with the Code’s definition on independence.

Currently, there is no Independent Director who has served on the Board beyond nine (9) years from the date of his/her first appointment.

As at the date of this report, the NC has adopted a formal process to assess the effectiveness of the Board and committees of the Board as a whole as well as the performance of each individual Director. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board. The Board Committees have not been evaluated separately but together with the Board as a whole. Upon reviewing the assessment, the NC is of the opinion that the Board and each Director have been effective since their appointment. The evaluation exercise is carried out annually. The NC would consider the implementation of a formal evaluation for the Board Committees for the next financial year.

CORPORATE GOVERNANCE REPORT

Pursuant to Regulation 91 of the Company's Constitution, at least one-third of the Board will retire by rotation at the forthcoming Annual General Meeting ("AGM"). The status of the members of the Board is as follows:

Name of Director	Appointment	Date of First Appointment	Date Last Elected
Mr Aw Cheok Huat	Non-Independent and Non-Executive Chairman	28 August 2014	29 April 2015
Mr Wong Ming Kwong	Executive Director	28 August 2014	29 April 2015
Mr Seow Han Chiang Winston	Lead Independent and Non-Executive Director	9 September 2014	29 April 2015
Ms Koh Yoke Har	Independent and Non-Executive Director	9 September 2014	29 April 2015

Mr Wong Ming Kwong is due to retire at the forthcoming AGM. The NC has reviewed and recommended that Mr Wong Ming Kwong, being eligible and having consented, be nominated for re-appointment at the forthcoming AGM. Mr Wong Ming Kwong will, upon re-election as a Director, remain as an Executive Director of the Company. In making the recommendation, the NC has considered the Directors' overall contributions and performance.

The NC has considered the commitments that are faced when directors serve on multiple boards. The Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his time and attention to the affairs of the Company. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments. For the current financial year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

There is no alternate director on the Board.

Access to information

The members of the Board are provided with appropriate materials and information in relation to financial, budget and corporate updates prior to the Board meeting on an on-going basis to facilitate the Board to make informed decisions.

The Board has separate and independent access to the Company's management and the Company Secretary. In addition, the Board and Independent Directors may seek independent professional advice, if necessary, at the Company's expense.

The Company Secretary is responsible for ensuring that proceedings are conducted according to meeting procedures and applicable rules and regulations. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

Remuneration Committee ("RC")

The RC comprises the following members:

Mr Seow Han Chiang Winston	—	Chairman, Lead Independent Director
Ms Koh Yoke Har	—	Member, Independent Director
Mr Aw Cheok Huat	—	Member, Non-Independent Director

Pursuant to the Code, the RC comprises entirely Non-Executive Directors, the majority of whom are independent.

The RC's tasks include reviewing and deliberating upon the compensation packages of Board members as well as key personnel in the Company and the Group. The RC also administers the ITE Electric Share Option Plan 2006.

The responsibilities of the RC are to:

- make recommendations to the Board on matters relating to remuneration, including but not limited to fees, salaries, allowances, bonuses, options and benefits in kind of Directors and key executives;
- determine the appropriateness of remuneration of Directors and key executives;
- review and recommend to the Board, the terms of service agreements of Directors and key executives;
- consider the disclosures requirements for Directors and key executives remuneration as required by the Listing Manual and the Code.

CORPORATE GOVERNANCE REPORT

All recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by the RC. In determining remuneration packages of Executive Directors and key executives, the RC seeks to ensure that the Executive Directors and key executives are adequately but not excessively rewarded. The RC will also consider, in consultation with the Board, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

The RC has the liberty to seek professional advice relating to the remuneration of all Directors and key executives.

The payment of fees to Non-Executive Directors is subject to approval at the annual general meeting of the Company. No Director is involved in deciding his own remuneration.

In addition to the remuneration package for the Executive Director, the RC also reviewed and recommended the remuneration packages for each of the top five key management executives of the Group (excluding Directors of the Company).

Remuneration of Executive Director

The aggregate compensation paid to or accrued to the Executive Director for the financial year ended 31 December 2015 is set out in the table below:

Name	Remuneration (\$)* ¹	Variable Bonus (\$)* ²	Provident Fund (\$)* ³	Benefits (\$)* ⁴	Total Cash & Benefits (\$)* ⁵
Wong Ming Kwong	97,800	6,225	9,747	—	113,772

Notes:

1. Remuneration refers to base salary and allowance earned for the financial year ended 31 December 2015.
2. Variable bonus comprises the performance bonus.
3. Provident fund in Singapore represents payments in respect of company statutory contributions to the Singapore Central Provident Fund.
4. Benefits include car benefits and other non-cash benefits.
5. Total cash & benefits is the sum of fixed remuneration, variable bonus, provident fund and benefits for the financial year ended 31 December 2015.

Remuneration of Non-Executive Directors

The aggregate compensation payable to non-executive Directors for services in all capacities for the financial year ended 31 December 2015 is set out in the table below.

Name	Director Fee (\$)
Aw Cheok Huat	37,000
Seow Han Chiang Winston	25,000
Koh Yoke Har	32,000

Non-Executive Directors are paid Directors' fees appropriate to their level of contribution to the Board, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate Directors. Directors' fees are recommended by the Board for approval at the annual general meeting.

CORPORATE GOVERNANCE REPORT

Remuneration of Other Key Management and Senior Management

The breakdown of the remuneration of the top five key management and senior management for the financial year ended 31 December 2015 is set out in the table below.

Below \$250,000

Name	Remuneration (%) ^{*1}	Variable Bonus (%) ^{*2}	Provident Fund (%) ^{*3}	Benefits (%) ^{*4}	Total Cash & Benefits (%) ^{*5}
Chong Paw Long	85	5	10	—	100
Lee Hyun (Resigned on 5 January 2015)	96	—	4	—	100
Teh Thean Yean	67	22	11	—	100

Notes:

1. Remuneration refers to base salary and allowance earned for the financial year ended 31 December 2015.
2. Variable bonus comprises the performance bonus.
3. Provident fund represents payments in respect of company statutory contributions to the Singapore or Malaysia Central Provident Fund.
4. Benefits include car benefits and other non-cash benefits.
5. Total cash & benefits is the sum of fixed remuneration, variable bonus, provident fund and benefits for the financial year ended 31 December 2015.

The total remuneration paid to the above is S\$219,009 for the financial year ended 31 December 2015. Profile of the key management staff is set out on page 21 of this Annual Report.

ITE Electric Share Option Plan 2006

The ITE Electric Share Option Plan 2006 (the "Plan") was approved and adopted by members of the Company at the extraordinary general meeting held on 31 May 2006. The Plan replaces the earlier scheme which expired on 19 September 2007. The Plan is administered by the members of the RC. Under the Plan, selected employees and Directors of the Group and associates are eligible to participate in the Plan at the discretion of the RC. Controlling shareholders and their associates (as defined in the Catalist Rules) shall not participate in the Plan.

The Plan shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 31 May 2006, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The information regarding the Plan is as follows:—

- (a) The exercise price for each option is the weighted average of the last traded price of the shares in the three consecutive trading days immediately preceding the date of grant (the "Market Price"), or such higher price as may be determined by the RC in its absolute discretion.
The RC has the discretion to issue options with an exercise price which is at a discount of not more than 20% to the Market Price in respect of that option.
- (b) Options granted at Market Price may be exercised (in whole or in part) after one year from the date of grant whereas options granted at a discount may only be exercised (in whole or in part) after two years from the date of grant.
- (c) Eligible grantees who participate in the Plan may also be eligible to participate in other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company.

CORPORATE GOVERNANCE REPORT

- (d) The total number of shares over which options may be granted pursuant to the Plan when added to the number of shares issued and issuable in respect of all options granted thereunder, shall not exceed 15% of the Company's total issued shares on the day preceding the date of which the option is granted.
- (e) The offer of an option to an eligible grantee, if not accepted by him within 30 days from the date of such offer will lapse. Upon acceptance of the offer, the eligible grantee to whom the option is granted shall pay to the Company a nominal consideration of \$1.00.

Since the commencement of the Plan, no options have been granted and the Company does not intend to seek shareholders' or any relevant authorities' approval to extend the Plan beyond 31 May 2016.

Remuneration of other employees related to a Director or CEO

No employee of the Group who is an immediate family member of a Director was paid remuneration that exceeded S\$50,000 during the financial year ended 31 December 2015.

Audit Committee ("AC")

The AC comprises three Board members, all of whom are Non-Executive and the majority of whom are Independent Directors. The members are:

Ms Koh Yoke Har	–	Chairman, Independent Director
Mr Seow Han Chiang Winston	–	Member, Lead Independent Director
Mr Aw Cheok Huat	–	Member, Non-Independent Director

The AC carried out its functions in accordance with Section 201B (5) of the Companies Act, and has been entrusted with the following functions:

- review with the auditors the audit plans, their evaluation of the system of internal controls, audit report and management letter and ensure the adequacy of the Group's system of accounting controls and the co-operation given by Management to the auditors;
- review the financial statements before submission to the Board and before their announcement in particular, financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- review the scope and results of the internal audit function and ensuring co-ordination between the internal and external auditors and the Management;
- review the co-operation given by the Company's officers to the auditors;
- review the legal and regulatory matters that may have a material impact on the financial statements, related exchange compliance policies and programs and reports received from the regulators;
- review the cost effectiveness and independence and objectivity of the auditors;
- review the nature and extent of non-audit services, if any, provided by the external auditors and seek to balance the maintenance of objectivity and value for money;
- nominate the appointment and reappointment of external auditors and approving their remuneration and terms of engagement; and
- review and ratify all interested person transactions falling within the scope of Chapter 9 of the Catalist Rules to ensure that they comply with the approved internal control procedures and have been conducted at arm's length basis.

CORPORATE GOVERNANCE REPORT

The AC meets at least two times a year and as frequently as is required. In particular, the AC meets to review the financial statements before the release of the results announcement. In the financial year under review, the AC has met to review and approve the half year and full year unaudited financial results for announcement purposes, the audit plan, the internal audit reports and plan as well as the ad-hoc issues.

The AC has met with the External Auditors and Internal Auditors, without the presence of the Company's management. It may also examine any other aspects of the Company's affairs, as it deems necessary, where such matters relate to exposures or risks of regulatory or legal nature, and monitors the Company's compliance with its legal, regulatory and contractual obligations. The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC has reasonable resources to enable it to discharge its functions properly, including full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings.

The AC is satisfied with the level of co-operation rendered by the Management to the external auditors and the adequacy of the scope and quality of their audits. The AC has also reviewed the independence of external auditors and has recommended their re-appointment to the Board at the forthcoming AGM.

The AC has met amongst themselves and with the auditors independently without the presence of Management during the financial year ended 31 December 2015.

The Company has instituted a whistle-blowing policy to provide a channel for employees of the Group to report in good faith and in confidence, without fear of reprisals, concern about possible improprieties in financial reporting and other matters. The objective of the policy is to ensure that there is independent investigation of such matters and that appropriate follow up actions will be taken. The AC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the AC for investigation and follow-up.

In addition, the AC has also conducted a review of interested person transactions and noted that there was no interested person transactions during the financial year under review.

Accountability

The Board is accountable to the Shareholders while the Management is accountable to Board.

The Board reviews and approves the half yearly and full year financial results announcements as well as any announcements before their release on the SGXNET and the media. Shareholders are provided with the half-yearly and full year results and annual financial reports on a timely manner. In presenting the annual financial statements and half yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The Board also furnishes timely information and ensures disclosure of material information to shareholders via SGXNET.

The Company has procured Appendix 7H (Form of Undertaking with Regard to Directors or Executive Officers) pursuant to Rule 720(1) of Catalist Rules from all the Directors and Executive Officer of the Company.

To ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules, the Board through Management reviews the relevant compliance reports and ensures that Management seeks the Board's approval of such reports or requirements.

Management provides the Board with management accounts and such explanation and information on a timely basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management, Internal Controls and Internal Audit

The Board believes in the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the shareholders and the Company's assets. Annual reviews of these controls are conducted by the Company's internal and external auditors and any recommendations for improvement are reported to the AC.

CORPORATE GOVERNANCE REPORT

It is the opinion of the Board, with the concurrence of the AC, that the system of internal controls in place was adequate and effective in addressing the risks relating to financial, operational, compliance and information technology, and risk management systems for FY2015. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Company does not have a Risk Management Committee. However, the Management reviews the Group's business and operational activities regularly to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and to the AC.

The Company outsourced its internal audit function to Complete Corporate Services Pte Ltd. The internal audit plan drawn up by the internal auditors is approved by the AC. The work undertaken by the internal auditors includes the audit of the Group's system of internal control over its key operations. The internal auditors report their audit findings and recommendations to the AC. The internal audit reports are also given to the external auditors to ensure effective use of resources and to avoid duplication of efforts.

The AC has reviewed the adequacy of the internal audit function and the effectiveness of the system of internal controls for the financial year under review through discussions with the internal and external auditors, the review of internal and external audit plans and the review of significant issues arising from the internal and external audits. Based on the internal controls established and maintained by the Group, work performed by the internal auditors and reviews by the Management, the Board and the AC are of the opinion that the Group's internal controls addressing financial, operational and compliance risks, were adequate as at 31 December 2015 and met the needs of the Group in the current business environment. The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group.

For the financial year under review, the Executive Director and Financial Controller have provided assurance to the Board that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the operations and finances and that an effective risk management and internal control system have been put in place.

Policy on dissemination of public information

The Company believes that a high standard of disclosure is crucial to raising the level of corporate governance. All information relating to the Company's new initiatives are first disseminated via SGXNET followed by a news release (if appropriate), which is also available on the SGX-ST's website.

The Company does not practise selective disclosure. Price sensitive information is publicly released and half year and full year financial results are announced and annual reports are issued within the mandatory period. All shareholders of the Company will receive a copy of annual report and the notice of annual general meeting. At the annual general meeting, shareholders are given opportunities to express their views and ask the Board and Management questions regarding the operations of the Company. The Chairman of the AC, RC and NC will normally be present at the annual general meeting to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the accounts from the shareholders.

The Constitution of the Company allows members of the Company to appoint proxies to attend and vote on their behalf. At the annual general meeting and other general meetings, separate resolutions will be set out on distinct issues for approval by shareholders.

The Board is not recommending any dividend distribution to its shareholders in FY2015 on the basis that the Group is loss making.

CORPORATE GOVERNANCE REPORT

Dealing in Securities

In line with Rule 1204(19) of the Catalist Rules, the Company has procedures in place on dealings in securities, whereby there should be no dealings in the Company's shares by its Directors and officers during the period commencing one month prior to the announcement of the Company's half year and full year financial results and ending on the date of announcement of the results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. The implications of insider trading are clearly set out in the procedures and guidelines. In addition, the Company's officers are discouraged from dealing in the Company's shares on short-term considerations.

Interested Person Transactions

The Company has established internal control policies to ensure that transactions with interested persons are reviewed and approved, and are conducted at arm's length basis.

The Company does not have a general shareholders' mandate for recurrent interested person transactions.

The Company confirms that during the financial year under review, there was no interested person transaction.

Material Contracts

There was no material contract (not being entered into in the ordinary course of business) of the Company and its subsidiaries, involving the interests of any Director or controlling shareholder, either still subsisting at the end of the financial year ended 31 December 2015 or if not then subsisting, entered into since the end of the previous financial year.

Risk Management and Processes

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board. The details of the Group's financial and business risks can be found on page 4 of this Annual Report.

Non-Sponsor Fees

No non-sponsor fees were paid to the Sponsor, Xandar Capital Pte Ltd, for the financial year ended 31 December 2015. Xandar Capital Pte Ltd was the Sponsor of the Company until 17 February 2016.

RHT Capital Pte Ltd was appointed Sponsor of the Company with effect from 18 February 2016.

Non-Audit Fees

The audit services that were rendered by the auditors, Messrs KPMG LLP for the financial year ended 31 December 2015 amounted to approximately \$71,000. There was no non-audit service rendered by the Group's external auditors, Messrs KPMG LLP, to the Group for the financial year ended 31 December 2015.

Statement of Compliance

The Board confirms that for the financial year ended 31 December 2015, the Company has generally adhered to the principles and guidelines as set out in the Code.

BOARD OF DIRECTORS

Mr Aw Cheok Huat

Non-Independent Non-Executive Chairman

Mr Aw Cheok Huat is a Non-Independent and Non-Executive Director of ITE Electric Co Ltd. He was appointed as a director on 28 August 2014. He is the Chairman of the Board of Directors and a member of the Audit Committee, Nominating Committee as well as the Remuneration Committee.

Mr Aw is the managing director of MS Corporate Finance Pte Ltd, a boutique corporate finance firm specializing in mergers and acquisitions, IPOs, RTO and corporate restructuring. He has some 25 years of experience in this field having been involved in assignments for various groups over a cross section of diverse industries. In addition he has been involved in investment and private equity transactions. He is also a director of ICP Ltd.

Mr Aw holds a Master of Commerce from the University of New South Wales and a Bachelor of Accountancy from the National University of Singapore.

Mr Seow Han Chiang Winston

Lead Independent Non-Executive Director

Mr Seow Han Chiang Winston, was appointed to the board as an Independent Non-Executive Director on 9 September 2014. He was also appointed as the Chairman of the Nominating and Remuneration Committees and is a member of the Audit Committee.

Mr Seow currently heads the Corporate & Securities Law Department of Withers KhattarWong. Mr Seow is an independent director of Eucon Holding Limited and ICP Ltd. During the past three years, Mr Seow was also a director of a listed company named Sound Global Ltd.

Mr Seow holds a Bachelor of Law (Honours) degree from the National University of Singapore. He was called to the Singapore Bar in 1995 and since then has been a practising advocate and solicitor of the Supreme Court of Singapore.

Mr Wong Ming Kwong **Executive Director**

Mr Wong Ming Kwong was appointed as an Independent Non-Executive Director on 28 August 2014. He was re-designated as an Executive Director with effect from 9 September 2014.

Mr Wong established Key Elements Consulting Group in 1999, providing consultancy services for companies, especially small and medium enterprises in Singapore and is currently the president of Key Elements Consulting Pte Ltd. Prior to that, he was the marketing communications manager for the motors group in Inchcape Sendirian Berhad in 1990 and subsequently, the business development manager till 1993. Mr Wong spearheaded business development as a sales and marketing manager in Singapore National Printers Pte Ltd (now known as SNP Corporation Ltd) from 1993 to 1995. Following that, he became the marketing director of APV Asia Pte Ltd, part of the Invensys PLC global technology and controls group, before being promoted to the position of managing director (Greater China Division) in 1997, a position he held till 1998.

Mr Wong was an independent director of Old Chang Kee Limited from 22 July 2010 to 28 July 2015. He is currently a non-executive director of Goodland Group Limited.

Mr Wong holds a Bachelor of Arts (Second Upper Honours) (Chinese Studies) degree and a Bachelor of Arts (Economics and Statistics) degree from the National University of Singapore. In addition, he holds a Graduate Diploma in Marketing from the Marketing Institute of Singapore.

Ms Vivien Koh Yoke Har

Independent Non-Executive Director

Ms Vivien Koh Yoke Har was appointed to the board as an Independent Non-Executive Director on 9 September 2014. She was also appointed as the Chairman of the Audit Committee and is a member of the Nominating and Remuneration Committees.

Ms Koh has more than 30 years of experience in the banking industry. She retired in December 2013 and prior to her retirement, she was the country head for National Australia Bank Ltd in Singapore and the managing director of National Australia Merchant Bank (Singapore) Limited.

She is an accountant by profession graduating with a Bachelor of Accountancy from the National University of Singapore and also holds a Master of Business Administration from Cranfield School of Management, UK. She is currently a fellow member of the Institute of Singapore Chartered Accountants as well as CPA, Australia.

KEY MANAGEMENT

Information on key management staff (excluding Directors of the Company):

Mr Chong Paw Long is the Financial Controller of ITE Electric Co Ltd, responsible for all the financial and accounting functions of the Company and the Group. He joined the Company on 14 July 2014. Mr Chong has more than 20 years of working experience. He started his career in an international accounting firm in Malaysia in 1991, and had worked as a group finance manager/financial controller for two listed companies in Malaysia before. Mr Chong graduated with a Bachelor of Accountancy degree.

Mr Teh Thean Yean is the General Manager of Electech Distribution Systems Sdn Bhd (“EDSM”) and is responsible for the sales and marketing and overall management of the Group’s operations in Malaysia. He joined EDSM on 1 March 1997 as a Group Marketing Manager and was promoted to General Manager on 3 January 2000. Prior to joining EDSM in 1997, he was the executive director of Fortune Electrical Appliances Sdn Bhd. He worked as a country manager in Black & Decker Asia Pacific (M) Sdn Bhd from 1993 to 1995 and was a divisional manager of Borneo Company (Inchcape Marketing) from 1973 to 1992.

DIRECTORS' STATEMENT

We submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 26 to 64 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Aw Cheok Huat
Wong Ming Kwong
Seow Han Chiang Winston
Koh Yoke Har

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

	Holdings at beginning of the year	Holdings at end of the year
Aw Cheok Huat		
ITE Electric Co Ltd		
Ordinary shares, fully paid		
– interests held	22,765,425	22,765,425
– deemed interests	8,154,000	8,154,000

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

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2016.

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 in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Share options

ITE Electric Share Option Plan 2006

The ITE Electric Share Option Plan 2006 (the "Plan") was approved and adopted by members of the Company at the extraordinary general meeting held on 31 May 2006. The Plan is administered by the Company's Remuneration Committee ("RC"). Under the Plan, selected employees and directors of ITE Electric Co Ltd and its subsidiaries (the "Group") are eligible to participate in the Plan at the discretion of the RC. Controlling shareholders and their associates, as defined in the Listing Manual Section B: Rules of Catalist of the SGX-ST ("Catalist Rules"), shall not participate in the Plan.

The Plan shall continue in force at the discretion of the RC, subject to a maximum period of 10 years commencing from 31 May 2006. The Plan may continue beyond the period stipulated above with the approval of shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

Statutory and other information regarding the Plan are as follows:

- (a) The exercise price for each option is the weighted average of the last traded price of the shares in the three consecutive trading days immediately preceding the date of grant (the "Market Price"), or such higher price as may be determined by the RC in its absolute discretion.

The RC has the discretion to issue options with an exercise price which is at a discount of not more than 20% to the Market Price in respect of that option.

- (b) Options granted at Market Price may be exercised (in whole or in part) after one year from the date of grant whereas options granted at a discount may only be exercised (in whole or in part) after two years from the date of grant.
- (c) Eligible grantees who participate in the Plan may also be eligible to participate in other share option or share incentive schemes, whether or not implemented by any of the other companies within the Group or any other company.
- (d) The total number of shares over which options may be granted pursuant to the Plan when added to the number of shares issued and issuable in respect of all options granted thereunder, shall not exceed 15% of the Company's total issued shares on the day preceding the date of which the option is granted.
- (e) The offer of an option to an eligible grantee, if not accepted by him within 30 days from the date of such offer will lapse. Upon acceptance of the offer, the eligible grantee to whom the option is granted shall pay to the Company a nominal consideration of \$1.00.

Since the commencement of the Plan, no options have been granted. As at the end of the financial year, there were no unissued shares of the Company under option.

Audit committee

The members of the Audit Committee during the year and at the date of this statement are:

- | | |
|---------------------------|----------------------------------|
| • Koh Yoke Har | Chairman, Independent Director |
| • Seow Han Chiang Winston | Member, Independent Director |
| • Aw Cheok Huat | Member, Non-Independent Director |

The Audit Committee performs the functions specified in Section 201B of the Act, the Catalist Rules and the Code of Corporate Governance 2012.

DIRECTORS' STATEMENT

During the financial year, the Audit Committee has met 2 times. The principal responsibility of the Audit Committee is to assist the Board of Directors in the identification and monitoring of areas of significant business risks including the following:

- The effectiveness of the management of financial business risks and the reliability of management reporting;
- Compliance with laws and regulations, particularly those of the Companies Act, Chapter 50 and the Catalist Rules;
- The appropriateness of interim and full year financial statement announcements and reports;
- The effectiveness and efficiency of external and internal audits; and
- Interested person transactions (as defined in Chapter 9 of the Catalist Rules).

Specific functions of the Audit Committee include reviewing the scope of work of the external and internal auditors and the assistance given by the Company to the auditors and receiving and considering the reports of the external and internal auditors including their evaluation of the system of internal controls. The consolidated financial statements of the Group are reviewed by the Audit Committee prior to their submission to the Board of Directors for adoption.

In addition, the Audit Committee has, in accordance with Chapter 9 of the Catalist Rules, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, sought approval for interested person transactions and with the assistance of the management, reviewed interested person transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the external auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

Auditors

The Auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Aw Cheok Huat
Director

Wong Ming Kwong
Director

28 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company
ITE Electric Co Ltd

Report on the financial statements

We have audited the accompanying financial statements of ITE Electric Co Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 64.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

28 March 2016

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Assets					
Property, plant and equipment	4	148,960	221,362	—	—
Goodwill	5	—	—	—	—
Subsidiaries	6	—	—	6,411,856	4,416,856
Deferred tax assets	7	96,987	110,420	—	—
Non-current assets		245,947	331,782	6,411,856	4,416,856
Inventories	8	2,357,598	2,431,865	—	—
Trade and other receivables	9	4,465,058	5,929,831	704,946	918,845
Cash and cash equivalents	10	2,232,565	3,648,360	159,933	1,946,836
Current assets		9,055,221	12,010,056	864,879	2,865,681
Total assets		9,301,168	12,341,838	7,276,735	7,282,537
Equity					
Share capital	11	23,017,895	23,017,895	23,017,895	23,017,895
Reserves	12	(16,025,532)	(15,665,756)	(15,968,086)	(15,993,419)
Equity attributable to owners of the Company		6,992,363	7,352,139	7,049,809	7,024,476
Non-controlling interests		—	29,208	—	—
Total equity		6,992,363	7,381,347	7,049,809	7,024,476
Liabilities					
Loans and borrowings	14	—	2,945	—	—
Deferred tax liabilities	7	2,164	2,164	—	—
Non-current liabilities		2,164	5,109	—	—
Loans and borrowings	14	202,571	1,937,820	—	—
Trade and other payables	15	2,087,296	2,961,481	226,926	258,061
Current tax liabilities		16,774	56,081	—	—
Current liabilities		2,306,641	4,955,382	226,926	258,061
Total liabilities		2,308,805	4,960,491	226,926	258,061
Total equity and liabilities		9,301,168	12,341,838	7,276,735	7,282,537

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2015

		Group	
	Note	2015	2014
		\$	\$
Revenue	16	15,790,462	20,540,258
Changes in inventories of finished goods and work-in-progress		(11,171,812)	(14,753,405)
Raw materials and consumables used		(640,302)	(647,661)
Other income	17	564,196	551,578
Staff costs	17	(2,260,700)	(3,002,021)
Depreciation	4	(62,882)	(77,497)
Other expenses	17	(2,141,347)	(2,835,628)
Finance costs	18	(66,029)	(123,117)
Profit/(Loss) before tax		11,586	(347,493)
Tax expense	19	(31,793)	(123,584)
Loss for the year		(20,207)	(471,077)
Loss attributable to:			
Owners of the Company		(12,014)	(452,379)
Non-controlling interests		(8,193)	(18,698)
Loss for the year		(20,207)	(471,077)
Loss per share			
Basic loss per share (cents)	20	(0.01)	(0.33)
Diluted loss per share (cents)	20	(0.01)	(0.33)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	\$	\$
Loss for the year	(20,207)	(471,077)
Other comprehensive loss		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	(353,777)	(88,036)
Other comprehensive loss for the year, net of tax	(353,777)	(88,036)
Total comprehensive loss for the year	(373,984)	(559,113)
Total comprehensive loss attributable to:		
Owners of the Company	(365,791)	(540,415)
Non-controlling interests	(8,193)	(18,698)
Total comprehensive loss for the year	(373,984)	(559,113)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Share capital \$	Foreign currency translation reserve \$	Other reserve \$	Accumulated losses \$	Total attributable to owners of the Company \$	Non- controlling interest \$	Total equity \$	
At 1 January 2014	23,017,895	(670,686)	71,282	(14,525,937)	7,892,554	47,906	7,940,460	
Total comprehensive loss for the year								
Loss for the year	—	—	—	(452,379)	(452,379)	(18,698)	(471,077)	
Other comprehensive loss								
Foreign currency translation differences	—	(88,036)	—	—	(88,036)	—	(88,036)	
Total other comprehensive loss, net of tax	—	(88,036)	—	—	(88,036)	—	(88,036)	
Total comprehensive loss for the year	—	(88,036)	—	(452,379)	(540,415)	(18,698)	(559,113)	
At 31 December 2014	23,017,895	(758,722)	71,282	(14,978,316)	7,352,139	29,208	7,381,347	
	Note	Share capital \$	Foreign currency translation reserve \$	Other reserve \$	Accumulated losses \$	Total attributable to owners of the Company \$	Non- controlling interest \$	Total equity \$
At 1 January 2015		23,017,895	(758,722)	71,282	(14,978,316)	7,352,139	29,208	7,381,347
Total comprehensive loss for the year								
Loss for the year		—	—	—	(12,014)	(12,014)	(8,193)	(20,207)
Other comprehensive loss								
Foreign currency translation differences		—	(353,777)	—	—	(353,777)	—	(353,777)
Total other comprehensive loss, net of tax		—	(353,777)	—	—	(353,777)	—	(353,777)
Total comprehensive loss for the year		—	(353,777)	—	(12,014)	(365,791)	(8,193)	(373,984)
Transactions with owners, recognised directly in equity								
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interest without a change in control	22	—	—	6,015	—	6,015	(21,015)	(15,000)
Total transactions with owners		—	—	6,015	—	6,015	(21,015)	(15,000)
At 31 December 2015		23,017,895	(1,112,499)	77,297	(14,990,330)	6,992,363	—	6,992,363

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	Group 2014 \$
Cash flows from operating activities			
Loss for the year		(20,207)	(471,077)
Adjustments for:			
Allowance for doubtful receivables	17	2,978	262,187
Allowance for inventory obsolescence	17	172,441	213,586
Depreciation of property, plant and equipment	4	62,882	77,497
Interest income	17	(31,161)	(31,384)
Interest expense	18	66,029	123,117
Gain on disposal of property, plant and equipment	17	(5,421)	(27,787)
Gain on disposal of equity securities held-for-trading		–	(559)
Loss on disposal of available-for-sale financial assets	17	–	214,990
Fair value loss on equity securities held-for-trading	17	–	9,993
Property, plant and equipment written off	17	35	764
Impairment loss on available-for-sale financial assets	17	–	77,316
Loss on disposal of a subsidiary	17	–	335
Tax expense	19	31,793	123,584
		279,369	572,562
Changes in working capital:			
Trade and other receivables		1,310,770	126,326
Inventories		(181,636)	340,506
Trade and other payables		(811,764)	(1,600,037)
Cash generated from/(used in) operations		596,739	(560,643)
Tax paid		(71,789)	(72,284)
Net cash from/(used in) operating activities		524,950	(632,927)
Cash flows from investing activities			
Interest received		31,161	31,384
Proceeds from disposal of equity securities held for trading		–	11,961
Proceeds from disposal of available-for-sale financial assets		–	1,097,753
Proceeds from disposal of property, plant and equipment		5,460	31,355
Disposal of a subsidiary, net of cash disposed	23	–	(7,895)
Acquisition of property, plant and equipment	4	(7,950)	(14,683)
Net cash from investing activities		28,671	1,149,875
Cash flows from financing activities			
Deposits pledged		1,968,734	(18,580)
Interest paid		(66,029)	(123,117)
Proceeds from trust receipts		–	153,494
Repayment of trust receipts		(1,727,686)	–
Repayment of finance lease liabilities and borrowings		(12,193)	(151,044)
Acquisition of non-controlling interest	22	(15,000)	–
Net cash from/(used in) financing activities		147,826	(139,247)
Net increase in cash and cash equivalents		701,447	377,701
Cash and cash equivalents at beginning of the year		1,120,989	769,941
Effect of exchange rate changes on cash balances held in foreign currencies		(148,508)	(26,653)
Cash and cash equivalents at end of the year	10	1,673,928	1,120,989

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2016.

1 Domicile and activities

ITE Electric Co Ltd (the “Company”) is incorporated in the Republic of Singapore, and has its registered office at 1 Harrison Road #01-01, ITE Electric Building, Singapore 369652.

The principal activities of the Group and Company are those of investment holding and trading and distributors of electrical products.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 comprise the financial statements of the Company and its subsidiaries.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 24 – *Accounting estimates and judgements*.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries by the Company

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale. As at 31 December 2015, the financial assets at fair value through profit or loss have been fully disposed.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables including loan to a subsidiary and non-trade amounts due from subsidiaries.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities. As at 31 December 2015, the available-for-sale financial assets have been fully disposed.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Intra-group financial guarantee in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the profit and loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Goodwill

Goodwill arises upon the acquisition of subsidiaries. For the measurement of goodwill that arises upon the acquisition of subsidiaries at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3.5 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.5 Property, plant and equipment (cont'd)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item or property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land and building	–	50 years
Machinery and equipment	–	3 to 10 years
Furniture and office equipment	–	3 to 10 years
Renovation	–	1 to 10 years
Motor vehicles	–	5 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted if appropriate.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted-average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

Non-derivative financial assets (cont'd)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provision attributable to application of the effective interest method are reflected as a component of interest income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of electrical products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods on to the relevant carrier at the port.

3.12 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.13 Finance costs

Finance costs comprise interest expense on loans and borrowings are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.14 Tax (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Director ("ED") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.16 Segment reporting (cont'd)

Segment results that are reported to the Group's ED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, FRS 18 *Revenue*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company. The Group is currently assessing the potential impact on its financial statements and to implement the standards. The Group does not plan to adopt these standards early.

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the potential impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment

	Leasehold land and building \$	Machinery and equipment \$	Furniture and office equipment \$	Renovation \$	Motor vehicles \$	Total \$
Group						
Cost						
At 1 January 2014	171,141	1,285,723	1,038,017	36,054	530,623	3,061,558
Additions	—	1,513	13,170	—	—	14,683
Disposals	—	—	(849)	—	(67,690)	(68,539)
Write-off	—	—	(26,327)	—	—	(26,327)
Effect of movements in exchange rate	(3,501)	(29,231)	(2,363)	(1,128)	(2,013)	(38,236)
At 31 December 2014	167,640	1,258,005	1,021,648	34,926	460,920	2,943,139
At 1 January 2015	167,640	1,258,005	1,021,648	34,926	460,920	2,943,139
Additions	—	4,894	1,673	1,383	—	7,950
Disposals	—	—	(1,425)	—	—	(1,425)
Write-off	—	(3,394)	(16,798)	—	(5,100)	(25,292)
Effect of movements in exchange rate	(21,594)	(160,702)	(17,620)	(4,159)	(13,916)	(217,991)
At 31 December 2015	146,046	1,098,803	987,478	32,150	441,904	2,706,381
Accumulated depreciation						
At 1 January 2014	82,110	1,256,776	956,994	36,054	441,116	2,773,050
Depreciation for the year	3,435	15,683	30,883	—	27,496	77,497
Disposals	—	—	—	—	(67,690)	(67,690)
Write-off	—	—	(25,563)	—	—	(25,563)
Effect of movements in exchange rate	(1,764)	(28,898)	(2,076)	(1,128)	(1,651)	(35,517)
At 31 December 2014	83,781	1,243,561	960,238	34,926	399,271	2,721,777
At 1 January 2015	83,781	1,243,561	960,238	34,926	399,271	2,721,777
Depreciation for the year	3,120	10,695	22,760	369	25,938	62,882
Disposals	—	—	(1,386)	—	—	(1,386)
Write-off	—	(3,359)	(16,798)	—	(5,100)	(25,257)
Effect of movements in exchange rate	(10,990)	(159,548)	(13,575)	(4,182)	(12,300)	(200,595)
At 31 December 2015	75,911	1,091,349	951,239	31,113	407,809	2,557,421
Carrying amounts						
At 1 January 2014	89,031	28,947	81,023	—	89,507	288,508
At 31 December 2014	83,859	14,444	61,410	—	61,649	221,362
At 31 December 2015	70,135	7,454	36,239	1,037	34,095	148,960

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (cont'd)

At 31 December, the carrying amounts of property, plant and equipment which have been pledged to secure credit facilities of the Group include the following:

	Group	
	2015	2014
	\$	\$
Leasehold property	70,135	83,859
Motor vehicles	3,173	20,225
	<u>73,308</u>	<u>104,084</u>

Motor vehicle under finance lease

As at 31 December 2015, the Group's net carrying amount of motor vehicles under finance lease were \$3,173 (2014: \$20,225).

5 Goodwill

	Group	
	2015	2014
	\$	\$
Cost		
At 1 January and 31 December	<u>193,026</u>	<u>193,026</u>
Accumulated impairment loss		
At 1 January and 31 December	<u>193,026</u>	<u>193,026</u>
Carrying amount		
At 1 January	<u>—</u>	<u>—</u>
At 31 December	<u>—</u>	<u>—</u>

In 2013, an impairment assessment was performed on the goodwill arising from business combination which has been identified as the sole cash-generating unit (CGU). The recoverable amount of the CGU was based on its value in use and was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU was determined to be lower than its carrying amount. Therefore, an impairment loss of \$193,026 was provided in the prior year.

6 Subsidiaries

	Company	
	2015	2014
	\$	\$
Unquoted equity instrument, at cost	7,215,681	5,220,681
Impairment losses	<u>(803,825)</u>	<u>(803,825)</u>
	<u>6,411,856</u>	<u>4,416,856</u>

NOTES TO THE FINANCIAL STATEMENTS

6 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Group's effective equity interest	
		2015	2014
		%	%
ITE Electric Systems Co Pte. Ltd.*	Singapore	100	100
Electech Distribution Systems Sdn. Bhd.** and its subsidiaries:	Malaysia	100	100
– Electech Manufacturing Sdn. Bhd.**	Malaysia	100	100
– EDSM Manufacturing Sdn. Bhd.** #	Malaysia	100	100
ITE Lumens Pte. Ltd.*	Singapore	100	78

* Audited by KPMG LLP Singapore.

** Audited by member firms of KPMG International.

On 3 December 2015, EDSM Manufacturing Sdn. Bhd. commenced Member's Voluntary Winding-up pursuant to Section 254(1) of the Malaysia's Companies Act, 1965. The winding up proceedings have no material effect on the earnings and the net assets of the Group for the financial year ended 31 December 2015.

Non-controlling interests (NCI)

On 16 September 2015, the Group equity interest in ITE Lumens Pte Ltd ("ITE Lumens") increased from 78% to 100%. Accordingly, the information relating to ITE Lumens is only for the period from 1 January 2015 to 15 September 2015.

The following summarises the financial information of the Group's subsidiary with material NCI, based on its financial statements prepared in accordance with FRS.

	ITE Lumens \$
2015	
Revenue	21,993
Loss/Total comprehensive income	(37,240)
Attributable to NCI	
– Loss/Total comprehensive income	(8,193)
2014	
Revenue	1,380,406
Loss/Total comprehensive income	(84,991)
Attributable to NCI	
– Loss/Total comprehensive income	(18,698)
Non-current assets	1,495
Current assets	353,197
Current liabilities	(221,926)
Net assets	132,766
Net assets attributable to NCI	29,208
Cash flows used in operating activities	(6,879)
Cash flows from investing activities	5
Cash flows from financing activities	32,446
Net increase in cash and cash equivalents	25,572

NOTES TO THE FINANCIAL STATEMENTS

7 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities of the Group during the year are as follows:

	At 1 January	Recognised in profit or loss (note 19)	Reclassification	Exchange differences	At 31 December
	\$	\$	\$	\$	\$
Group					
2015					
Deferred tax assets					
Tax losses carry-forward	(41,858)	2,250	(19,687)	5,291	(54,004)
Property, plant and equipment	(60,677)	13,606	16,735	7,815	(22,521)
Others	(7,885)	(16,545)	2,952	1,016	(20,462)
	(110,420)	(689)	—	14,122	(96,987)
Deferred tax liabilities					
Property, plant and equipment	2,164	—	—	—	2,164
2014					
Deferred tax assets					
Tax losses carry-forward	(36,917)	—	—	(4,941)	(41,858)
Property, plant and equipment	(71,260)	20,122	—	(9,539)	(60,677)
Others	(6,954)	—	—	(931)	(7,885)
	(115,131)	20,122	—	(15,411)	(110,420)
Deferred tax liabilities					
Property, plant and equipment	2,164	—	—	—	2,164

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Tax losses carry-forward	1,069,465	1,489,641	616,686	770,662
Unabsorbed wear and tear allowances	—	366,839	—	—
	1,069,465	1,856,480	616,686	770,662

The unutilised tax losses and unabsorbed wear and tear allowances available for carry forward and set-off against future taxable profits are subject to the agreement of the local tax authorities and compliance with certain provisions of the tax legislation. Deferred tax assets have not been recognised due to the uncertainty of the availability of future taxable profits against which the Group can utilise the benefits. The tax losses and other temporary differences do not expire under current tax legislations.

Unabsorbed wear and tear allowances amounting to \$366,839 and unutilised tax losses amounting to \$341,782 which belong to EDSM Manufacturing Sdn. Bhd. have been foregone during the year as the subsidiary has commenced Member's Voluntary Winding-up proceedings on 3 December 2015 (note 6) and is unlikely to be able to utilise the tax losses and temporary differences.

NOTES TO THE FINANCIAL STATEMENTS

8 Inventories

	Group	
	2015	2014
	\$	\$
Raw materials and consumables	201,425	224,854
Finished goods	2,036,560	1,966,281
Goods-in-transit	119,613	240,730
	<u>2,357,598</u>	<u>2,431,865</u>

During the year, the write-down of inventories to net realisable value by the Group amounted to \$172,441 (2014: \$213,586).

9 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade receivables (net)	4,094,324	5,427,442	—	—
Deposits	278,809	338,567	218,880	218,880
Other receivables (net)	48,733	37,529	13,570	19,300
Loan to a subsidiary	—	—	140,975	140,975
Amounts due from subsidiaries — non-trade	—	—	323,395	530,916
Loans and receivables	4,421,866	5,803,538	696,820	910,071
Prepayments	43,192	126,293	8,126	8,774
	<u>4,465,058</u>	<u>5,929,831</u>	<u>704,946</u>	<u>918,845</u>

Loan to a subsidiary and non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. No allowance for impairment loss has been made on these outstanding balances.

The Group and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in note 25.

10 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank and in hand	1,573,175	1,120,989	159,933	47,083
Fixed deposits	659,390	2,527,371	—	1,899,753
Cash and cash equivalents in the statement of financial position	2,232,565	3,648,360	159,933	1,946,836
Deposits pledged	(558,637)	(2,527,371)	—	—
Cash and cash equivalents in the statement of cash flows	<u>1,673,928</u>	<u>1,120,989</u>	<u>159,933</u>	<u>1,946,836</u>

The weighted average effective interest rates per annum relating to fixed deposits at the reporting date for the Group and Company are 1.20% (2014: 1.25%) and 0.35% (2014: 0.35%), respectively.

Deposits pledged represent fixed deposits of the Group and Company pledged as security for credit facilities (see note 14).

NOTES TO THE FINANCIAL STATEMENTS

11 Share capital

	2015		Company	
	No. of shares	\$	No. of shares	\$
Issued and fully paid ordinary shares, with no par value				
At 1 January/31 December	137,337,290	23,017,895	137,337,290	23,017,895

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid with no par value.

12 Reserves

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Foreign currency translation reserve	(1,112,499)	(758,722)	—	—
Other reserve	77,297	71,282	—	—
Accumulated losses	(14,990,330)	(14,978,316)	(15,968,086)	(15,993,419)
	(16,025,532)	(15,665,756)	(15,968,086)	(15,993,419)

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

The other reserve relates to the difference of the net recognised amount of the identifiable assets acquired and liabilities assumed over fair value of the consideration on the acquisition of the non-controlling interests.

13 Share-based payment arrangements

ITE Electric Share Option Plan 2006

The ITE Electric Share Option Plan 2006 (the "Plan") was approved and adopted by members of the Company at the extraordinary general meeting held on 31 May 2006. The Plan is administered by the Company's Remuneration Committee ("RC"). Under the Plan, selected employees and directors of ITE Electric Co Ltd and its subsidiaries (the "Group") are eligible to participate in the Plan at the discretion of the RC. Controlling shareholders and their associates (as defined in the Catalyst Rules) shall not participate in the Plan.

The plan shall continue in force at the discretion of RC subject to a maximum period of 10 years commencing from 31 May 2006, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

Other information regarding the Plan are as follows:

- The exercise price for each share is the weighted average of the last traded price of the shares in the three consecutive trading days immediately preceding the date of grant (the "Market Price"), or such higher price as may be determined by the RC in its absolute discretion.

The RC has the discretion to issue options with an exercise price which is at a discount of not more than 20% to the Market Price in respect of that option.

NOTES TO THE FINANCIAL STATEMENTS

13 Share-based payment arrangements (cont'd)

ITE Electric Share Option Plan 2006 (cont'd)

- (b) Options granted at Market Price may be exercised (in whole or in part) after one year from the date of grant whereas options granted at a discount may only be exercised (in whole or in part) after two years from the date of grant.
- (c) Eligible grantees who participate in the Plan may also be eligible to participate in other share option or share incentive schemes, whether or not implemented by any of the other companies within the Group or any other company.
- (d) The total number of shares over which options may be granted pursuant to the Plan when added to the number of shares issued and issuable in respect of all options granted thereunder, shall not exceed 15% of the Company's total issued shares on the day preceding the date of which the option is granted.
- (e) The offer of an option to an eligible grantee, if not accepted by him within 30 days from the date of such offer will lapse. Upon acceptance of the offer, the eligible grantee to whom the option is granted shall pay to the Company a nominal consideration of \$1.00.

Since the commencement of the Plan, no options have been granted.

14 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 25.

	Group	
	2015 \$	2014 \$
Non-current liabilities		
Obligation under finance lease	—	2,945
Current liabilities		
Obligation under finance lease	2,571	10,134
Secured bank loan	200,000	200,000
Trust receipts	—	1,727,686
	202,571	1,937,820
Total loans and borrowings	202,571	1,940,765

The secured credit facilities of the Group, comprising secured bank loan and trust receipts, are secured by legal charges over the Group's leasehold land and building (note 4) and fixed deposits (note 10).

NOTES TO THE FINANCIAL STATEMENTS

14 Loans and borrowings (cont'd)

Obligation under finance lease

This obligation is secured by a charge over the property, plant and equipment under finance lease (note 4). At 31 December, the Group has obligations under finance leases that are payable as follows:

	Future minimum lease payments 2015 \$	Interest 2015 \$	Present value of minimum lease payment 2015 \$	Future minimum lease payments 2014 \$	Interest 2014 \$	Present value of minimum lease payment 2014 \$
Group						
Within 1 year	2,924	353	2,571	11,575	1,441	10,134
Between 1 year and 5 years	—	—	—	3,350	405	2,945
	2,924	353	2,571	14,925	1,846	13,079

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	2015 Face value \$	2015 Carrying amount \$
Group					
Secured bank loan	SGD	6.00	2016	200,000	200,000
Finance lease	MYR	2.62 – 3.50	2016	2,924	2,571
				202,924	202,571

	Currency	Nominal interest rate %	Year of maturity	2014 Face value \$	2014 Carrying amount \$
Group					
Secured bank loan	SGD	6.00	2015	200,000	200,000
Finance lease	MYR	2.62 – 3.50	2016	14,925	13,079
Trust receipts	SGD	5.50 – 6.00	2015	1,727,686	1,727,686
				1,942,611	1,940,765

During the year, the Group has repaid fully the outstanding borrowings from the trust receipts facility.

Intra-group guarantees and contingent liabilities

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities granted to subsidiaries amounting to \$2,673,377 (2014: \$4,067,286). The financial guarantees expire within periods of less than 1 year or upon cancellation or revision of banking facilities by the banks.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee. The management has assessed that the fair value of these financial guarantees is not material and therefore, not recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

15 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade payables	1,385,747	1,983,655	—	—
Accrued operating expenses	140,778	281,798	12,938	22,019
Other payables	560,771	696,028	213,988	236,042
	<u>2,087,296</u>	<u>2,961,481</u>	<u>226,926</u>	<u>258,061</u>

The Group and the Company's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 25.

16 Revenue

	Group	
	2015	2014
	\$	\$
Sale of electrical products	<u>15,790,462</u>	<u>20,540,258</u>

17 Loss for the year

The following items have been included in arriving at loss for the year:

	Group	
	2015	2014
	\$	\$
Other income		
Rental income	230,310	214,076
Rebates received	133,808	124,489
Interest income	31,161	31,384
Gain on disposal of property, plant and equipment	5,421	27,787
Foreign exchange gain, net	—	15,378
Miscellaneous income	163,496	138,464
Total other income	<u>564,196</u>	<u>551,578</u>
Staff costs		
Wages and salaries	1,953,960	2,655,419
Contributions to defined contribution plans	265,165	277,775
Other related staff costs	41,575	68,827
Total staff costs	<u>2,260,700</u>	<u>3,002,021</u>
Other expenses		
Fair value loss on equity securities held-for-trading	—	9,993
Foreign exchange loss, net	103,260	—
Impairment loss on available-for-sale financial assets	—	77,316
Loss on disposal of available-for-sale financial assets	—	214,990
Loss on disposal of a subsidiary	—	335
Operating lease expenses	777,202	796,855
Audit fees paid and payable to:		
— auditors of the Company	56,000	62,000
— other auditors	15,484	18,208
Non audit fees paid to:		
— other auditors	13,900	23,000
Allowances for doubtful receivables	2,978	262,187
Allowance for inventory obsolescence	172,441	213,586
Property, plant and equipment written off	35	764
Others	1,000,047	1,156,394
Total other expenses	<u>2,141,347</u>	<u>2,835,628</u>

NOTES TO THE FINANCIAL STATEMENTS

18 Finance costs

	Group	
	2015	2014
	\$	\$
Interest paid and payable to		
– Banks	64,688	119,750
– Others	1,341	3,367
	<u>66,029</u>	<u>123,117</u>

19 Tax expense

	Note	Group	
		2015	2014
		\$	\$
<i>Tax recognised in profit or loss</i>			
Current tax expense			
– Current year		83,482	103,462
– Over provision in respect of prior years		(51,000)	–
		<u>32,482</u>	<u>103,462</u>
Deferred tax			
– Current year		610	4,761
– (Over)/under provision in respect of prior years		(1,299)	15,361
	7	<u>(689)</u>	<u>20,122</u>
Total tax expense		<u>31,793</u>	<u>123,584</u>

Reconciliation of effective tax rate

	Group	
	2015	2014
	\$	\$
Profit/(Loss) before tax	<u>11,586</u>	<u>(347,493)</u>
Tax using the Singapore tax rate of 17% (2014: 17%)	1,970	(59,074)
Effect of different tax rates in other countries	24,065	4,277
Non-deductible expenses	44,121	56,282
Current year losses for which no deferred tax asset was recognised	13,326	108,985
Change in unrecognised temporary differences	610	(26,052)
Recognition of tax effect of previously unrecognised tax losses	–	23,805
(Over)/under provided in prior years		
– current tax	(51,000)	–
– deferred tax	(1,299)	15,361
	<u>31,793</u>	<u>123,584</u>

NOTES TO THE FINANCIAL STATEMENTS

20 Loss per share

Basic loss per share

The calculation of basic loss per share is based on the following:

	Group	
	2015	2014
	\$	\$
Loss for the year attributable to ordinary shareholders	(12,014)	(452,379)
	No. of shares	
	2015	2014
Number of shares outstanding at the beginning of the year	137,337,290	137,337,290
Number of shares outstanding at the end of the year	137,337,290	137,337,290
Weighted average number of shares at the end of the year	137,337,290	137,337,290
Basic loss per share (cents)	(0.01)	(0.33)

Diluted loss per share

There were no instruments that would have an effect of diluting on the loss per share of the Group for the years ended 31 December 2015 and 2014.

21 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Director ("ED") (the chief operating decision maker) reviews internal management reports on a monthly basis to make strategic decisions. The following summary describes the operations in each of the Group's reportable segments:

- (a) Electrical trading: Sale of electrical products;
- (b) Electrical manufacturing: Manufacture and assembly of electrical products; and
- (c) Investment holding.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's ED. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

21 Operating segments (cont'd)

Information about reportable segments

	Electrical trading \$	Electrical manufacturing \$	Investment holding \$	Total consolidated balances \$
2015				
Revenue				
External revenue	15,708,747	81,715	–	15,790,462
Inter-segment revenue	63,105	853,217	–	916,322
Interest income	5,201	20,619	5,341	31,161
Finance costs	(63,803)	(2,226)	–	(66,029)
Depreciation of property, plant and equipment	47,996	14,886	–	62,882
Reportable segment (loss)/profit before tax	(40,218)	34,245	25,333	19,360
Other material non-cash items				
– Allowance for inventory obsolescence	172,441	–	–	172,441
– Allowance for doubtful receivables	2,948	30	–	2,978
	175,389	30	–	175,419
Reportable segment assets	7,887,110	916,561	400,510	9,204,181
Capital expenditure	1,564	6,386	–	7,950
Reportable segment liabilities	1,836,314	226,627	226,926	2,289,867
2014				
Revenue				
External revenue	20,489,384	50,874	–	20,540,258
Inter-segment revenue	357,282	892,222	–	1,249,504
Interest income	5,009	19,657	6,718	31,384
Finance costs	(105,499)	(6,033)	(11,585)	(123,117)
Depreciation of property, plant and equipment	58,145	19,352	–	77,497
Reportable segment profit/(loss) before tax	201,241	12,019	(558,350)	(345,090)
Other material non-cash items				
– Allowance for inventory obsolescence	214,673	(1,087)	–	213,586
– Allowance for doubtful receivables	262,187	–	–	262,187
– Impairment loss on available-for-sale financial assets	–	–	77,316	77,316
	476,860	(1,087)	77,316	553,089
Reportable segment assets	8,923,903	1,113,723	2,193,790	12,231,416
Capital expenditure	12,811	1,872	–	14,683
Reportable segment liabilities	4,347,629	296,556	258,061	4,902,246

NOTES TO THE FINANCIAL STATEMENTS

21 Operating segments (cont'd)

Reconciliation of reportable segment profit or loss, assets and liabilities and other material items

	2015 \$	2014 \$
Profit or loss		
Total profit or loss for reportable segments	19,360	(345,090)
Elimination of inter-segment profits	(7,774)	(2,403)
Consolidated profit before tax	11,586	(347,493)
Assets		
Total assets for reportable segments	9,204,181	12,231,416
Deferred tax assets	96,987	110,422
Consolidated total assets	9,301,168	12,341,838
Liabilities		
Total liabilities for reportable segments	2,289,867	4,902,246
Current tax liabilities	16,774	56,081
Deferred tax liabilities	2,164	2,164
Consolidated total liabilities	2,308,805	4,960,491

Geographical segments

The electrical trading and manufacturing segments are managed locally but operate in two principal countries, namely Singapore and Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Consolidated revenue \$	Non-current assets \$
2015		
Singapore	12,008,791	41,247
Malaysia	3,670,298	204,700
Other countries	111,373	—
	15,790,462	245,947
2014		
Singapore	16,226,550	68,656
Malaysia	3,813,622	263,126
Other countries	500,086	—
	20,540,258	331,782

Major customer

Revenues from one (2014: one) customer of the Group's electrical trading segments represents approximately \$1,584,974 (2014: \$4,177,373) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

22 Acquisition of non-controlling interests

On 16 September 2015, the Group acquired an additional 22% interest in ITE Lumens Pte. Ltd. ("ITE Lumens") for \$15,000 in cash, increasing its ownership from 78% to 100%. The carrying amount of ITE Lumens's net assets in the Group's financial statements on the date of the acquisition was \$74,510. The Group recognised a decrease in non-controlling interests of \$21,015 and an increase in capital reserve of \$6,015.

The following summarises the net effect of changes in the Group's ownership interest in ITE Lumens:

	2015
	\$
Group's ownership interest at 1 January	103,558
Effects of increase in Group's ownership interest	21,015
Share of comprehensive income	(39,718)
Group's ownership interest at 31 December 2015	<u>84,855</u>

23 Disposal of a subsidiary

In August 2014, the Group entered into a Share Purchase Agreement ("SPA") to dispose of its entire shareholdings in ITE Assets Holdings Pte Ltd to a third party for a consideration of S\$8,000.

The net assets of subsidiary disposed are shown below:

	2014
	\$
Cash and cash equivalents	15,895
Trade and other payables	(7,560)
Net identifiable assets and liabilities disposed	8,335
Loss on disposal of subsidiary	(335)
Cash consideration	8,000
Less: Cash and cash equivalents disposed	(15,895)
Cash flow on disposal, net of cash disposed	<u>(7,895)</u>

24 Accounting estimates and judgements

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

Impairment loss on loans and receivables

The Group evaluates whether there is any objective evidence that loans and receivables are impaired and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the loans and receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

NOTES TO THE FINANCIAL STATEMENTS

24 Accounting estimates and judgements (cont'd)

Valuation of deferred tax assets

The Group has potential tax benefits arising from unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences, which are available for set-off against future taxable profits. Significant judgement is involved in determining the availability of future taxable profits against which the Group can utilise the tax benefits therefrom. The use of the potential tax benefits is also subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision and recognised deferred tax assets relating to the potential tax benefits in the period in which such determination is made.

25 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Audit Committee oversees management's monitoring of compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the Group's operations and risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Credit risk (cont'd)

Loans and receivables

Concentration of credit risk relating to loans and receivables is limited as the customers are widely dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses inherent in the Group's trade receivables.

The maximum exposure to credit risk for loans and receivables at the reporting date (by type of customer) is:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Contractors	1,488,225	3,196,057	—	—
Dealers	1,548,527	1,574,275	—	—
Others	1,385,114	1,033,206	696,820	910,071
	4,421,866	5,803,538	696,820	910,071

At the reporting date, approximately 36% (2014: 49%) of the Group's loans and receivables generated were due from ten major customers.

Impairment losses

The ageing of loans and receivables that were not impaired at the reporting date was:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Not past due	1,518,182	2,135,762	97,179	49,566
Past due 0 – 30 days	1,289,784	1,227,246	72,641	5,615
Past due 31 – 60 days	874,848	978,776	—	1,146
Past due 61 – 90 days	454,666	741,801	166,968	1,146
More than 90 days	284,386	719,953	360,032	852,598
	4,421,866	5,803,538	696,820	910,071

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. 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 Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the company believes that, apart from the above, no impairment allowances is necessary in respect of trade receivables not past due or past due by up to 30 days.

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Impairment losses (cont'd)

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
At 1 January	523,358	283,126	—	5,360,520
Impairment loss recognised	2,978	262,187	—	1,240
Amounts written off	—	(21,504)	—	(5,361,760)
Translation differences	(3,038)	(451)	—	—
At 31 December	523,298	523,358	—	—

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity risk by matching the payment and receipt cycle to maintain sufficient cash and having credit facilities available to meet its funding requirements.

The following are the contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
Group				
2015				
Obligation under finance lease	2,571	(2,924)	(2,924)	—
Secured bank loan	200,000	(212,000)	(212,000)	—
Trade and other payables	2,087,296	(2,087,296)	(2,087,296)	—
	2,289,867	(2,302,220)	(2,302,220)	—
2014				
Trust receipts	1,727,686	(1,727,686)	(1,727,686)	—
Obligation under finance lease	13,079	(14,925)	(11,575)	(3,350)
Secured bank loan	200,000	(212,000)	(212,000)	—
Trade and other payables	2,961,481	(2,961,481)	(2,961,481)	—
	4,902,246	(4,916,092)	(4,912,742)	(3,350)
Company				
2015				
Trade and other payables	226,926	(226,926)	(226,926)	—
2014				
Trade and other payables	258,061	(258,061)	(258,061)	—

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the respective foreign currencies against the Singapore dollar at the reporting date would decrease profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Profit/(loss) \$	Company Profit/(loss) \$
2015		
Euro	(26,425)	—
US dollar	(5,552)	—
Others	(345)	—
2014		
Euro	(26,455)	—
US dollar	(16,330)	(465)
Others	(3,467)	—

A 10% weakening of the respective foreign currencies against the Singapore dollar would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Carrying amount			Fair value			
		Loans and receivables \$	Other financial liabilities \$	Total \$	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Group								
31 December 2015								
Financial assets not measured at fair value								
Trade and other receivables*	9	4,421,866	—	4,421,866				
Cash and cash equivalents	10	2,232,565	—	2,232,565				
		6,654,431	—	6,654,431				
Financial liabilities not measured at fair value								
Secured bank loan	14	—	(200,000)	—	—	(200,000)	—	(200,000)
Obligation under finance lease	14	—	(2,571)	—	—	(2,571)	—	(2,571)
Trade and other payables	15	—	(2,087,296)	—				
		—	(2,289,867)	—				

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

Group	Note	Carrying amount			Fair value			
		Loans and	Other	Total	Level 1	Level 2	Level 3	Total
		receivables	financial					
		\$	\$	\$	\$	\$	\$	\$
31 December 2014								
Financial assets not measured at fair value								
Trade and other receivables*	9	5,803,538	—	5,803,538				
Cash and cash equivalents	10	3,648,360	—	3,648,360				
		<u>9,451,898</u>	<u>—</u>	<u>9,451,898</u>				
Financial liabilities not measured at fair value								
Secured bank loan	14	—	(200,000)	(200,000)	—	(200,000)	—	(200,000)
Obligation under finance lease	14	—	(13,079)	(13,079)	—	(13,079)	—	(13,079)
Trust receipts	14	—	(1,727,686)	(1,727,686)	—	(1,727,686)	—	(1,727,686)
Trade and other payables	15	—	(2,961,481)	(2,961,481)				
		<u>—</u>	<u>(4,902,246)</u>	<u>(4,902,246)</u>				

* Excludes prepayments

Company	Note	Carrying amount		
		Loans and	Other	Total
		receivables	financial	
		\$	\$	\$
31 December 2015				
Financial assets not measured at fair value				
Trade and other receivables*	9	696,820	—	696,820
Cash and cash equivalents	10	159,933	—	159,933
		<u>856,753</u>	<u>—</u>	<u>856,753</u>
Financial liabilities not measured at fair value				
Trade and other payables	15	—	(226,926)	—
31 December 2014				
Financial assets not measured at fair value				
Trade and other receivables*	9	910,071	—	910,071
Cash and cash equivalents	10	1,946,836	—	1,946,836
		<u>2,856,907</u>	<u>—</u>	<u>2,856,907</u>
Financial liabilities not measured at fair value				
Trade and other payables	15	—	(258,061)	—

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Accounting classifications and fair values (cont'd)

Fair value hierarchy

The table below analyse financial instruments carried at fair value by valuation method. The different levels of fair value have been defined as follows:

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

Determination of fair values

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available. Management of the Group has determined the differentials and estimated the fair values of the intra-group financial guarantees and noted that they were not material at year-end.

Loans and borrowings

The fair value of loans and borrowings are determined based on discounted cash flows and the inputs considered observable used in the valuation technique are significant to the fair value measurement.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as its results divided by total shareholders' equity, excluding non-controlling interests, and the Group's revenue and results before tax.

NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments (cont'd)

Financial risk management (cont'd)

Capital management (cont'd)

The Group's net debt to adjusted equity ratio at the end of the reporting period was as follows:

	2015 \$	2014 \$
Total liabilities	2,308,805	4,960,491
Less: cash and cash equivalents	(2,232,565)	(3,648,360)
Net debt	76,240	1,312,131
Total equity	6,992,363	7,381,347
Net debt to equity ratio at 31 December	0.01	0.18

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

26 Operating leases

Non-cancellable operating leases rentals are payable as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Within one year	840,000	840,000	840,000	840,000
Between one and five years	—	840,000	—	840,000
	840,000	1,680,000	840,000	1,680,000

The Group leases several office premises, warehouse and factory facilities under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

27 Related parties

Key management personnel compensation

	2015 \$	2014 \$
Directors of the Company		
– Directors' fees	94,000	77,700
– Short-term employee benefits	113,772	195,988
	207,772	273,688
Other directors		
– Short-term employee benefits	103,726	235,178
Other key management personnel		
– Short-term employee benefits	104,025	330,802
– Post employment benefits (including CPF)	11,258	23,152
	115,283	353,954
Total key management personnel compensation incurred by the Group	426,781	862,820

ANALYSIS OF SHAREHOLDINGS

AS AT 16 MARCH 2016

ISSUED AND FULLY PAID UP CAPITAL	:	S\$23,017,895
NO. OF SHARES ISSUED	:	137,337,290
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE
TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.11	10	0.00
100 – 1000	201	22.06	196,855	0.14
1,001 – 10,000	437	47.97	2,354,440	1.72
10,001 – 1,000,000	247	27.11	22,084,765	16.08
1,000,001 & above	25	2.75	112,701,220	82.06
TOTAL	911	100.00	137,337,290	100.00

TOP TWENTY SHAREHOLDERS AS AT 16 MARCH 2016

	NO. OF SHARES	%
AW CHEOK HUAT	22,765,425	16.58
PHILLIP SECURITIES PTE LTD	16,200,200	11.80
CIMB SECURITIES (SINGAPORE) PTE LTD	7,284,613	5.31
TAN KENG SOON	6,832,500	4.97
MAYBANK KIM ENG SECURITIES PTE LTD	6,815,000	4.96
LI HUA	6,357,142	4.63
CITIBANK NOMINEES SINGAPORE PTE LTD	6,354,000	4.62
NG CHOON NGOI @ NG CHOON NGO	5,070,000	3.69
LIM AH HIONG	3,972,000	2.89
FOO CHEE JEOW & SONS HOLDINGS (PTE) LTD	3,163,000	2.30
JUAY SZE SIN	2,900,000	2.11
BANK OF SINGAPORE NOMINEES PTE LTD	2,800,000	2.04
CHEE SUWEN	2,800,000	2.04
CHAMAN LAL SADHU RAM	2,596,000	1.89
CHARLESTON HOLDINGS PTE LTD	2,233,000	1.63
LIM CHAN LOK	2,233,000	1.63
AW CHEW HUA	1,770,000	1.29
HARPAL SINGH	1,571,000	1.14
CHAN HOE YIN @ CHAN PAK YIN	1,540,000	1.12
ZAHEER K MERCHANT	1,500,000	1.09
	106,756,880	77.73

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2016)

	Direct Interests	%	Deemed Interest	%
AW CHEOK HUAT	22,765,425	16.58	8,154,000*	5.94

* Mr Aw Cheok Huat is deemed interested in 8,154,000 ordinary shares held in the name of Phillip Securities Pte Ltd

Public Float

Based on information available to the Company as at 16 March 2016, approximately 77.48% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Catalist Rules has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of the Company will be held at 10 Anson Road #29-03A, International Plaza, Singapore 079903 on Friday, 29 April 2016 at 3.00 p.m. for the following purposes:—

ORDINARY BUSINESS

1. To receive and consider the Directors’ Statements and Audited Financial Statements for the financial year ended 31 December 2015 together with the Independent Auditors’ Report thereon. **[Resolution 1]**
2. To re-elect a Director, Mr Wong Ming Kwong, retiring pursuant to Regulation 91 of the Company’s Constitution. **[Resolution 2]**
3. To approve Directors’ fees of \$94,000 for the financial year ended 31 December 2015 (\$77,700 for the financial year ended 31 December 2014). **[Resolution 3]**
4. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 4]**
5. To transact any other ordinary business which may be properly transacted at an annual general meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution, with or without any modifications:

6. Authority to allot and issue shares and convertible securities in the capital of the Company (the “Share Issue Mandate”)

“That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) and subject to Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), (“Catalist Rules”), authority be and is hereby given to the Directors of the Company to:

- (a)
 - (i) allot and issue shares in the capital of 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, convertible securities or other instruments convertible into Shares,

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) does not exceed one hundred percent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (iii) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;
- (ii) the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company shall not be more than fifty percent (50%) of the total number of issued Shares (excluding treasury shares) (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) (as calculated in accordance with sub-paragraph (iii) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-para (i) and (ii) above, the percentage of the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) of the Company at the date this Resolution is passed after adjusting for:–
- (a) new Shares arising from the conversion or exercise of any convertible securities outstanding and/or subsisting at the time this authority is given;
 - (b) new Shares arising from the exercise of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards, were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of the Company's Shares.
- (iv) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and
- (v) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution 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 the earlier." [see Explanatory note 1]

[Resolution 5]

By Order of the Board

Shirley Lim Guat Hua

Eileen Koh

Joint Company Secretaries

Singapore, 14 April 2016

EXPLANATORY NOTES:

1. Resolution 5, if passed, will authorise and empower the Directors of the Company from the date of the above AGM until the next annual general meeting to allot and issue Shares and/or convertible securities. The aggregate number of Shares and/or convertible securities which the Directors may allot and issue under this Resolution shall not exceed in aggregate one hundred percent (100%) of the total issued Shares (excluding treasury shares), of which the total number of Shares and/or convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed fifty percent (50%) of the total issued Shares (excluding treasury shares) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at 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. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instruments issued under this authority.

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF AGM:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy in the instrument appointing the proxies.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Chapter 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.
 - (b) A person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - (c) The Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for 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.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 1 Harrison Road, #01-01 ITE Electric Building, Singapore 369652 not less than 48 hours before the time set for the Annual General Meeting.

Personal Data Privacy:

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

This announcement and its contents have been reviewed by the Company's sponsor, RHT Capital Pte Ltd ("Sponsor"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Nathaniel C.V., Registered Professional, RHT Capital Pte Ltd, Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381 6757.

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. 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.
3. 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.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

ITE ELECTRIC CO LTD
 Registration No. 198201457Z
 (Incorporated in the Republic of Singapore)

Proxy Form

I/We _____ NRIC/Passport No. _____

of _____ (Address)
 being a member/members of ITE ELECTRIC CO LTD (the "Company") hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the AGM of the Company, to be held at 10 Anson Road #29-03A, International Plaza, Singapore 079903 on Friday 29 April 2016 at 3.00 p.m., and at any adjournment thereof. I/ We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarized below, the proxy/proxies may vote or abstain from voting at his/their discretion or as he/they may think fit.

Note: If you wish to exercise all your votes "For" or "Against", please tick (X) within the box provided. Alternatively, please indicate the numbers of votes as appropriate.

No.	Description of Resolutions	For	Against
1	To receive and consider the Directors' Statement and the Report of the Auditors and the Audited Financial Statements for the financial year ended 31 December 2015		
2	Re-election of Mr Wong Ming Kwong as a Director		
3	Approval of Directors' fees for the financial year ended 31 December 2015		
4	Re-appointment of Messrs KPMG LLP as Auditors of the Company		
5	Authority to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		

Dated this _____ day of _____ 2016

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

 Signature(s) of Member(s)/
 Common Seal of Corporate Shareholder



IMPORTANT NOTES TO PROXY FORM:

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 of the Company, 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholdings concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary means:
 - (i) a banking corporation licensed under the Banking Act (Chapter 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;
 - (ii) A person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - (iii) The Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for 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.

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3. A proxy need not be a member of the Company.
4. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100% of the shareholdings of his/her appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Harrison Road, #01-01 ITE Electric Building, Singapore 369652 not less than 48 hours before the time appointed for holding the Annual General Meeting.
6. Subject to note 10, completion and return of the instrument appointing a proxy or proxies by a member shall not preclude him from attending and voting at the Annual General Meeting if he so wishes. Any appointment of a proxy or proxies by a member shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.
7. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. The Company shall be entitled to reject an instrument of proxy or proxies if it is incomplete, improperly completed, 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 a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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 Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. 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.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing 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 14 April 2016.

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ITE Electric Co Ltd
1 Harrison Road
#01-01 ITE Electric Building
Singapore 369652

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ITE ELECTRIC GROUP OF COMPANIES

SINGAPORE

ITE ELECTRIC CO LTD
1 HARRISON ROAD
#01-01 ITE ELECTRIC BUILDING
SINGAPORE 369652
TEL: (65) 6285 2233, 6286 9933
FAX: (65) 6284 3256, 6284 3452
E-MAIL: ite@ite.com.sg

ITE ELECTRIC SYSTEMS CO PTE. LTD.
1 HARRISON ROAD
#07-01 ITE ELECTRIC BUILDING
SINGAPORE 369652
TEL: (65) 6285 2233, 6286 9933
FAX: (65) 6284 3256, 6284 3452
E-MAIL: ite@ite.com.sg

ITE LUMENS PTE. LTD.
1 HARRISON ROAD
#07-01 ITE ELECTRIC BUILDING
SINGAPORE 369652
TEL: (65) 6285 2233, 6286 9933
FAX: (65) 6284 3256, 6284 3452
E-MAIL: ite@ite.com.sg

MALAYSIA

ELECTECH DISTRIBUTION SYSTEMS SDN BHD
NO. 16-1, JALAN 6/89 B,
KAWASAN PERINDUSTRIAN TRISEGI,
BATU 3½, OFF JALAN SUNGAI BESI,
57100 KUALA LUMPUR, MALAYSIA
TEL: (60) 03-7981 8950
FAX: (60) 03-7981 8953
E-MAIL: info@edsm.com.my

ELECTECH MANUFACTURING SDN BHD
NO.5, JALAN PERSIARAN MEGA A,
TAMAN INDUSTRI MEGA,
43500 SEMENYIH,
SELANGOR DARUL EHSAN, MALAYSIA
TEL: (60) 03-8723 1988, 8723 1989
FAX: (60) 03-8723 1998
E-MAIL: michaellee@edsm.com.my