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CORPORATE PROFILE

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

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

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

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



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors (the “Board”) of Eurotronic Group Limited (the “Company”), together with its subsidiaries (the “Group”), I wish to present the results of the Group for the year ended 31 December 2015 (“FY2015”).

Huang Shih-An
Chairman

Year In Review

FY2015 was another hard and challenging year for the Group due to global economic and political uncertainty. In addition, the slower growth of manufacturing activities in China, coupled with rising minimum wages have continued to put pressure on our margins.

The Group managed to reduce the net loss after tax by 31.2% from US\$8.36 million in FY2014 to US\$5.75 million in FY2015. The loss was mainly due to the decrease in revenue as a result of the constraints of working capital to fully meet customer demands.

The Company was placed on the Watch-list on 5 March 2014 pursuant to Listing Rule 1311. Since then, the Company has been making efforts to improve its financial position. Unfortunately, the Company is still unable to meet the requirements of Listing Rule 1314 to exit from the Watch-list.

Business Conditions and Outlook

With global geopolitical and economic conditions remain uncertain, it is difficult to quantify expectations for Year 2016. Near-term results for the Group will depend on the impact of the overall global geopolitical and economic conditions on the key industries we serve, including industrial, telecommunications, information technology, and consumer electronics markets. Looking ahead, visibility is low and forecasting is a challenge in this uncertain and volatile market. We expect to see continuing pricing pressure in these markets due to consolidation in the industry, and customers' expectations of high performance electronic products with affordable prices. In response to anticipated market conditions, we will continue to focus on cost management and product line rationalization. We will also expand our efforts in process improvements to level up production capabilities, which aim to provide value-added electronic components to support our customers' demands.

If the current global geopolitical and economic conditions worsen, the decrease in demand from our customers as well as the end users for electronic products could have significant adverse impact on our near-term results. Looking ahead, the Group will also continue its efforts to dispose its non-core assets and its loss making subsidiaries.

Corporate Developments

In recent years, the Group has invested significant resources in making the transition from a manufacturer of consumer electronic components to that of power capacitors that focus primarily on the industrial usage and applications. As a result, the Group was able to provide newly designed high performance power capacitors with higher margins under the "Europtronic" brand and other

OEM labels. This change in product mix has seen increase in our customer portfolio in the industrial, automotive and renewable energy sectors. In addition, the Group has entered into a franchise agreement with Richardson RFPD to distribute Europtronic's brand of capacitors with focus in Asia-Pacific. Richardson RFPD is a global leader in the RF and wireless communications, power conversion and renewable energy markets.

The above has brought positive developments to the Group. However, these changes were not soon enough to recover us from the loss making position in the past years. In view of our repayment obligations to banks, and the need to continue business operations, the Company has made an important move to sell 100% equity interest of its manufacturing business, Europtronic (Suzhou) Co., Ltd ("Europtronic Suzhou") to Nantong Jianghai Power Electronics Co., Ltd ("Nantong Jianghai"). Nantong Jianghai is a subsidiary of Jianghai Capacitor Co., Ltd, a company established in the People's Republic of China and listed on the ShenZhen Stock Exchange under the stock code 002484. Further details on the memorandum of understanding entered between Europtronic Suzhou and Nantong Jianghai can be found in the Company's announcement made on SGX-ST on 25 January 2016.

The Company was placed on the Watch-list on 5 March 2014 pursuant to Listing Rule 1311. Based on the Group's FY 2015 financial results released on 26 February 2016, the Company is still not able to meet the requirements of Listing Rule 1314 and exit from the Watch-list. On 3 March 2016, the Company announced that it has received notification of delisting from SGX-ST. The SGX-ST has informed the Company, inter alia, that the SGX-ST will proceed to delist the Company pursuant to Listing Rule 1315 and that the Company is to provide SGX-ST the exit offer proposal under the directive set by the SGX-ST.

Acknowledgements and Appreciation

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

To all our Shareholders, thank you for supporting us since the Company's initial public offering on Singapore Exchange on 5 April 2002. My best wishes go to all of you and your families. Thank you.

Yours Sincerely,

Huang Shih-An
Non-Executive Chairman

OPERATIONS REVIEW

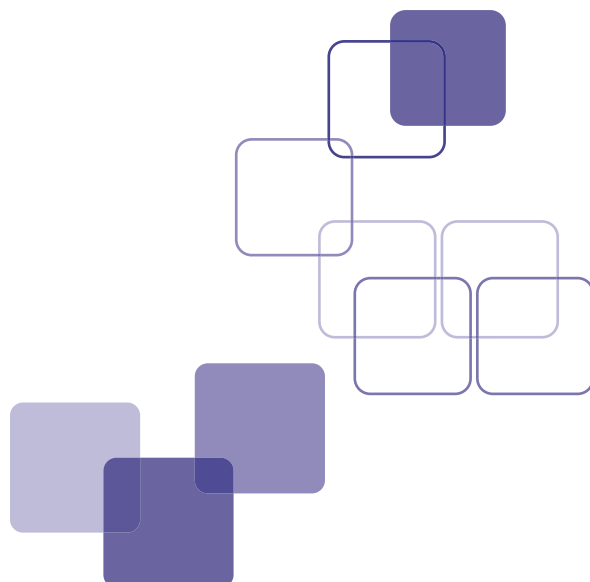


The Group foresees challenges ahead in terms of cost control and generating new businesses due to limited resources. With this in view, the Group will continue to manage its resources carefully in FY2016.

The Group will continue its consolidation and restructuring initiatives to achieve a lower cost structures in the long run. This will allow us to generate higher value for all stakeholders.

The Group will maintain a strategic focus on the Greater China Region as we have entered into a memorandum of understanding (“MOU”) to sell our Suzhou operation to Nantong JiangHai.

The Group will continue to look for strategic partners or deals to enhance shareholder values.



Components Manufacturing Business Unit (CMBU)

In FY2015, CMBU continued to take actions to reduce the inventory and operation costs. The market is slow especially in consumer market. Nevertheless, CMBU managed to secure new orders from windmill and solar customers like Schneider Electric, Suzlon, SunPower and Delta. We have also signed an official franchise agreement with Richardson RFPD (An Arrow Electronics Company). Under the terms of the agreement, Richardson RFPD added Europtronic's entire portfolio of film capacitors to its product line, with a focus in the Asia-Pacific region. CMBU will continue to expand sales channels in the US and Europe regions by teaming up with existing/new local distributors.

In FY2015, CMBU had continued its effort in product development and enhancement. We had designed and developed new products for the new energy and electric vehicle industries. Going forward, CMBU will continue to expand and develop high-end products for industrial applications; and seek partnerships with global distributors to promote Europtronic brand film capacitors. In addition, we will remain cost conscious and ensure ourselves to be cost effective in our production without compromising to our quality and service. Our goal is to stay competitive in the market and be profitable.



Components Distribution Business Unit (CDBU)

The global economy for FY2015 remains uncertain and it is not a good year to be too adventurous in doing business. Nevertheless, we continue to look for ways to expand our business using limited resources.



Together with the management and the team, we further streamline our manpower and offices, offloading some of our non-profitable businesses. At the same time, we also manage to create internal growth from the existing customer by providing better service and product lines. In addition, we sourced new vendors to increase our product offering. In the year ahead, CDBU will align manpower and resources in fine-tuning its sales channels in China and South East Asia, where the team had accumulated years of experience and knowledge. At the same time, we will look for business opportunities in Korea and Vietnam.

FINANCIAL REVIEW

Statement of Comprehensive Income (FY 2015 vs FY 2014)

Group revenue decreased by 25.3% or US\$6.35 million from US\$25.07 million to US\$18.72 million due to the constraints of working capital to fully meet customer demands on both Component Manufacturing Business Unit (“CMBU”) and Component Distribution Business Unit (“CDBU”).

Gross profit increased by US\$2.91 million from loss US\$1.74 million to US\$1.17 million due to gross margin of the Group expanding from loss of 6.94% in FY 2014 to profit of 6.26% in FY 2015 after the disposal of slow moving inventories at a loss under CMBU in FY 2014.

Other income increased by US\$0.15 million from US\$0.21 million to US\$0.36 million due mainly to income generated from the disposal of scrap materials from CMBU.

Other gains decreased by US\$0.38 million from US\$0.42 million to US\$0.04 million due mainly to the impairment loss on the idle machineries.

Distribution and marketing expenses in FY 2014 were stated net of the reversal of allowance on stock obsolescence which amounted to US\$0.68 million, excluding this reversal, the distribution and marketing expenses would have been US\$1.66 million in FY 2014. Thus, the distribution and marketing expenses in FY 2015 decreased by US\$0.06 million from US\$1.66 million to US\$1.60 million due mainly to a reduction in staff headcounts resulting from a continuous cost cutting exercise undertaken by the Group.

Administrative expenses decreased by US\$0.97 million from US\$4.90 million to US\$3.92 million due mainly to a reduction in staff headcounts resulting from a continuous cost cutting exercise undertaken by the Group.

Finance expenses increased by US\$0.52 million from US\$1.34 million to US\$1.85 million due mainly to the additional provision provided in FY 2015 on the loan interest to the disposal subsidiary that guarantee by the Group.

Overall, the Group reported a loss after tax and before minority interests of US\$5.75 million in FY 2015 compared to a loss after tax and before minority interests of US\$8.36 million in FY 2014.



Balance Sheet

Cash and cash equivalents decreased by US\$2.65 million to US\$0.58 million in FY 2015 due to the repayment of bank loans.

Trade and other receivables decreased by US\$1.25 million to US\$9.61 million in FY 2015 due to the lower sales generated.

Investment properties decreased by US\$0.34 million to US\$3.00 million in FY 2015 due to the disposal of investment properties in Suzhou.

Intangible assets decreased by US\$0.25 million to US\$0.15 million in FY 2015 due to the disposal of golf membership in Shenzhen and Taiwan.

Trade and other payables increased by US\$2.65 million to US\$23.72 million in FY 2015 due to the additional loan from the shareholder to the Group.

The financial guarantee contracts decreased by US\$0.23 million to US\$6.86 million in FY 2015 as a result of the repayment of some bank loans.

Current borrowings decreased by US\$6.52 million to US\$15.67 million in FY 2015 and non-current borrowings decreased by US\$0.57 million to US\$1.64 million in FY 2015 due to the repayment of bank loans.

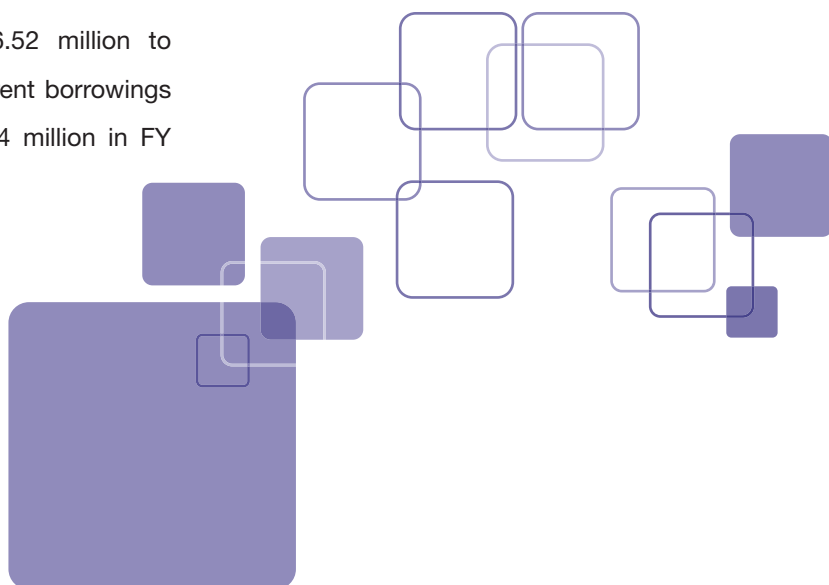
Cash Flow Statement

Cash flow used in operating activities increased from deficit of US\$0.03 million in FY 2014 to US\$0.57 million in FY 2015 mainly due to lower sales generated and higher trade payables settlement in FY 2015.

Cash flow provided by investing activities decreased from US\$0.91 million in FY 2014 to US\$0.37 million in FY 2015 due to higher proceed generated from the disposal of investment shares in Taiwan in FY 2014.

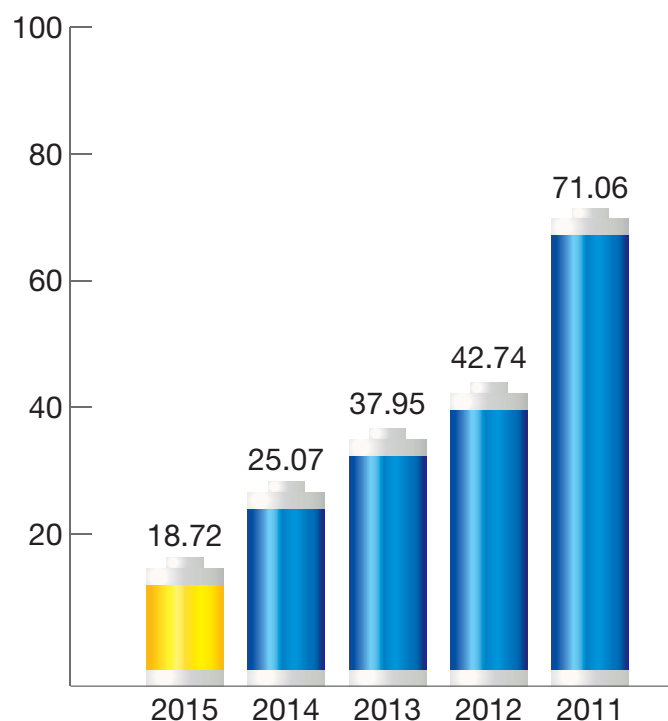
Cash flow used in financing activities increased from US\$1.15 million in FY 2014 to US\$2.44 million in FY 2015 mainly due to more repayment of bank loans in FY 2015.

Overall, the Group recorded a net decrease in cash and cash equivalent of US\$2.65 million in FY 2015 compared to US\$0.22 million in FY 2014.

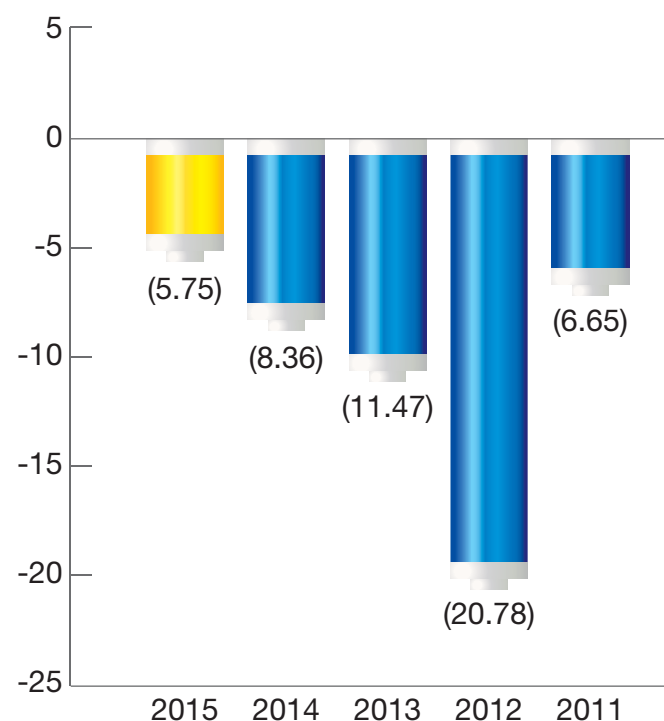


FINANCIAL HIGHLIGHTS

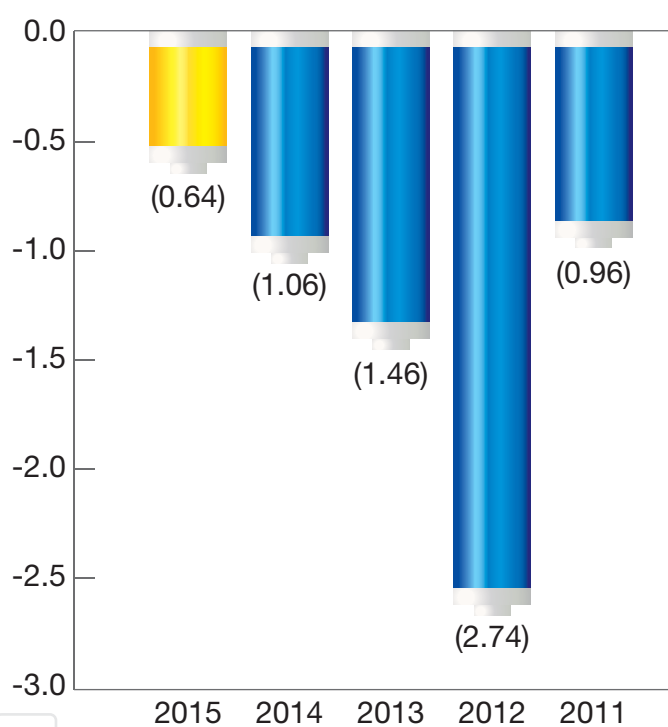
Turn over (US\$m)



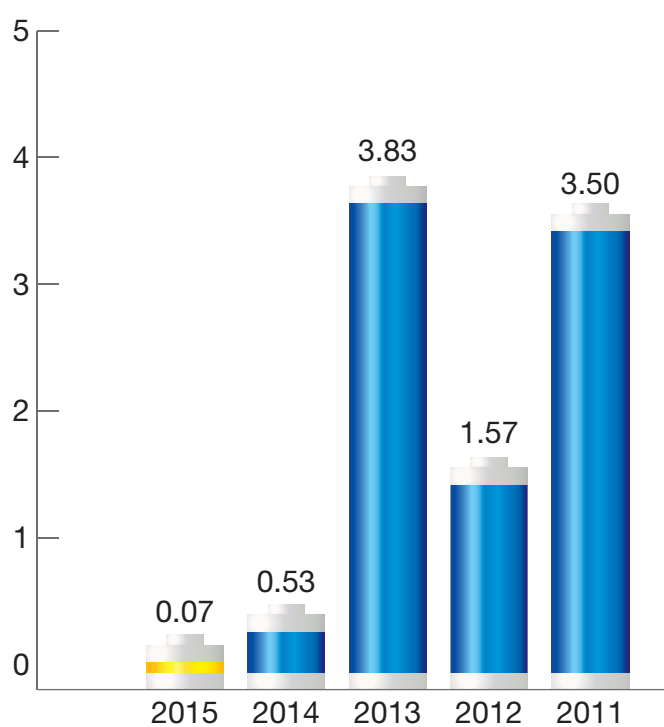
Profit After Tax (US\$m)



Earning Per Share (Cents)



Net Tangible Assets Per Share (Cents)



GLOBAL NETWORK



01 Singapore

04 Shenzhen

07 Shanghai

02 Hsinchu

05 Hong Kong

08 Beijing

03 Taipei

06 Suzhou

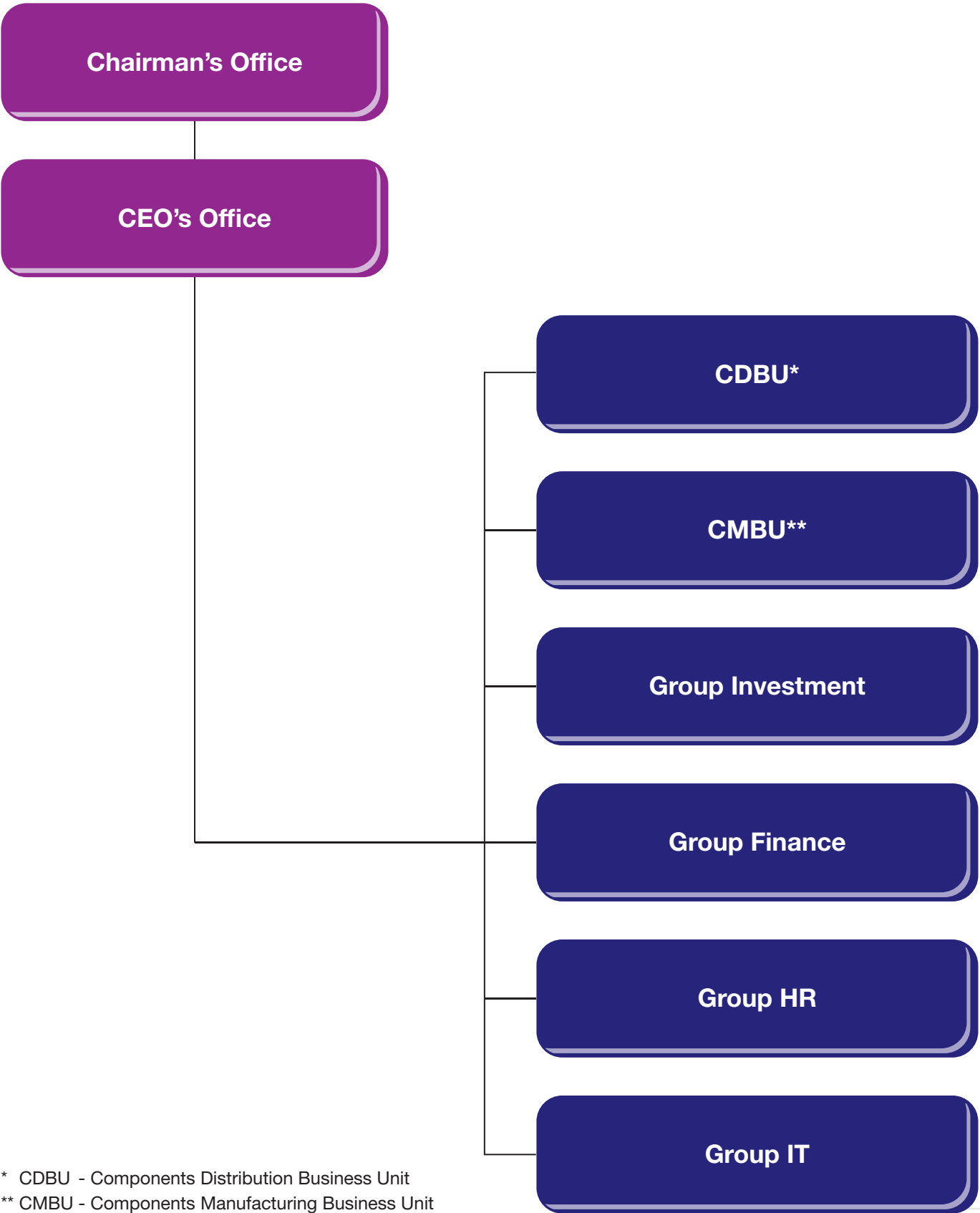
09 London

GROUP STRUCTURE

Europtronic Group Ltd 100%



CORPORATE ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS



Huang Shih-An

Non-Executive Chairman

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

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



Huang Chuang Shueh-Ou

Vice Chairman

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

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

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



Huang Chien-Hung

Executive Director & Chief Executive Officer

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

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

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

Anthony Ang Meng Huat

Non-Executive Lead Independent Director

Mr. Ang was appointed to the Board on 1 May 2015 as Non-Executive Lead Independent Director. He is the Chairman of the Audit Committee, and a member of the Company's Nominating and Remuneration Committees. Mr. Ang has over 30 years of senior management experience including investment, fund management as well as general and operational management in manufacturing. Mr. Ang had worked in both government service (at the Singapore Economic Development Board and GIC) and several companies in the private sectors (at Armstrong Industrial Corporation and Vertex Management, etc). Mr. Ang is currently an Executive Director of ARA Asset Management (Fortune) Limited, manager of Fortune REIT that is dual listed on The Stock Exchange of Hong Kong and The Singapore Exchange. Mr. Ang is also an Independent Director of IPS Securex Holding Limited that is listed on The Singapore Exchange, and an Independent Director of Yong Tai Berhad, a property development company listed on Bursa Malaysia.

Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering (First class honour) from Imperial College, United Kingdom, and obtained a MBA from INSEAD in France.



Tan Sek Khee

Non-Executive Independent Director

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

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



Lin Chien

Non-Executive Independent Director

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

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



SENIOR MANAGEMENT

Huang Chien-Hung

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

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

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

Leong Mei Theng

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

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

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

Tan Chee Kong

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

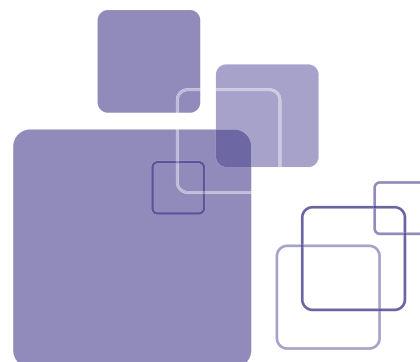
Prior to his current role, Mr. Tan was Group Information Technology Director, where he was responsible for planning, designing and implementing IT infrastructure and systems.

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

Hsieh Min-Tsun

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

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



Huang Hsuan-Chin

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

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

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

Tan JooKwang

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

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

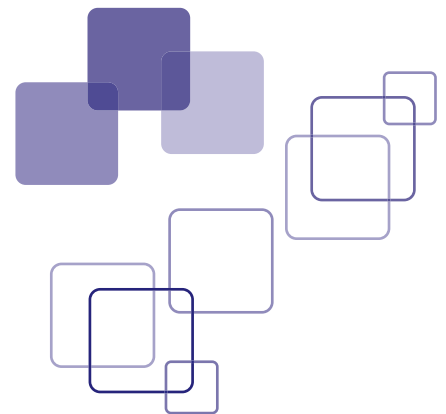
Mr. Tan holds a Diploma in Electronics and Communication Engineering from Singapore Polytechnic.

Huang Yun Ju

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

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

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



CORPORATE INFORMATION

Board of Directors Executive:

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

Non-Executive:

Huang Shih-An (Chairman)
Anthony Ang Meng Huat (Lead Independent)
Tan Sek Khee (Independent)
Lin Chien (Independent)

Audit Committee

Anthony Ang Meng Huat (Chairman)
Tan Sek Khee
Lin Chien

Nominating Committee

Lin Chien (Chairman)
Anthony Ang Meng Huat
Tan Sek Khee

Remuneration Committee

Tan Sek Khee (Chairman)
Anthony Ang Meng Huat
Lin Chien

Auditors

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

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

Share Registrar

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

Company Secretaries

Claudia Teo Kwee Yee

Registered Office

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

Business Address

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

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) and Management of Europtronic Group Ltd (the “Company” or together with its subsidiaries, referred to as the “Group”) are fully committed to highest standards of corporate governance and have adopted the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “Code”) to promote corporate transparency and to protect the interests of shareholders of the Company.

This report describes the Company’s corporate governance processes and structures that were in place during the financial year ended 31 December 2015 (“FY2015”), with specific reference to the principles and guidelines of the Code, which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual.

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

(A) BOARD MATTERS

Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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

Role of the Board of Directors

The Board is responsible for the corporate governance of the Group, which ensures the protection of the shareholders’ interests and long-term enhancement of shareholder value. To fulfil this objective, and in addition to its statutory responsibilities, the role of the Board includes:

- (a) providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) approving corporate strategies and policies on key areas of the operation of the Company;
- (c) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including the safeguarding of shareholders’ interests and the Company’s assets;
- (d) reviewing the adequacy and effectiveness of the Group’s risk management and internal control systems, including financial, operational, compliance and information technology controls;
- (e) supervising Management performance;
- (f) identifying the key stakeholder groups and recognising that their perceptions affect the Company’s reputation;
- (g) setting the values and standards (including ethical standards) of the Company, and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (h) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities and to strengthen its effectiveness, the Board has set up and is supported by three Board Committees, namely the Audit Committee (“AC”), the Remuneration Committee (“RC”) and the Nominating Committee (“NC”). These Board Committees function within clear boundaries and operating procedures as defined in their respective terms of reference, which are reviewed on a regular basis by the Board. As set out in their respective terms of reference, each Board Committee has the authority to investigate and examine particular issues and reports its recommendations to the Board. The Board also regularly reviews the effectiveness of each Board Committee.

Details of the AC, RC and NC are set out respectively in pages 31, 25 and 22 of this Annual Report.

Board Processes

Board meetings are held at least four times a year and as warranted by particular circumstances, as deemed appropriate by the Directors. The Board meetings are scheduled well in advance to allow each Director to better manage their on-going commitments. As recommended by the Code, the Articles of Association of the Company permit Board meetings to be held via telephonic and video-conferencing or other similar means of communication. If required by circumstances, Directors may exchange views outside of the formal environment of Board meetings.

The number of Board meetings and Board Committee meetings held during FY2015 and the attendance of each Director where relevant are as follows:

Name of Directors	Board		AC		NC		RC	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Mr Huang Shih-An	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mrs Huang Chuang Shueh-Ou	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Huang Chien-Hung	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Anthony Ang Meng Huat ⁽¹⁾	3	3	3	3	N.A.	N.A.	N.A.	N.A.
Mr Tan Sek Khee	4	3	4	4	1	0	1	1
Mr Lin Chien	4	3	4	4	1	1	1	1
Mr Ho Toon Bah ⁽²⁾	1	0	1	1	1	0	1	0
Mr Aric Loh Siang Khee ⁽³⁾	1	1	1	1	1	1	1	1

Notes:

- (1) Mr Anthony Ang Meng Huat was appointed as the Lead Independent Director, chairman of the AC and member of the NC and RC on 1 May 2015.
- (2) Mr Ho Toon Bah resigned as an Independent Director and member of the AC, NC and RC on 24 April 2015.
- (3) Mr Aric Loh Siang Khee resigned as Lead Independent Director and chairman of the AC and member of the NC on 1 March 2015.

Matters Requiring Board Approval

The Board has adopted a set of well-defined internal controls in the form of the Authority Matrix for the effective management of the Group’s business. Apart from setting out matters reserved for the Board’s decision, the Authority Matrix establishes the levels of authorisation required for specific transactions and defines the limits of authority in relation to all operational matters. This ensures that Management has clear directions on matters that must be approved by the Board.

CORPORATE GOVERNANCE REPORT

The approval of the Board is required for any matter which is likely to have a material impact on the operating units and/or financial position of the Group. Matters requiring Board approval, includes, but is not limited to:

- (a) material acquisitions and disposals of assets and/or investments;
- (b) the release of the Group's quarterly and full-year results announcements, annual reports, audited financial statements and any other necessary announcements of particular transactions as prescribed by the relevant rules and regulations;
- (c) finalising the annual budget and major funding proposals of the Group;
- (d) corporate or financial restructuring;
- (e) distributions of dividends;
- (f) interested person transactions of a material nature;
- (g) transactions which are not made in the ordinary course of the Group's business;
- (h) convening of shareholders' meetings; and
- (i) the appointment and reappointment of key management personnel, Board Committee members and Directors.

In making Board decisions, all Directors of the Company exercise their independent judgment in the best interests of the Group.

Training of Directors

For new appointments to the Board, a formal letter setting out his/her terms of appointment, duties, obligations and responsibilities is issued to the newly appointed Director. The Board ensures that all incoming Directors receive an extensive, comprehensive and tailored induction on joining the Board. The induction includes, but is not limited to, a briefing on his/her duties, obligations and responsibilities and how to effectively and objectively discharge these duties in good faith, as well as a comprehensive orientation program to ensure familiarity with the Group's businesses, financial related matters, governance practices, history, mission, values, policies and strategic direction.

All Directors, including newly appointed Directors, are invited to visit the Group's operational facilities in the People's Republic of China and to meet with Management to gain a better understanding of the Group's activities and business operations.

In addition to the Board meetings or special warranted meetings by particular circumstances, whereby Directors are updated on the Group businesses, operational activities and possible changes in business risks, the Group's information policy is to make available to the Directors, upon their request, at any time, further and additional explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management. The Directors are issued with a copy of the Company's Code of Best Practice on Securities' Dealings, as they are privy to price sensitive information.

The Company recognises that it is important for all Directors to receive regular training, particularly on relevant new laws, regulations and changing commercial risks. As such, Directors are informed and encouraged to attend appropriate courses, industry conferences and seminars at the expense of the Company. Additional trainings and briefings are provided for Directors who do not have prior experience as a director of a company listed in Singapore so as to familiarise them with their duties and obligations. Where appropriate, Directors are provided with updates of the relevant amendments and requirements of the SGX-ST Listing Manual, Companies Act and other relevant regulations to enable them to make well-informed decisions and to effectively discharge their duties as Directors. Relevant news releases issued by SGX-ST are also circulated to the Board for their consideration.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently has six Directors, with Independent Directors forming half of the Board. The Directors as at the date of this report are as follows:

Executive Directors:

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

Non-Executive Directors:

Mr Huang Shih-An (Chairman)
Mr Anthony Ang Meng Huat (Lead Independent Director)
Mr Tan Sek Khee (Independent Director)
Mr Lin Chien (Independent Director)

The profile of each Director is set out on pages 12 and 13 of this Annual Report.

The Board has a healthy proportion of Independent Directors comprising half of the Board. The Board is able to exercise objective judgment independently from Management with no individuals dominating the decision of the Board. This better enables the Board to ensure that there is effective representation of its shareholders and that issues of strategy, performance and resources are fully disclosed and examined to take into account long-term interests of the shareholders, employees, customers, suppliers and the communities in which the Group conducts its business.

Non-Executive Directors of the Board do not exercise any management functions in the Group. Although all the Directors are equally responsible for the Group's operations, the role of the Non-Executive Directors is particularly important in ensuring that the proposals by Management are fully discussed, examined and constructively challenged. The Non-Executive Directors do so by exercising their independent judgment and by providing an alternative perspective to the Group's business. In addition, the Non-Executive Directors evaluate the performance of Management by determining whether Management has met specific goals and objectives, which are pre-determined by the Board.

In order to function as a more effective check on Management, the Non-Executive Directors meet and communicate regularly to discuss the Group's financial performance and corporate governance initiatives without the presence of Management.

The Company, on an annual basis, determines whether or not a Director is independent, taking into account the definition of an independent director in the Code. In doing so, the Board considers whether there are relationships or circumstances that affect a Director's judgment, taking into account the views of the NC. Each Independent Director is required to confirm his independence by signing a declaration of independence, which is based on the substantive requirements of the Code. The NC will then vigorously review the declaration of independence in order to satisfy itself that the substantive principles of the Code are indeed fulfilled.

For FY2015, the NC has assessed the independence of each Director and considers that each of Mr Anthony Ang Meng Huat, Mr Tan Sek Khee and Mr Lin Chien is, and continues to be, independent. Each member of the NC has abstained from the deliberations in respect of the assessment on his own independence. The Board is in concurrence with the views of the NC.

CORPORATE GOVERNANCE REPORT

The Independent Directors have confirmed that they do not have any relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment. Further, for FY2015, there are no Independent Directors who have served on the Board for a period exceeding nine years.

As Independent Directors comprise half of the Board, there is a strong independent element on the Board which ensures a good balance of power and authority. The Board is of the view that all the Independent Directors have demonstrated a high commitment to their roles as Independent Directors and have exercised their objective judgment in the affairs of the Group. As such, the Board is of the view that there are adequate safeguards and checks in place to ensure that the decision making process of the Board is independent.

The NC reviews the size and composition of the Board on an annual basis to ensure that the Board has the appropriate balance and diversity of expertise, experience and knowledge of the Company so that the Board is collectively able to provide the necessary core competencies required to function effectively and to make informed decisions. The NC also ensures that the size of the Board is conducive for discussions and facilitates effective decision making.

In concurrence with the NC, the Board is of the view that the current size of the Board is appropriate for the nature of the Company's business and the scope of its operations. Further, as the Directors collectively bring with them a wide range of expertise in fields such as accounting, finance, management experience, industry knowledge, customer-based knowledge and familiarity with applicable regulatory requirements, the Board is also of the view that it has the appropriate balance and diversity of expertise, experience and knowledge of the Company, which allows for the useful exchange of ideas and views during Board meetings.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Non-Executive Chairman and Chief Executive Officer ("CEO") are separate, with a clear division of responsibilities between the two. The separate functions of the Non-Executive Chairman and the CEO increase the accountability and capacity of the Board for independent decision making and ensure that there is an appropriate balance of power on the Board. Further, all major decisions made by the Non-Executive Chairman and CEO have to be endorsed by the Board. The positions of Non-Executive Chairman and CEO are respectively held by Mr Huang Shih-An and Mr Huang Chien-Hung.

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

The role of the Non-Executive Chairman includes, but is not limited to, leading the Board to ensure its effectiveness on all aspects of its role, ensuring that all Directors work constructively together with Management to address issues of business strategy, operations and management, ensuring the integrity and effectiveness of the governance processes of the Board, promoting a culture of openness and debate at the Board, facilitating the effective contributions of Non-Executive Directors, ensuring that all Directors receive complete, adequate and timely information, ensuring communication with shareholders and promoting high standards of corporate governance.

The role of the CEO includes, but is not limited to, overseeing the day-to-day running of the Group and supervising the financial, operational, administrative and legal functions of the Group.

Notwithstanding the relationship between the Non-Executive Chairman and the CEO, the Board is of the view that there are sufficient safeguards and checks to ensure that the decision making process of the Board is independent and based on collective decision of the Board without any individual exercising any considerable concentration of power or influence.

CORPORATE GOVERNANCE REPORT

In accordance with Guideline 3.3 of the Code, Mr Anthony Ang Meng Huat was appointed as the Lead Independent Director of the Company on 1 May 2015. Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors. Where necessary and applicable, the Lead Independent Director provides feedback to the Chairman after such meetings. In addition, the Lead Independent Director is available to address any concerns from the shareholders and the shareholders may contact him directly, when contact through the normal channels via the Non-Executive Chairman or the CEO has failed to provide satisfactory resolution, or when such contact is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee (“NC”)

The NC comprises three Directors, all of whom are Independent Directors. At the date of this report, the members of the NC are:

Mr Lin Chien (chairman of the NC)

Mr Anthony Ang Meng Huat

Mr Tan Sek Khee

The NC is regulated by a set of written terms of reference endorsed by the Board which sets out its duties and responsibilities. The role of the NC includes, but is not limited to:

- (a) reviewing the succession plans for the Directors, in particular, the Chairman and for the CEO;
- (b) developing and reviewing processes to evaluate the performance of the Board, Board Committees and Directors;
- (c) determining whether or not a Director is able, to and has been adequately carrying out his/her duties as, a Director of the Company, particularly when he/she has multiple board representations;
- (d) assessing the effectiveness of the Board as a whole, after taking into consideration the contributions of each Director;
- (e) determining the processes for the search, nomination, selection and appointment of new Directors and assessing nominees or candidates for appointment or re-election to the Board;
- (f) making recommendations to the Board on all Board appointments and re-elections;
- (g) determining annually, and as and when the circumstances require, if a Director is independent pursuant to the guidelines set out under the Code by considering whether there are any relationships or circumstances which are likely to affect, or could appear to affect, a Director’s judgment;
- (h) ensuring that the Directors retire from the Board and submit themselves for re-election as directors at regular intervals;
- (i) reviewing the training and professional development programs for the Board and overseeing the induction, orientation and training for any newly appointed Directors;
- (j) reviewing the structure, size and composition of the Board and the Board Committees and making relevant recommendations to the Board; and
- (k) other functions and duties as may be delegated by the Board.

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The Directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. By virtue of Article 89 of the Articles of Association of the Company, one-third of the Directors are to retire from office by rotation at the Annual General Meeting ("AGM") of the Company. Directors who retire are eligible to offer themselves for re-election. In addition, the Article 88 of the Articles of Association of the Company provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. Following the amendments to the Companies Act, and with effect from 3 January 2016, there is no maximum age limit for Directors.

In the forthcoming AGM, Mr Anthony Ang Meng Huat will be retiring pursuant to Article 88 of the Articles of Association of the Company and Mr Huang Shih-An and Mrs Huang Chuang Shueh-Ou will be retiring pursuant to Article 89 of Articles of Association of the Company.

The NC, having considered the attendance, participation and contributions of Mr Anthony Ang Meng Huat, Mr Huang Shih-An and Mrs Huang Chuang Shueh-Ou at Board and Board Committee meetings, has recommended the re-nomination of the same individuals as Directors of the Company. Each of Mr Anthony Ang Meng Huat, Mr Huang Shih-An and Mrs Huang Chuang Shueh-Ou has given their consent to submit themselves for re-election as Directors of the Company.

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

In consultation with the NC, the Board has determined that Directors may hold up to five directorships in other public listed companies and thereafter, must consult with the Chairman before accepting additional appointments as directors.

The NC ensures that a Director, who has multiple board representations, gives sufficient time and attention to the affairs of the Company. This is done by evaluating whether that particular Director has the capacity to and has been adequately carrying out his duties as a Director based on internal guidelines which include factors such as the attendance and responsiveness of that particular Director. All Directors are required to declare their board representations.

For FY2015, each of Mr Lin Chien, Mr Anthony Ang Meng Huat and Mr Tan Sek Khee has other directorships in other listed companies. In concurrence with the NC, the Board is of the view that sufficient time and attention has been accorded by Mr Lin Chien, Mr Anthony Ang Meng Huat and Mr Tan Sek Khee to the affairs of the Company.

As recommended by Guideline 4.5 of the Code, the Board does not encourage the appointment of alternate directors and no alternate director has been appointed to the Board.

All appointments and re-appointments of Directors are first reviewed and considered by the NC and then recommended for approval by the Board. In order to increase the transparency of the nomination process, the NC has formalized the process and has adopted procedures for the selection, appointment and re-appointment of Directors. The NC will first identify the competencies required to enable the Board to fulfil its responsibilities. The NC then reviews the curricula vitae and other relevant supporting documents of the potential candidate and evaluates the suitability of a potential candidate based on his qualifications, skills, knowledge, relevant experience, commitment, ability to contribute to the Board and such qualities and attributes that may be required by the Board. Subsequently, the NC will conduct interviews with potential candidates before recommending appointments or re-appointments to the Board. Each member of the NC is required to abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the NC in respect of his own re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The table below provides information pertaining to each Director's date of appointment and date of last re-election:

Director	Date of first appointment	Date of last re-election
Mr Huang Shih-An (Chairman)	18 November 2000	26 April 2013
Mrs Huang Chuang Shueh-Ou (Vice Chairman)	18 November 2000	25 April 2014
Mr Huang Chien-Hung (Chief Executive Officer)	3 August 2009	24 April 2015
Mr Anthony Ang Meng Huat (Lead Independent Director)	1 May 2015	-
Mr Tan Sek Khee (Independent Director)	30 June 2011	25 April 2014
Mr Lin Chien (Independent Director)	26 April 2012	24 April 2015

Key information of the Directors can be found on pages 12 and 13 of this Annual Report.

Board and Board Committees' Performances

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has adopted an evaluation questionnaire to annually assess the performance and effectiveness of the Board and the Board Committees as a whole. As each Director contributes to the effectiveness of the Board, the NC is of the opinion that it is more appropriate to focus on evaluating the overall effectiveness of the Board. The evaluation questionnaire focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information pertaining to the Company, the efficiency, effectiveness and integrity of Board processes and the standards of conduct of Directors. All Directors are required to complete the evaluation questionnaire. The results of the evaluation questionnaire are collated by the Company Secretary and thereafter presented to the NC for discussion before the NC makes its recommendation to the Board. The results of the evaluation questionnaire are also presented to the Board.

For FY2015, the NC has evaluated of the performance of the Board and confirms that all Directors have contributed effectively and have demonstrated full commitment to their roles. The NC has reviewed and is satisfied with the results of the evaluation questionnaire and no significant issues regarding the performance and effectiveness of the Board and the Board Committees were identified. In addition, the NC has made recommendations to the Board to improve on the overall performance and effectiveness of the Board.

No external facilitator had been engaged by the Board for the purpose of this evaluation.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of detailed information from Management concerning the Group so that they are fully cognizant of the decisions and actions of Management. The Board has full access to the Group's records and information and is informed of all material events and transactions as and when they occur. This equips the Directors with all necessary information required for their participation in Board meetings. In addition, the Directors are issued with Board Papers prior to Board meetings which contain information from Management on financial, business and corporate issues so as to ensure that the Directors are properly briefed on issues to be considered at Board meetings.

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At all times, the Board members have separate and independent access to the Management of the Company, the management of the subsidiaries of the Company and the Company Secretary on all matters.

Management regularly provides the Board with sufficient background information and explanations on issues requiring the Board's deliberations and deals promptly with any requests for additional information. When deemed necessary by Directors, Management may be invited to attend Board or Board Committees meetings to respond to any queries from the Directors and to provide their input and insight on matters.

The Company Secretary, or, when unavailable, an authorized designate, attends all Board and Board Committees meetings and prepares the minutes for such meetings. The Company Secretary also assists the Chairman in ensuring that Board procedures, the Company's Articles of Association and other applicable rules and regulations are complied with. The role of the Company Secretary is also to assist in the preparation of the meeting agenda for Board and Board Committees meetings, in consultation with the CEO and Group Financial Controller. The appointment and removal of the Company Secretary is a matter reserved for the Board.

In order to fulfil his/her duties and responsibilities as a Director, each Director may seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings, at the expense of the Company. The appointment of such independent professional advisors is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee ("RC")

The RC comprises the following Directors, all of whom are independent:

Mr Tan Sek Khee (chairman of the RC)
Mr Anthony Ang Meng Huat
Mr Lin Chien

The RC holds at least one meeting in each financial year and as and when deemed necessary. The key functions of the RC under its terms of reference include:

- (a) recommending to the Board a general framework for the remuneration of the Directors and key management personnel and determining specific remuneration packages for each Executive Director. These recommendations are submitted for endorsement by the entire Board and covers all aspects of remuneration, including but not limited to, director's fees, salaries, allowances, bonuses, options, and benefits in kind;
- (b) reviewing and recommending the remuneration of and the terms of employment of all employees related to a Director, the CEO or a controlling shareholder of the Group;
- (c) reviewing the terms and conditions of the service contracts of Executive Directors, the CEO and key management personnel, in particular reviewing clauses allowing for the early termination of the service contract and the corresponding compensation;
- (d) reviewing and making recommendations pertaining to long-term incentive schemes which may be set up from time to time; and
- (e) such other functions and duties as may be delegated by the Board.

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The recommendations of the RC are submitted for endorsement by the entire Board. To ensure that the RC exercises unbiased judgment in its deliberations and acts in the best interests of the Group and the shareholders, each member of the RC abstains from voting on any resolutions in respect of his remuneration package or any remuneration package of his associates. No individual Director is involved in respect of his/her own remuneration.

The RC has full authority to engage and access independent and professional advice on remuneration matters, at the expense of the Company, if required.

The Group does not have any incentive schemes. The last performance share scheme that was in place expired on 26 April 2015.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration policy of the Group is to provide remuneration packages that are aligned with the long-term interests and risk policies of the Group and appropriate to attract, retain and motivate Directors and key management personnel to manage the Group successfully.

In setting remuneration packages, the RC takes into account salary and employment conditions within the same industry and in comparable companies, as well as the relative performance of the Group and the performance of the relevant individual.

The remuneration of Executive Directors, the CEO and key management personnel comprise a basic salary component and a variable component in accordance with their respective service contracts. The variable component is based on the performance of the Group and the performance of the relevant individual. For FY2015, the Executive Directors did not receive directors' fees.

Non-Executive Directors and Independent Directors do not have service contracts with the Company but are paid directors' fees. The directors' fees comprise a basic fee, fees in respect of service on Board Committees and attendance fees. Directors' fees payable to Non-Executive and Independent Directors are set within the general remuneration framework and take into consideration the responsibilities, contributions, efforts and time spent of each Non-Executive and Independent Director.

The directors' fees paid to the Non-Executive Directors and Independent Directors each year are subject to the shareholders' approval at the forthcoming AGM. The RC has recommended to the Board a total amount of S\$100,833 (equivalent to US\$71,591.43) as directors' fees for FY2015. This recommendation has been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval.

The RC conducts an annual review of these remuneration packages to ensure that the remuneration of each Director and key management personnel is commensurate with their individual performance after giving due consideration to the financial and commercial health and business needs of the Group. This review by the RC covers all aspects of remuneration, including directors' fees, salaries, allowances, bonuses, performance shares and options and benefits in kind. Any recommendations made by the RC are submitted for endorsement by the Board. In addition, the performance of each Director and key management personnel is reviewed annually by the RC and the Board.

As the members of the RC are not allowed to participate in any decision concerning their own remuneration, each of Mr Lin Chien, Mr Anthony Ang Meng Huat and Mr Tan Sek Khee, being RC members, had abstained from participating in the deliberation and voting of their own remuneration.

CORPORATE GOVERNANCE REPORT

Disclosure of Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration of each Director and the CEO for FY2015 is disclosed as follows:

Directors' Remuneration

Name	Directors' Fees S\$'000	Salary ⁽¹⁾ S\$'000	Variable or Performance-Related Income, Bonus, Benefits in Kind S\$'000	Others ⁽²⁾ S\$'000	Total S\$'000
Mr Huang Shih-An (Chairman)	-	194	-	-	194
Mrs Huang Chuang Shueh-Ou (Vice Chairman)	-	307	-	-	307
Mr Huang Chien-Hung (Chief Executive Officer)	-	127	-	3	130
Mr Anthony Ang Meng Huat (Lead Independent Director)	27	-	-	-	27
Tan Sek Khee (Independent Director)	30	-	-	-	30
Mr Lin Chien (Independent Director)	30	-	-	-	30
Mr Ho Toon Bah ⁽³⁾	8	-	-	-	8
Mr Aric Loh Siang Khee ⁽⁴⁾	6	-	-	-	6
Notes:					
(1) This component includes the Employers' Central Provident Fund contribution.					
(2) This component includes transportation allowance and medical and other insurance contributions.					
(3) Mr Ho Toon Bah resigned as an Independent Director and member of the AC, NC and RC on 24 April 2015.					
(4) Mr Aric Loh Siang Khee resigned as Lead Independent Director, chairman of the AC and member of the NC on 1 March 2015.					

As at 31 December 2015, the top six key management personnel of the Group (who are not Directors or the CEO of the Company) are Mr Tan Chee Kong, Mr Timothy Tan Joo Kwang, Mr Hsieh Min Tsun, Ms Leong Mei Theng, Ms Huang Yun Ju and Mr Huang Hsuan-Chin. The remuneration of these six key management personnel for FY2015 is disclosed as follows:

Name	Salary ⁽¹⁾ %	Variable or Performance-Related Income, Bonus, Benefits in Kind Bonus %	Commission %	Others ⁽²⁾ %	Total %
Below S\$250,000					
Mr Tan Chee Kong	97.4	2.6	-	-	100
Mr Timothy Tan Joo Kwang	100	-	-	-	100
Mr Hsieh Min Tsun	99.1	-	-	0.9	100
Ms Leong Mei Theng	100	-	-	-	100
Ms Huang Yun Ju	97.4	-	-	2.6	100
Mr Huang Hsuan-Chin	86.5	4.7	-	8.8	100
Notes:					
(1) This component includes the Employers' Central Provident Fund contribution.					
(2) This component includes transportation allowance and medical and other insurance contributions.					

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The aggregate remuneration paid to the top six key management personnel (who are not Directors or the CEO) for FY2015 is S\$684,858.

Remuneration of Employees Related to a Director or the CEO

As at 31 December 2015, there were five employees who are immediate family members of either a Director or the CEO. These five employees are Mr Huang Hsuan-Chin, Ms Huang Chung-Huei, Ms Huang Yun Ju, Mr Tan Chee Kong and Mr Yang Hungi. All of these five employees are executive officers of the Company. Each of their remuneration is disclosed as follows:

Name	Salary ⁽¹⁾ %	Variable or Performance-Related Income, Bonus, Benefits in Kind Bonus %	Commission %	Others ⁽²⁾ %	Total %
Between S\$150,001 to S\$200,000					
Mr Tan Chee Kong ⁽³⁾	97.4	2.6	-	-	100
Between S\$100,001 to S\$150,000					
Nil					
Between S\$50,001 to S\$100,000					
Ms Huang Yun Ju ⁽⁴⁾	97.4	-	-	2.6	100
Mr Huang Hsuan-Chin ⁽⁵⁾	86.5	4.7	-	8.8	100
Ms Huang Chung-Huei ⁽⁶⁾	92.7	-	-	7.3	100
Mr Yang Hungi ⁽⁷⁾	87.2	-	-	12.8	100

Notes:

- (1) This component includes the Employers' Central Provident Fund contribution.
- (2) This component includes transportation allowance and medical and other insurance contributions.
- (3) Mr Tan Chee Kong is a **relative** of Mr Huang Shih-An, who is the Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, who is the Vice Chairman, and Mr Huang Chien-Hung, who is the CEO and an Executive Director.
- (4) Ms Huang Yun Ju is an **immediate family member** of Mr Huang Shih-An, who is the Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, who is the Vice Chairman, and Mr Huang Chien-Hung, who is the CEO and an Executive Director.
- (5) Mr Huang Hsuan-Chin is a **relative** of Mr Huang Shih-An, who is the Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, who is the Vice Chairman, and Mr Huang Chien-Hung, who is the CEO and an Executive Director.
- (6) Ms Huang Chung-Huei is a **relative** of Mr Huang Shih-An, who is the Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, who is the Vice Chairman, and Mr Huang Chien-Hung, who is the CEO and an Executive Director.
- (7) Mr Yang Hungi is a **relative** of Mr Huang Shih-An, who is the Non-Executive Chairman, Mrs Huang Chuang Shueh-Ou, who is the Vice Chairman, and Mr Huang Chien-Hung, who is the CEO and an Executive Director.

Except as disclosed above, there are no other employees of the Company who are the immediate family of a Director or the CEO of the Company, and whose remuneration exceeds S\$50,000 for FY2015.

The RC annually reviews the remuneration packages of each employee who is an immediate family member of a Director or the CEO. This ensures that the remuneration is in line with the Group's staff remuneration guidelines and commensurate with his/her job scope and responsibilities. In the event that a member of the RC is related to the employee in question, that member will abstain from the relevant deliberation and decision.

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The service period of the CEO is for a period not exceeding a fixed term of five years in accordance with the Articles of Association of the Company. The service contract of the CEO is for a period of three years and may be terminated by not less than six months' written notice or payment in lieu of notice by either party to the service contract.

Each Executive Director has a service contract with the Company and such service contract sets out the terms and conditions of his/her appointment and his/her remuneration. The service contract of each Executive Director is for an initial period of three years, with an automatic renewal for a further three years on the same terms and conditions, unless terminated prior to the renewal by either party giving six months' written notice or payment in lieu of notice.

The Independent Directors do not have any service contracts with the Company and are only paid directors' fees.

The Group does not have any incentive schemes. The last performance share scheme that was in place expired on 26 April 2015.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the management of the Group. In order to fulfil its responsibility to provide a balanced and understandable assessment of the Company's performance, position and prospects, the Board updates the shareholders on the operations and financial position of the Group through quarterly and full-year results announcements in addition to timely announcements of other matters as prescribed by the relevant rules and regulations. The Board has also taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual, by establishing written policies where appropriate.

In line with Rule 705(5) of the SGX-ST Listing Manual, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements. The negative assurance statements confirmed that, to the best of the Board's knowledge, nothing had come to the attention of the Board which could render the Company's quarterly financial result announcements to be false and misleading.

To ensure that the Board fulfils its responsibilities, Management is accountable to the Board by providing the Board with the necessary updates in relation to the performance of the Group. Management provides the Board with information which it may require from time to time, in the discharge of its duties and to make a balanced and informed assessment of the Company's performance, position and prospects. This includes, but is not limited to, the provision of monthly management accounts and updates on matters affecting the financial performance and business of the Group.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices and acknowledges its responsibility for the systems of internal controls and risk management of the Group. In this regard, the role of the Board includes:

- (a) ensuring that Management maintains a sound systems of risk management to safeguard shareholders' interests and the Group's assets;

CORPORATE GOVERNANCE REPORT

- (b) determining the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;
- (c) determining the levels of risk tolerance and risk policies of the Company;
- (d) overseeing Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and
- (e) reviewing the adequacy and effectiveness of the risk management and internal control systems annually.

The Board, assisted by the AC, conducts an annual review of the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems). Management assists the Board in this regard by reviewing the Group's business and operational activities on a regular basis so as to identify areas of significant business risks and appropriate measures to control and mitigate these risks. Currently, the Board has not established a separate risk management committee and is not assisted by an external advisor.

Risk assessment and evaluation is an integral part of the annual strategic planning of the Company. The process of the risk assessment and evaluation includes, but is not limited to, the review of all internal control policies and procedures, the preparation of a risk management checklist which highlights significant risks and its corresponding mitigation measures to the AC and the Board and the review of the specific management and mitigation actions taken by each business unit in respect of identified risks.

In order to assist the Board in reviewing the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, the AC conducts periodic reviews and assesses the effectiveness of key internal controls. The AC meets with Management, internal auditors and external auditors at least once during each financial year to review the internal and external auditors' audit plans. The internal and external auditors will then carry out a review of the effectiveness of key internal controls within the scope of their respective audit plans. The internal and external auditors will report any material non-compliance and their recommendations to the AC and the AC will ensure that necessary follow-up actions are implemented efficiently.

The risks management policies of the Group are described under Note 29 of the Notes to the Financial Statements on page 84 of this Annual Report.

For FY2015, the Board has received assurance from the CEO and the Group Financial Controller ("GFC") of the Company (by way of representation letters) that:

- (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

For FY2015, based on the various management controls put in place, the internal and external auditors' reports, the representation letters from the CEO and GFC and the reports of the AC, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal controls, including financial, operational, compliance and information technology controls of the Company are adequate and effective in meeting the needs of the Group, providing reasonable assurance against material financial misstatements or material loss and safeguarding the Group's assets.

CORPORATE GOVERNANCE REPORT

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

Audit Committee ("AC")

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC is regulated by a set of written terms of reference, which sets out its duties and responsibilities. The AC comprises three Directors, all of whom are independent. The AC members are:

Mr Anthony Ang Meng Huat (chairman of the AC)
Mr Lin Chien
Mr Tan Sek Khee

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

As set out in its terms of reference, the role of the AC includes:

- (a) reviewing the significant 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;
- (b) reviewing the quarterly and full-year financial statements of the Company, bearing in mind any changes in accounting policies and practices, major risk areas and significant adjustments resulting from the audit reports so as to ensure compliance with statutory and regulatory requirements;
- (c) reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (d) reviewing the effectiveness of the Company's internal audit function;
- (e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (f) reviewing the annual audit plans and its overall effectiveness;
- (g) making recommendations to the Board regarding the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (h) reviewing interested person transactions;
- (i) ensuring that arrangements are in place to allow the Company's employees and any other persons to raise concerns about possible improprieties in financial reporting or other matters, in confidence; and
- (j) such other functions and duties as may be required by relevant laws and regulation.

The AC members bring with them in-depth years of invaluable experience and professional expertise in the financial, legal, consultancy and administrative fields from their previous appointments as directors and senior management in other organisations. The Board is of the view that the AC members have sufficient recent and relevant accounting or related financial management expertise to discharge their responsibilities.

CORPORATE GOVERNANCE REPORT

The AC holds meetings at least four times in each financial year and as and when deemed necessary. If required, the AC will hold meetings with the external auditors and Management to discuss matters pertaining to the Group's accounting, auditing and financial matters. The AC meets with each of the external and internal auditors, at least annually, without the presence of Management.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to Management and resources, which are necessary to enable the AC to discharge its functions. The AC also has full discretion to invite any Director or executive officer of the Company to attend their meetings.

The AC has reviewed and is satisfied with the external auditors' independence and objectivity. For FY2015, the amount of audit fees and non-audit fees paid to the external auditors were S\$231,000 and S\$3,000 respectively. The AC has reviewed all non-audit services provided by the external auditors and is satisfied that the provision of such non-audit services do not affect the independence of the external auditors.

The AC, with the concurrence of the Board, has recommended the re-appointment of PricewaterhouseCoopers LLP ("PwC") as the external auditors at the forthcoming AGM of the Company. The Company confirms that Rules 712 and 715 of the SGX-ST Listing Manual have been complied with, specifically, that the accounts of the Company, all its Singapore incorporated subsidiaries and significant foreign subsidiaries are audited by PwC.

The Board has established a whistle-blowing policy, endorsed by the AC to allow employees, customers, other stakeholders and any other persons to raise concerns or observations, in confidence, to the Board about possible irregularities or improprieties in financial or other operational matters. If such concerns or observations are raised, the Board ensures that necessary independent investigation and appropriate follow-up action takes place. There were no incidents of whistle blowing reported in FY2015.

For FY2015, the AC has:

- (a) held four meetings with Management;
- (b) reviewed the annual audit plan, including the nature and scope of the internal and external audits before commencement of these audits;
- (c) reviewed and approved the consolidated statement of comprehensive income, consolidated statements of changes in equity, consolidated statement of cash flow and financial statements of the Company;
- (d) met with the external auditors and internal auditors, without the presence of Management, to obtain feedback on any concerns that warrant the attention of the AC and on the cooperation of Management during the audit;
- (e) reviewed the adequacy of audit arrangements, with particular emphasis on the scope and quality of the audits and the independence and objectivity of the auditors. Each the internal and external auditors have confirmed that they had access to and received the full cooperation and assistance from Management and that no restrictions were placed on the scope of their audits;
- (f) reviewed the non-audit services provided by the external auditors to ensure that provision of such services will not affect the independence of the external auditors;
- (g) recommended the re-appointment of PwC as the Company's external auditors in the forthcoming AGM; and
- (h) revised the risk management procedures and mitigation measures taken by Management.

CORPORATE GOVERNANCE REPORT

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte Ltd (“Baker Tilly”), an accountancy and business advisory firm, for FY2015. The role of the internal auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting comprehensive audits and undertaking investigations as directed by the AC.

Baker Tilly carries out its functions under the direction of the AC and conducts its reviews in accordance with the audit plan approved by the AC. Baker Tilly reports their findings and makes recommendations to the Chairman of the AC and administratively to Management at least annually. The reports and recommendations of Baker Tilly are submitted to the AC for discussion and deliberation. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions as agreed by Management is tracked and discussed with the AC. In addition, Management updates the AC on the status of the remedial action plans.

Baker Tilly has full access to all of the Group’s documents, records, properties and personnel, including access to the AC. Baker Tilly carries out its function in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

In accordance with the audit plan approved by the AC, Baker Tilly conducts an annual review of the effectiveness of the Company’s material internal controls. Material non-compliance, failures in internal controls and recommendations for improvements are reported to the AC.

The AC assesses the adequacy of the internal audit function on an annual basis. For FY2015, the AC is of the view that the internal audit function is adequately resourced to perform its functions and has appropriate standing within the Group.

(D) SHAREHOLDERS’ RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuing obligations of the Group pursuant to the SGX-ST Listing Manual and the Companies Act, the Board’s policy is that all shareholders should be equally informed of all major developments impacting the Group.

Shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. The shareholders are informed of the rules, including voting procedures, which govern general meetings of shareholders.

The Articles of Association of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. The Articles of Association of the Company currently do not allow a shareholder to vote in absentia. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in timely, fair and adequate disclosure of relevant information to the shareholders and investors so that they are apprised of developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure.

The Board presents a balanced and informed assessment of the Group's performance, position and prospects in its timely communication with the shareholders through:

- (a) annual reports or circulars that are prepared and issued to all shareholders;
- (b) announcements, including quarterly and full-year results announcements, all of which are released through the SGX-ST website at SGXNet (www.sgx.com);
- (c) appropriate news and press releases on major developments of the Group; and
- (d) the Group's website at www.europtronicgroup.com where shareholders can access more information on the Group, including, but not limited to, corporate announcements, annual reports and the corporate profile and financial information of the Group.

In addition, the Company's investor relations personnel are available by e-mail or telephone to answer any questions from shareholders. At the moment, the Company does not see the need for analyst briefings, investor roadshows or Investors' Day briefings. The Company will review this policy and consider the implementation of these events if necessary. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The AGM is the principal forum for dialogue with shareholders. Shareholders are highly encouraged to attend the AGM so that they have the opportunity to communicate their views on matters pertaining to the Group, raise issues and seek clarification in any matter.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not. No dividends have been distributed for FY2015 due to the financial loss suffered by the Company and the need to conserve cash as working capital and for the operational use of the Company.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

At general meetings of shareholders, the shareholders are given the opportunity to voice their views and direct questions regarding the affairs of the Company to the Directors or Management. The chairpersons of the Board Committees are present at the AGM to address any queries from the shareholders. The Company's external auditors are also invited to assist in addressing any queries by shareholders relating to the conduct of the external audit and the preparation and content of its auditors' report.

To encourage the participation of the shareholders at general meetings, the Company ensures that the venue for general meetings is at a central location easily accessed by public transportation.

CORPORATE GOVERNANCE REPORT

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

The Articles of Association of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. The Articles of Association of the Company currently do not allow a shareholder to vote in absentia. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

For greater transparency and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings, the Company will put all resolutions to vote by way of poll for general meetings to be held on and after 1 August 2015. The chairman of the meeting, with the assistance of service providers engaged by the Company, will brief shareholders to familiarise them with the detailed procedures involved in voting by way of poll. An announcement containing the detailed results of the number of votes cast for, and against, each resolution and the respective percentages will be announced after the general meeting via SGXNet (www.sgx.com). Having considered the costs and benefits, the Board has decided not to facilitate voting by way of poll by electronic means at this juncture.

The Company Secretary prepares minutes of all general meetings. The minutes include all questions and comments from the shareholders together with the responses from the Board and Management. These minutes are available to shareholders upon their request.

(E) DEALING IN THE COMPANY'S SECURITIES

The Group has in place policies and procedures governing the dealings in the securities of the Company by Directors, officers and the employees of the Group. The Company confirms that these policies and procedures comply and is consistent with Rule 1207(19) of the SGX-ST Listing Manual.

Directors, officers and employees of the Company are notified that they are prohibited from trading in the securities of the Company while in possession of material unpublished price sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full-year results, ending on the date of the announcement of the relevant results.

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, quarterly reminders of the restrictions in dealing in the securities of the Company are issued to all Directors, officers and employees of the Company. The Directors are issued with a copy of the Company's Code of Best Practice on Securities' Dealings as they are privy to price sensitive information.

The Directors, officers and employees are also reminded and expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's securities on short-term considerations. The Directors and the officers of the Company are required to notify the Company of their dealings in the Company's shares within two business days of the transaction.

Where a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

(F) INTERESTED PERSON TRANSACTIONS

The Company has established internal policies and guidelines on interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual) and has set out procedures for the review and approval of any interested person transaction.

The AC reviews all material interested person transactions and keeps the Board informed of such transactions. Before making its recommendations to the Board for its approval, the AC ensures that such interested person transactions are carried out on normal commercial terms or entered into on an arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders. Measures are taken to ensure that the terms and conditions of interested person transactions are not more favourable than those granted to non-related persons under similar circumstances.

For the period under review, the Group has entered into an interested person transaction with the following person:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Mrs Huang Chuang Shueh-Ou ⁽¹⁾	US\$120,000	Not Applicable
Notes: (1) Mrs Huang Chuang Shueh-Ou is the Executive Vice Chairman and a substantial shareholder of the Company. During the period under review, Mrs Huang Chuang Shueh-Ou has made a US\$4,000,000 loan to the Company at an interest rate of 3% per annum. The interest payable by the Company to Mrs Huang Chuang Shueh-Ou amounts to US\$120,000 per annum, commencing from 1 June 2014.		

The Company does not have a general mandate from its shareholders to enter into interested person transactions.

(G) MATERIAL CONTRACTS

Save for the service contracts of the Executive Directors and the CEO and as disclosed elsewhere in the financial statements for FY2015, there were no material contracts (including loans) of the Group involving the interests of any Directors or controlling shareholders entered into during FY2015 that is required to be disclosed under Rule 1207(8) of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 42 to 97 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Huang Shih-An
Huang Chuang Shueh-Ou
Huang Chien-Hung
Anthony Ang Meng Huat (*Appointed on 1 May 2015*)
Tan Sek Khee
Lin Chien

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2015	At 1.1.2015 or date of appointment if later	At 31.12.2015	At 1.1.2015 or date of appointment if later
Company (No. of ordinary shares)				
Huang Shih-An	161,620,193	161,620,193	92,124,465	92,124,465
Huang Chuang Shueh-Ou ⁽¹⁾	92,124,465	92,124,465	161,620,193	161,620,193
Huang Chien-Hung ⁽²⁾	8	12,397,620	-	-
Anthony Ang Meng Huat	3,000,000	-	-	-

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

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

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

The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

Share options

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

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

There were no unissued shares of the Company under option at the end of financial year.

Europtronic Performance Share Scheme

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

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

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

Some information on the Performance Share Scheme is as follows:

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

Audit Committee

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

Anthony Ang Meng Huat (*Chairman*)
Tan Sek Khee
Lin Chien

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

Independent Auditor

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

On behalf of the directors

Huang Shih-An
Director

Huang Chuang Shueh-Ou
Director

3 April 2016

INDEPENDENT AUDITOR'S REPORT

To The Members Of Europtronic Group Ltd

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Europtronic Group Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 97, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As stated in Note 2.1 to the financial statements, the Group incurred net loss amounting to US\$5,753,000 and experienced a net cash outflow of US\$2,645,000 for the financial year ended 31 December 2015. In addition, at 31 December 2015, the Group's current liabilities exceeded its current assets by US\$32,076,000, and its cash and cash equivalents amounted to US\$582,000. Furthermore, the Company has net liabilities of US\$4,250,000 at that date. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concern.

While the Group and the Company have embarked on various initiatives to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

INDEPENDENT AUDITOR'S REPORT

To The Members Of Europtronic Group Ltd (continued)

Report on other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the Basis for Disclaimer of Opinion paragraph, 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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 3 April 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

		Group	
	Note	2015 US\$'000	2014 US\$'000
Revenue	4	18,716	25,066
Cost of sales	8	(17,544)	(26,805)
Gross profit/(loss)		1,172	(1,739)
Other income	5	361	211
Other gains - net	6	36	417
Expenses			
- Distribution and marketing	8	(1,603)	(980)
- Administrative	8	(3,924)	(4,896)
- Finance	7	(1,852)	(1,337)
Loss before income tax		(5,810)	(8,324)
Income tax expense	10	57	(33)
Net loss		(5,753)	(8,357)
Other comprehensive losses:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Reclassification		-	(878)
Currency translation differences arising from consolidation			
- Losses during the financial year		(980)	(320)
- Reclassification		-	(413)
		(980)	(1,611)
Item that will not be reclassified subsequently to profit or loss:			
Revaluation losses on property, plant and equipment		(45)	(16,010)
Other comprehensive losses, net of tax		(1,025)	(17,621)
Total comprehensive losses		(6,778)	(25,978)
Loss attributable to:			
Equity holders of the Company		(5,612)	(8,357)
Non-controlling interests		(141)	-
		(5,753)	(8,357)
Total comprehensive losses attributable to:			
Equity holders of the Company		(6,582)	(25,978)
Non-controlling interests		(196)	-
		(6,778)	(25,978)
Loss per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	11	(0.64)	(1.06)

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

BALANCE SHEETS

As at 31 December 2015

		Group		Company	
	Note	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	582	3,227	16	18
Available-for-sale financial assets	13	1	1	1	1
Trade and other receivables	14	9,610	10,857	2,378	2,525
Inventories	15	3,977	4,276	-	-
		14,170	18,361	2,395	2,544
Non-current assets					
Investments in subsidiaries	16	-	-	13,800	13,800
Investment properties	17	2,994	3,329	-	-
Property, plant and equipment	18	38,446	42,459	-	-
Intangible assets	19	152	406	-	-
		41,592	46,194	13,800	13,800
Total assets		55,762	64,555	16,195	16,344
LIABILITIES					
Current liabilities					
Trade and other payables	20	23,722	21,071	13,589	14,234
Current income tax liabilities		-	66	-	-
Financial guarantee contracts	21	6,856	7,083	6,856	7,083
Borrowings	22	15,668	22,191	-	-
		46,246	50,411	20,445	21,317
Non-current liabilities					
Borrowings	22	1,641	2,215	-	-
Deferred income tax liabilities	24	7,056	7,326	-	-
		8,697	9,541	-	-
Total liabilities		54,943	59,952	20,445	21,317
NET ASSETS/(LIABILITIES)		819	4,603	(4,250)	(4,973)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	46,115	43,950	46,115	43,950
Other reserves	26	21,243	24,030	3,426	3,426
Accumulated losses		(67,620)	(63,306)	(53,791)	(52,349)
		(262)	4,674	(4,250)	(4,973)
Non-controlling interests					
Total equity		1,081	(71)	-	-
		819	4,603	(4,250)	(4,973)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	← Attributable to equity holders of the Company →									
	Share capital US\$'000	Share option reserve US\$'000	Capital and statutory reserve US\$'000	Fair value reserve US\$'000	Currency translation reserve US\$'000	Asset revaluation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
2015										
Beginning of financial year	43,950	132	1,652	-	362	21,884	(63,306)	4,674	(71)	4,603
Loss for the year	-	-	-	-	-	-	(5,612)	(5,612)	(141)	(5,753)
Other comprehensive loss for the year	-	-	-	-	(917)	(53)	-	(970)	(55)	(1,025)
Total comprehensive loss for the year	-	-	-	-	(917)	(53)	(5,612)	(6,582)	(196)	(6,778)
Shares issued	2,165	-	-	-	-	-	-	2,165	-	2,165
Deemed disposal of a subsidiary without loss of control	-	-	(252)	-	(185)	(1,380)	1,298	(519)	1,348	829
End of financial year	46,115	132	1,400	-	(740)	20,451	(67,620)	(262)	1,081	819
2014										
Beginning of financial year	43,950	132	1,652	878	1,095	37,894	(54,949)	30,652	(71)	30,581
Loss for the year	-	-	-	-	-	-	(8,357)	(8,357)	-	(8,357)
Other comprehensive loss for the year	-	-	-	(878)	(733)	(16,010)	-	(17,621)	-	(17,621)
Total comprehensive loss for the year	-	-	-	(878)	(733)	(16,010)	(8,357)	(25,978)	-	(25,978)
End of financial year	43,950	132	1,652	-	362	21,884	(63,306)	4,674	(71)	4,603

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Cash flows from operating activities			
Net loss		(5,753)	(8,357)
Adjustments for:			
- Income tax expenses		(57)	33
- Allowance for/(write-back of allowance for) inventories obsolescence		290	(678)
- Allowance for impairment of doubtful receivables (Trade)		12	-
- Amortisation of intangible assets		33	11
- Bad debts written off		44	-
- Depreciation of property, plant and equipment		2,181	2,744
- Fair value gain on investment properties		-	(26)
- Net gain on disposal of a subsidiary		-	(1,437)
- Net loss on disposal of available-for-sale financial assets		-	275
- Gain on disposal of intangible assets		(14)	-
- Gain on disposal of investment properties		(36)	-
- (Gain)/loss on disposal of property, plant and equipment		(6)	19
- Dividend income		-	(38)
- Interest income		(9)	(16)
- Finance expenses		1,852	1,337
- Impairment of non-trade receivables		74	1,700
- Impairment of property, plant and equipment		223	-
- Reclassification from other comprehensive income on disposal of available-for-sale financial assets		-	(878)
- Currency exchange differences		(143)	(12)
		<u>(1,309)</u>	<u>(5,323)</u>
Change in working capital, net of effects from disposal of subsidiaries:			
- Inventories		9	2,475
- Trade and other receivables		1,329	1,099
- Trade and other payables		(491)	2,144
Cash generated from operations		<u>(462)</u>	<u>395</u>
Interest received		9	16
Interest paid		(70)	(224)
Income tax paid		(47)	(162)
Net cash (used in)/provided by operating activities		<u>(570)</u>	<u>25</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(148)	(993)
Disposal of available-for-sale financial assets		-	1,902
Disposal of intangible assets		269	-
Disposal of investment properties		241	-
Disposal of property, plant and equipment		6	1
Net cash provided by investing activities		<u>368</u>	<u>910</u>
Cash flows from financing activities			
Proceeds from borrowings		30,834	57,301
Repayment of borrowings		(36,967)	(62,176)
Proceeds from finance lease liabilities		-	3,074
Repayment of finance lease liabilities		(212)	(2,392)
Proceeds from advances from Directors		3,338	1,064
Proceeds from issuance of ordinary share, net		2,165	-
Proceeds from deemed disposal of a subsidiary without loss of control		829	-
Repayment of financial guarantee contracts		(227)	(414)
Proceeds from advance from related companies		72	697
Repayment to related companies		(493)	(10)
Interest paid		(1,782)	(1,113)
Bank deposits released from pledged		-	3,020
Bank deposits pledged		-	(204)
Net cash used in financing activities		<u>(2,443)</u>	<u>(1,153)</u>
Net decrease in cash and cash equivalents		<u>(2,645)</u>	<u>(218)</u>
Cash and cash equivalents			
Beginning of financial year		3,227	3,445
End of financial year	12	<u>582</u>	<u>3,227</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. General information

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

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are disclosed in Note 35 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

Going concern

The Group incurred net loss amounting to US\$5,753,000 (2014: US\$8,357,000) and experienced a net cash outflow of US\$2,645,000 (2014: US\$218,000) during the financial year ended 31 December 2015. In addition, as at 31 December 2015, the Group's current liabilities exceeded its current assets by US\$32,076,000 (2014: US\$32,050,000), and its cash and cash equivalents amounted to US\$582,000 (2014: US\$3,227,000). Furthermore, the Company has net liabilities of US\$4,250,000 (2014: US\$4,973,000) at that date. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concern.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as management is confident of obtaining funds for operational needs through various initiatives including the following:

- (i) Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, to Nantong Jianghai Power Electronics Co Ltd ("the Purchaser")

On 25 January 2016, the Company entered into a Memorandum of Understanding ("MOU") with the Purchaser, allowing the Purchaser the option to purchase all the company's of shares in Europtronic (Suzhou) Co., Ltd, excluding certain assets, for consideration based on approximately 1.5 times the net tangible asset value of Europtronic (Suzhou) Co., Ltd. The Purchaser will inform the Company before 25 May 2016 as to whether it is proceeding with its proposed purchase after reviewing the results of the due diligence which is currently in progress. The completion of the proposed sale shall take place by 25 July 2016.

As part of the MOU, the Purchaser has paid the Company a refundable deposit of RMB20 million. As a result of the arrangement, the Company has pledged 10% of its equity interest of Europtronic (Suzhou) Co., Ltd in favour of the Purchaser. Management is of the view that the proposed sale is probable and the proceeds from the sale will enable the Group and the Company to continue as going concern.

- (ii) Sale of the land and building in Suzhou to the local government

Management is in discussion with the local government in Suzhou to sell the land and building owned by Europtronic (Suzhou) Co., Ltd. To facilitate the sale, management has engaged an external valuer to determine the value of the land and building. Management is confident that the proposed sale will take place and a reasonable price will be obtained.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

- (iii) Continuing financial support from bankers and other lenders

As of 31 December 2015, the Group has external bank borrowings of US\$17,309,000 (2014: US\$24,406,000), third party borrowings of US\$1,909,000 (2014: US\$1,990,000) and shareholder loans of US\$10,249,000 (2014: US\$6,911,000). Although most of the external borrowings are current, management is of the view that bankers and other lenders will continue to provide support to the Group by not recalling the borrowings in view of the Group's good past payment records and relationships.

The validity of the going concern assumption on which these financial statements have been prepared depends on the favourable outcome of the above initiatives. If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments may have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect the effect of these adjustments.

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

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2.2 Revenue recognition

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

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

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

Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

Dividend income

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

Rental income

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

Rendering of service – Consultancy services

Revenue from consultancy services is recognised when the services are rendered.

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

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

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

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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

Other property, plant and equipment

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

Components of costs

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

(b) Depreciation

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

	<u>Useful lives</u>
Leasehold land and buildings	40 - 50 years
Leasehold improvements	5 years
Machinery and equipment	5 - 15 years
Motor vehicles	5 years

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.5 Intangible assets

(a) *Goodwill on acquisitions*

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

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

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

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

(b) *Patent and club memberships*

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

(c) *Research and development*

Research expenditure is written off as incurred.

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

(d) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software.

Costs associated with maintaining the computer software are expensed off when incurred. Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.6 Borrowing costs

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

2.7 Investment properties

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

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

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

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

2.8 Investments in subsidiaries

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

2.9 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

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

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

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

2.10 Financial assets

- (a) *Classification*

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

- (i) *Loans and receivables*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) *Classification (continued)*

(ii) Available-for-sale financial assets

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

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

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

(e) *Impairment*

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

(i) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment (continued)*

(i) Loans and receivables (continued)

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

(ii) Available-for-sale financial assets

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

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

2.11 Financial guarantees contracts

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

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

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

2.12 Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.13 Trade and other payables

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

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

2.14 Fair value estimation of financial assets and liabilities

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

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

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

2.15 Leases

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

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

(i) Lessee - Finance leases

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

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

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

(i) Lessee - Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.15 Leases (continued)

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

Lessor - Operating leases

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

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

2.16 Inventories

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

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

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

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

2.17 Income taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.17 Income taxes (continued)

Deferred income tax is measured:

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

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

2.18 Provisions for other liabilities and charges

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

2.19 Employee compensation

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

(a) *Defined contribution plans*

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

(b) *Employees share option scheme*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.19 Employee compensation (continued)

(c) *Performance share scheme*

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

2.20 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains – net".

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.21 Segment reporting

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

2.22 Cash and cash equivalents

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

2.23 Share capital

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

2.24 Dividends to Company's shareholders

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

3. Critical accounting estimates, assumptions and judgements

Estimates and assumptions 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.

(a) Fair value estimation on non-financial assets

The Group owns certain investment properties and property, plant and equipment and carries them at fair value as at balance sheet date. Certain assumptions and estimates are made to determine the fair value on these non-financial assets. The details of the fair value and the estimates used are set out in Note 17 and Note 18.

(b) Impairment of machinery and equipment

As at 31 December 2015, the carrying amount of machinery and equipment owned by the Company's subsidiary, Europtronic (Suzhou) Co. Ltd., was US\$6,887,000. Management determined that the events and circumstances indicated that these machinery and equipment may be impaired and the carrying amounts of the machinery and equipment may exceed the recoverable amounts. Recoverable amount is determined as the machinery and equipment's current fair market value less costs to sell.

In determining the recoverable amounts, certain estimates regarding the current fair market value of the machinery and equipment are made. The current fair market value is determined based on valuations from an independent appraisal for the machinery and equipment located in Suzhou. As a result of assessment, an impairment charge to US\$233,000 is recognised during the financial year.

(c) Impairment assessment of accounts receivable

Management reviews its accounts receivable for objective evidence of impairment periodically. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective that a receivable is impaired. In determining this, management has made judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor. The details of management's impairment assessment during the financial year are set out in Note 29(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Revenue

	Group	
	2015 US\$'000	2014 US\$'000
Sale of goods	18,628	25,029
Rendering of services	88	37
	18,716	25,066

5. Other income

	Group	
	2015 US\$'000	2014 US\$'000
Interest income - bank deposits	9	19
Rental income from investment properties (Note 17)	122	139
Dividend income	-	38
Others	230	15
	361	211

6. Other gains - net

	Group	
	2015 US\$'000	2014 US\$'000
Currency translation gain - net	277	70
Available-for-sale financial assets		
- Loss on disposal	-	(275)
- Reclassification from other comprehensive income on disposal (Note 26(iv))	-	878
Fair value gain on investment properties	-	26
Gain/(loss) on disposal of property, plant and equipment	6	(19)
Gain on disposal of investment properties	36	-
Gain on disposal of intangible assets	14	-
Gain on disposal of a subsidiary (Note 12)	-	1,437
Impairment of property, plant and equipment	(223)	-
Impairment of non-trade receivables	(74)	(1,700)
	36	417

7. Finance expenses

	Group	
	2015 US\$'000	2014 US\$'000
Interest expense		
- Bank borrowings	977	893
- Trust receipts	70	224
- Finance lease liabilities	230	126
- Advances from directors	120	70
- Financial guarantee contract	404	-
- Other	51	24
Finance expenses recognised in profit or loss	1,852	1,337

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Expenses by nature

	Group	
	2015 US\$'000	2014 US\$'000
Allowance for/(write-back of allowance for) impairment of inventory	290	(678)
Amortisation of intangible assets (Note 19)	33	11
Fees on audit services paid/payable to:		
- Auditor of the Company	97	118
- Other auditors*	83	93
Bad debt write off	44	-
Bank charges	93	223
Changes in inventories	506	2,505
Depreciation of property, plant and equipment (Note 18)	2,181	2,744
Employee compensation (Note 9)	5,510	7,172
Entertainment	89	128
Freight and handling charges	491	449
Insurance	270	308
Professional fees	132	214
Purchases of inventories	10,040	15,584
Rental expense on operating leases	347	606
Repair and maintenance	220	269
Transportation	171	298
Utilities	658	929
Others	1,816	1,708
Total cost of sales, distribution and marketing costs and administrative expenses	23,071	32,681

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

9. Employee compensation

	Group	
	2015 US\$'000	2014 US\$'000
Wages, salaries and bonuses	5,123	6,665
Employer's contribution to defined contribution plans including Central Provident Fund	387	507
	5,510	7,172

Key management remuneration is disclosed in Note 30(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. Income tax expense

	Group	
	2015 US\$'000	2014 US\$'000
Tax expense attributable to loss is made up of:		
Current income tax		
- Foreign	(40)	33
	(40)	33
- Under provision in prior financial years:		
Current income tax - Foreign	(17)	-
	(57)	33

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

	Group	
	2015 US\$'000	2014 US\$'000
Loss before income tax	(5,810)	(8,324)
Tax calculated at tax rate of 17% (2014: 17%)	(988)	(1,415)
Effects of:		
- different tax rates in other countries	(266)	(542)
- expenses not deductible for tax purposes	747	930
- income not subject to tax	(60)	(70)
- deferred tax assets not recognised	527	1,130
Tax (credit)/charge	(40)	33

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

	2015			2014		
	Before tax US\$'000	Tax charge US\$'000	After Tax US\$'000	Before tax US\$'000	Tax charge US\$'000	After tax US\$'000
Fair value gains and reclassification adjustments on available-for-sale financial assets	-	-	-	(878)	-	(878)
Revaluation losses on property, plant and equipment	(39)	(6)	(45)	(9,750)	(6,260)	(16,010)
Currency translation differences arising from consolidation and deemed disposal of a subsidiary	(980)	-	(980)	(733)	-	(733)
Other comprehensive losses	(1,019)	6	(1,025)	(11,361)	6,260	(17,621)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

11. Loss per share

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

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

	Group	
	2015	2014
Net loss attributable to equity holders of the Company (US\$'000)	(5,612)	(8,357)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	874,353	786,444
Basic and diluted loss per share (cents per share)	(0.64)	(1.06)

12. Cash and cash equivalents

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Cash at bank and on hand	582	3,227	16	18

Disposal of a subsidiary

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

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

	Group 2014 US\$'000
<i><u>Carrying amounts of assets and liabilities disposed</u></i>	
Cash and cash equivalents	(14)
Trade and other receivables	(2,985)
Inventories	-
Property, plant and equipment	(203)
Total assets	(3,202)
Trade and other payables	4,310
Borrowings	7,413
Total liabilities	11,723
Net liabilities derecognised and disposed of	8,521

The aggregate cash outflows arising from the disposal of Europtronic (Singapore) Pte Ltd were:

Net liabilities disposed of (as above)	(8,521)
- Reclassification of currency translation reserve to profit or loss (Note 26(v))	(413)
	(8,934)
Financial guarantee contracts (Note 21)	7,497
Gain on disposal	1,437
Cash proceeds from disposal	-
Less: Cash and cash equivalents in a subsidiary disposed of	(14)
Net cash outflow on disposal	(14)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. Available-for-sale financial assets

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Beginning of financial year	1	2,187	1	1
Disposals	-	(2,186)	-	-
End of financial year	1	1	1	1

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

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Quoted equity securities				
- Singapore	1	1	1	1

In 2014, the Group disposed its entire interest in Tecstar, a quoted available-for-sale investment listed in GreTai Securities Market, Taiwan. Previously recognised gain on available-for-sale investment of US\$878,000 has been reclassified from other comprehensive income to the income statement and a fair value loss of US\$275,000 has been recognised upon disposal.

14. Trade and other receivables

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Trade receivables				
- Non-related parties	8,062	8,571	-	-
- Bill receivables	60	32	-	-
	8,122	8,603	-	-
Less: Allowance for impairment of receivables	(63)	(54)	-	-
Trade receivables - net	8,059	8,549	-	-
Other receivables				
- Subsidiaries	-	-	7,768	7,801
- Advances to non-related parties	1,974	2,046	-	-
- Receivables from related party companies	225	30	-	-
- Others	636	1,023	-	3
	2,835	3,099	7,768	7,804
Less: Allowance for impairment of receivables	(1,653)	(1,653)	(5,546)	(5,494)
Non-trade receivables - net	1,182	1,446	2,222	2,310
Deposits	72	96	-	-
Prepayments	297	766	156	215
	369	862	156	215
Total	9,610	10,857	2,378	2,525

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. Inventories

	Group	
	2015 US\$'000	2014 US\$'000
Raw materials	855	1,012
Work-in-progress	2,206	1,247
Finished/trading goods	916	2,017
	<u>3,977</u>	<u>4,276</u>

The cost of inventories recognised as an expense and included in “cost of sales” amounts to US\$13,851,000 (2014: US\$22,283,000).

During the financial year, the Group has recognised an allowance for inventory obsolescence, amounting to US\$290,000 (2014: write back of allowance US\$678,000).

16. Investments in subsidiaries

	Group	
	2015 US\$'000	2014 US\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	30,150	41,472
Disposal	-	(11,322)
End of financial year	<u>30,150</u>	<u>30,150</u>
<i>Accumulated impairment</i>		
Beginning of financial year	16,350	27,672
Disposal	-	(11,322)
End of financial year	<u>16,350</u>	<u>16,350</u>
Total	<u>13,800</u>	<u>13,800</u>

Details of significant subsidiaries are included in Note 35.

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

On 14 August 2015, there was a deemed disposal of 7.65% interest in a wholly own subsidiary, Europtronic (Suzhou) Co., Ltd, through a share issuance at a consideration of US\$829,000. This resulted in an increase in non-controlling interests of US\$1,348,000 and a decrease in equity attributable to owners of the parent of US\$519,000.

	Group 2015 US\$'000
Carrying amount of non-controlling interests disposed of	(1,348)
Consideration received from non-controlling interests	<u>829</u>
Excess of carrying amount of non-controlling interests recognised in parent's equity	<u>(519)</u>

Carrying value of non-controlling interests

	Group	
	2015 US\$'000	2014 US\$'000
Europtronic (Suzhou) Co., Ltd	1,152	-
Other subsidiaries with immaterial non-controlling interests	(71)	(71)
End of financial year	<u>1,081</u>	<u>(71)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16. Investments in subsidiaries (continued)

Summarised financial information of a subsidiary with material non-controlling interests

Set out below is the summarised financial information for financial year ended 31 December 2015 for a subsidiary that has non-controlling interests that are before inter-company eliminations.

Summarised balance sheet

	Europtronic (Suzhou) Co., Ltd As at 31 December 2015 US\$'000
Current assets	14,485
Current liabilities	(27,287)
Current net liabilities	(12,802)
Non-current assets	34,034
Non-current liabilities	(6,135)
Non-current net assets	27,899
Net assets	15,097

Summarised statement of comprehensive losses

	Europtronic (Suzhou) Co., Ltd For the financial year ended 31 December 2015 US\$'000
Revenue	13,662
Loss for the period	(2,358)
Other comprehensive losses	(558)
Total comprehensive losses	(2,916)

Summarised cash flows

	Europtronic (Suzhou) Co., Ltd For the financial year ended 31 December 2015 US\$'000
Cash flows used in operating activities	(17)
Cash flows used in investing activities	(119)
Cash flows used in financing activities	(182)
Net decrease in cash and cash equivalents	(318)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. Investment properties

	Group	
	2015 US\$'000	2014 US\$'000
Beginning of financial year	3,329	3,303
Disposal	(205)	-
Fair value gain on investment properties	-	26
Currency translation differences	(130)	-
End of financial year	<u>2,994</u>	<u>3,329</u>

The following amounts are recognised in profit and loss:

	Group	
	2015 US\$'000	2014 US\$'000
Rental income (Note 5)	122	139
Direct operating expenses arising from:		
- Investment properties that generate rental income	<u>(14)</u>	<u>(13)</u>

Investment properties are leased to non-related parties under operating leases (Note 28 (b)).

Investment properties are mortgaged to secure bank loans (Note 22 (a)).

At the balance sheet date, the details of the Group's investment property are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
13F-A, D and A/D No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Office and carpark lot No.64 and 67	Office building	50 years	Expiring on 5 December 2042

Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
Group – 31 December 2015			
Recurring fair value measurements			
Investment properties:			
- Office unit - People's Republic of China	-	-	<u>2,994</u>
Group – 31 December 2014			
Recurring fair value measurements			
Investment properties:			
- Residential properties - People's Republic of China	-	-	209
- Office unit - People's Republic of China	-	-	<u>3,120</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. Investment properties (continued)

Reconciliation of movements in Level 3 fair value measurement:

	Residential properties US\$'000	Office units US\$'000	Total US\$'000
<i>Investment properties:</i>			
31 December 2015			
Beginning of financial year	209	3,120	3,329
Disposal	(205)	-	(205)
Currency translation differences	(4)	(126)	(130)
End of financial year	-	2,994	2,994
Change in unrealised gains or losses for the financial year included in profit or loss for assets held at the end of the financial year, under "Other gains - net"	-	-	-
31 December 2014			
Beginning of financial year	209	3,094	3,303
Gains recognised in profit and loss, under "Other gains - net"	-	26	26
End of financial year	209	3,120	3,329
Change in unrealised gains or losses for the financial year included in profit or loss for assets held at the end of the financial year, under "Other gains - net"	-	26	26

There were no changes in valuation techniques during the year.

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

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

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

Description	Fair value at 31 December 2015 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Investment properties					
Office units	2,994 (2014: 3,120)	Direct Comparison Approach	Estimated market price	US\$4,224 per square meter (2014: US\$4,378)	The higher the adjusted valuation per square meter, the higher the fair value.

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

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

Valuation processes of the Group

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

Discussions of valuation processes and results are held between the CFO and the valuers at least once a year, in line with the Group's annual reporting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Property, plant and equipment

	Freehold land US\$'000	Leasehold land, buildings and improvements US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Construction -in-progress US\$'000	Total US\$'000
Group						
2015						
<i>Cost or valuation</i>						
Beginning of financial year						
Cost	-	15	21,209	371	14	21,609
Valuation	3,370	31,040	-	-	-	34,410
	3,370	31,055	21,209	371	14	56,019
Currency translation differences	(183)	(1,270)	(865)	(7)	(1)	(2,326)
Additions	-	6	142	-	-	148
Disposals and write off	-	-	-	(9)	-	(9)
Revaluation surplus/(deficit)	310	(349)	-	-	-	(39)
End of financial year	3,497	29,442	20,486	355	13	53,793
<i>Representing:</i>						
Cost	-	15	20,486	355	13	20,869
Valuation	3,497	29,427	-	-	-	32,924
	3,497	29,442	20,486	355	13	53,793
<i>Accumulated depreciation and impairment</i>						
Beginning of financial year	-	1,126	12,231	203	-	13,560
Currency translation differences	-	(68)	(534)	(6)	-	(608)
Depreciation charge	-	833	1,309	39	-	2,181
Disposals and write off	-	-	-	(9)	-	(9)
Impairment loss	-	-	223	-	-	223
End of financial year	-	1,891	13,229	227	-	15,347
Net book value						
End of financial year	3,497	27,551	7,257	128	13	38,446

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For the financial year ended 31 December 2015

18. Property, plant and equipment (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Property, plant and equipment (continued)

	Machinery and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<i>Company</i>			
2015 and 2014			
<i>Cost</i>			
Beginning and end of financial year	2	51	53
<i>Accumulated depreciation</i>			
Beginning and end of financial year	2	51	53
<i>Net book value</i>			
End of financial year	-	-	-

- (a) The carrying amounts of machinery and equipment and a motor vehicle held under finance leases are US\$1,197,000 (2014: US\$1,350,000) and US\$91,000 (2014: US\$114,000) respectively at the balance sheet date.
- (b) The freehold land, leasehold land, buildings and improvements of the Group were valued by independent professional valuers based on the properties' highest-and-best-use using the Cost Approach, Direct Market Comparison and Income method at the balance sheet date.
- (c) The impairment loss relates to assets that were not use for production. The whole amount was recognised as other expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to these relevant assets

Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
Group – 31 December 2015			
Recurring fair value measurements			
Properties, plant and equipment:			
- Leasehold land and factory - People's Republic of China	-	-	26,707
- Freehold land and office units - Republic of China	-	-	4,337
Group – 31 December 2014			
Recurring fair value measurements			
Properties, plant and equipment			
- Leasehold land and factory - People's Republic of China	-	-	28,484
- Freehold land and office units - Republic of China	-	-	4,815

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Property, plant and equipment (continued)

Reconciliation of movements in Level 3 fair value measurement:

	Leasehold land and factory US\$'000	Freehold land and office units US\$'000
Opening balance as at 1 January 2015	28,484	4,815
Amounts recognised in profit or loss		
- Depreciation	(795)	(35)
Amounts recognised in other comprehensive income		
- Currency translation differences	(1,143)	(243)
- Revaluation	161	(200)
Closing balance as at 31 December 2015	26,707	4,337
Opening balance as at 1 January 2014	39,454	4,947
Amounts recognised in profit or loss		
- Depreciation	(1,081)	(36)
Amounts recognised in other comprehensive income		
- Currency translation differences	(35)	(200)
- Revaluation	(9,854)	104
Closing balance as at 31 December 2014	28,484	4,815

There were no changes in valuation techniques during the year.

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

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Property, plant and equipment (continued)

Reconciliation of movements in Level 3 fair value measurement: (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

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

Description	Fair value at 31 December 2015 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Properties, plant and equipment					
Leasehold land and factory	26,707 (2014: 28,484)	Cost Approach	Estimated market price	US\$421 per square meter (2014: US\$449)	The higher the adjusted valuation per square meter, the higher the fair value.
			Depreciated replacement costs	US\$4,034,000 (2014: US\$4,331,000)	The higher the depreciated replacement costs, the higher the fair value.
Freehold land and office units	4,337 (2014: 4,815)	Direct Comparison Approach	Estimated market price	US\$4,465 per square meter (2014: US\$5,263)	The higher the estimated market price, the higher the fair value.
			Estimated rental value per square meter per month	US\$12 per square meter per month (2014: US\$12)	The higher the estimated rental value per square meter, the higher the fair value.
		Income Capitalisation Approach	Capitalisation rate	1.64% (2014: 1.65%)	The higher the capitalisation rate, the lower the fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Property, plant and equipment (continued)

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

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

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

Valuation processes of the Group

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

Discussions of valuation processes and results are held between the CFO and the valuers at least once a year, in line with the Group's annual reporting.

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

	Group	
	2015 US\$'000	2014 US\$'000
Freehold land	1,198	1,263
Leasehold land, buildings and improvements	6,147	6,592

- (d) Bank borrowings are secured on freehold and leasehold land, buildings and improvements of the Group with carrying amounts of US\$31,044,000 (2014: US\$33,299,000) (Note 22).

19. Intangible assets

	Group	
	2015 US\$'000	2014 US\$'000
Composition:		
Patents (Note (a))	-	1
Club memberships (Note (b))	134	405
Computer software licenses (Note (c))	18	-
	152	406

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. Intangible assets (continued)

(a) Patents

	Group	
	2015 US\$'000	2014 US\$'000
<i>Cost</i>		
Beginning of financial year	48	48
Currency translation differences	(2)	-
End of financial year	46	48
<i>Accumulated amortisation</i>		
Beginning of financial year	47	42
Amortisation charge	1	5
Currency translation differences	(2)	-
End of financial year	46	47
<i>Net book value</i>		
End of financial year	-	1

(b) Club memberships

	Group	
	2015 US\$'000	2014 US\$'000
<i>Cost</i>		
Beginning of financial year	457	464
Disposal	(274)	-
Currency translation differences	(14)	(7)
End of financial year	169	457
<i>Accumulated amortisation</i>		
Beginning of financial year	52	46
Amortisation charge	5	6
Disposal	(19)	-
Currency translation differences	(3)	-
End of financial year	35	52
<i>Net book value</i>		
End of financial year	134	405

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. Intangible assets (continued)

(c) Computer software licence

	Group	
	2015 US\$'000	2014 US\$'000
<i>Cost</i>		
Beginning of financial year	-	-
Additions	46	-
Currency translation differences	(1)	-
End of financial year	45	-
<i>Accumulated amortisation</i>		
Beginning of financial year	-	-
Amortisation charge	27	-
End of financial year	27	-
<i>Net book value</i>		
End of financial year	18	-

20. Trade and other payables

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Trade payables to				
- Non-related parties	5,958	7,141	-	-
- Bills payables	1,080	1,658	-	-
	7,038	8,799	-	-
Non-trade payables to				
- Subsidiaries	-	-	8,735	11,600
- Advances from directors	10,249	6,911	3,528	2,141
- Non-related parties	2,509	1,990	600	-
- Related parties	153	365	-	-
Accruals for operating expenses	3,773	3,006	726	493
	23,722	21,071	13,589	14,234

The non-trade amounts due to related parties of the Group and subsidiaries of the Company are unsecured, interest free and are repayable on demand.

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

21. Financial guarantee contracts

In 2014, the Company had agreed to provide corporate guarantees over the principal and its related interest costs on the outstanding bank borrowings of Europtonic (Singapore) Pte Ltd. The Company is not obliged against the subsequent drawdown of the bank borrowings incurred by Europtonic (Singapore) Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. Borrowings

	Group	
	2015 US\$'000	2014 US\$'000
<i>Current</i>		
Bank borrowings		
- Trust receipts	1,187	2,348
- Short-term loan	13,583	19,082
- Term loan	132	137
	14,902	21,567
Finance lease liabilities (Note 23)	766	624
	15,668	22,191
<i>Non-current</i>		
Bank borrowings		
- Term loan	1,539	1,711
Finance lease liabilities (Note 23)	102	504
	1,641	2,215
Total borrowings	17,309	24,406

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

	Group	
	2015 US\$'000	2014 US\$'000
Not later than one year	13,583	19,082

(a) Security granted

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. Finance lease liabilities

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

	Group	
	2015 US\$'000	2014 US\$'000
Minimum lease payments due		
- Not later than one year	852	764
- Between one and five years	112	627
	964	1,391
Less: Future finance charges	(96)	(263)
Present value of finance lease liabilities	868	1,128

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

	Group	
	2015 US\$'000	2014 US\$'000
Not later than one year (Note 22)	766	624
Between one and five years (Note 22)	102	504
	868	1,128

24. Deferred income taxes

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

	Group	
	2015 US\$'000	2014 US\$'000
Deferred income tax liabilities to be settled after one year	7,056	7,326

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. Deferred income taxes (continued)

Movement in deferred income tax account is as follows:

	Asset revaluation gains - net US\$'000
<u>Group</u>	
2015	
Beginning of financial year	7,326
Currency translation differences	(276)
Tax charged to equity	6
End of financial year	<u>7,056</u>
2014	
Beginning of financial year	1,046
Currency translation differences	20
Tax charged to equity	6,260
End of financial year	<u>7,326</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US\$12,395,000 (2014: US\$9,243,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

25. Share capital

	No. of ordinary shares '000	Amount US\$'000
<u>Group and Company</u>		
2015		
Beginning of financial year	786,445	43,950
New shares issued	157,288	2,165
End of financial year	<u>943,733</u>	<u>46,115</u>
2014		
Beginning and end of financial year	<u>786,445</u>	<u>43,950</u>

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

On 17 June 2015, the Company issued 157,288,000 ordinary shares for a total cash consideration of US\$2,165,000 to provide funding for working capital purpose. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. Other reserves

Composition:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Share option reserve	132	132	132	132
Capital and statutory reserve	1,400	1,652	66	66
Asset revaluation reserve	20,451	21,884	-	-
Currency translation reserve	(740)	362	3,228	3,228
	<u>21,243</u>	<u>24,030</u>	<u>3,426</u>	<u>3,426</u>
(i) <i>Share options reserve</i>				
Beginning and end of financial year	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>
(ii) <i>Capital and statutory reserve</i>				
Beginning of financial year	1,652	1,652	66	66
Deemed disposal of a subsidiary without loss control	(252)	-	-	-
End of financial year	<u>1,400</u>	<u>1,652</u>	<u>66</u>	<u>66</u>

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

	Group	
	2015 US\$'000	2014 US\$'000
(iii) <i>Asset revaluation reserve</i>		
Beginning of financial year	21,884	37,894
Deferred tax (Note 24)	(6)	(6,260)
Revaluation loss (Note 18)	(39)	(9,750)
Deemed disposal of a subsidiary without loss control	(1,380)	-
Less: Non-controlling interest	(8)	-
End of financial year	<u>20,451</u>	<u>21,884</u>
(iv) <i>Fair value reserve</i>		
Beginning of financial year	-	878
Available-for-sale financial assets		
- Reclassification to profit or loss (Note 6)	-	(878)
End of financial year	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. Other reserves (continued)

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
(v) <i>Currency translation reserve</i>				
Beginning of financial year	362	1,095	3,228	3,228
Reclassification on disposal of a subsidiary (Note 12)	-	(413)	-	-
Net effect of deemed disposal of a subsidiary without loss control	(185)	-	-	-
Net currency translation differences of financial statements of foreign subsidiaries	(917)	(320)	-	-
End of financial year	(740)	362	3,228	3,228

Other reserves are not available for distribution as dividends.

27. Contingencies

Contingent liabilities

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

Group

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

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

28. Commitments

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

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

	Group	
	2015 US\$'000	2014 US\$'000
Not later than one year	174	356
Between one and five years	56	509
	<u>230</u>	<u>865</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. Commitments (continued)

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

The Group lease out office space to non-related parties under non-cancellable operating lease. The lessees are required to pay either absolute fixed annual increase to the lease payments.

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

	Group	
	2015 US\$'000	2014 US\$'000
Not later than one year	159	38
Between one and five years	43	-
	<u>202</u>	<u>38</u>

29. Financial risk management

Financial risk factors

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

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

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

(a) Market risk

(i) *Currency risk*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD US\$'000	USD US\$'000	RMB US\$'000	NTD US\$'000	Others US\$'000	Total US\$'000
At 31 December 2015						
Financial assets						
Cash and cash equivalents	27	101	409	40	5	582
Trade and other receivables	55	6,141	2,967	77	73	9,313
Intercompany receivables	-	50,445	8,156	1,415	-	60,016
	82	56,687	11,532	1,532	78	69,911
Financial liabilities						
Trade and other payables	(4,463)	(3,058)	(9,178)	(6,945)	(78)	(23,722)
Borrowings	(84)	(4,833)	(10,721)	(1,671)	-	(17,309)
Financial guarantee contracts	-	(6,856)	-	-	-	(6,856)
Intercompany payables	-	(50,430)	(8,074)	(1,512)	-	(60,016)
	(4,547)	(65,177)	(27,973)	(10,128)	(78)	(107,903)
Net financial liabilities	(4,465)	(8,490)	(16,441)	(8,596)	-	(37,992)
Less: Net financial liabilities denominated in the respective entities functional currency	-	8,797	14,304	8,472	-	31,573
Net currency exposure	(4,465)	307	(2,137)	(124)	-	(6,419)
At 31 December 2014						
Financial assets						
Cash and cash equivalents	16	625	688	1,869	29	3,227
Trade and other receivables	38	5,632	4,301	98	22	10,091
Intercompany receivables	-	69,437	14,741	1,359	-	85,537
	54	75,694	19,730	3,326	51	98,855
Financial liabilities						
Trade and other payables	(4,541)	(2,224)	(11,149)	(3,103)	(54)	(21,071)
Borrowings	(117)	(17,737)	(4,703)	(1,848)	(1)	(24,406)
Financial guarantee contracts	-	(7,083)	-	-	-	(7,083)
Intercompany payables	-	(68,838)	(14,819)	(1,880)	-	(85,537)
	(4,658)	(95,882)	(30,671)	(6,831)	(55)	(138,097)
Net financial liabilities	(4,604)	(20,188)	(10,941)	(3,505)	(4)	(39,242)
Less: Net financial liabilities denominated in the respective entities functional currency	-	16,074	8,102	3,188	-	27,364
Net currency exposure	(4,604)	(4,114)	(2,839)	(317)	(4)	(11,878)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD US\$'000	USD US\$'000	RMB US\$'000	Total US\$'000
2015				
Financial assets				
Cash and cash equivalents	14	2	-	16
Trade and other receivables	-	-	2,222	2,222
	14	2	2,222	2,238
Financial liabilities				
Trade and other payables	(4,254)	(9,335)	-	(13,589)
Financial guarantee contracts	-	(6,856)	-	(6,856)
	(4,254)	(16,191)	-	(20,445)
Net financial (liabilities)/assets	(4,240)	(16,189)	2,222	(18,207)
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies	-	16,189	-	16,189
Net currency exposure	(4,240)	-	2,222	(2,018)
2014				
Financial assets				
Cash and cash equivalents	4	14	-	18
Trade and other receivables	3	1	2,306	2,310
	7	15	2,306	2,328
Financial liabilities				
Trade and other payables	(2,634)	(11,600)	-	(14,234)
Financial guarantee contracts	-	(7,083)	-	(7,083)
	(2,634)	(18,683)	-	(21,317)
Net financial (liabilities)/assets	(2,627)	(18,668)	2,306	(18,989)
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies	-	18,668	-	18,668
Net currency exposure	(2,627)	-	2,306	(321)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group and Company have no other significant currency exposure, except to RMB and SGD. If the RMB and SGD change against the USD by 5% (2014: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	← Increase/(decrease) →	
	2015	2014
	Loss	Loss
	after tax	after tax
	US\$'000	US\$'000
The Group		
RMB against USD		
- strengthened	107	142
- weakened	(107)	(142)
SGD against USD		
- strengthened	223	-
- weakened	(223)	-
The Company		
RMB against USD		
- strengthened	(111)	(115)
- weakened	111	115
SGD against USD		
- strengthened	212	131
- weakened	(212)	(131)

(ii) Price risk

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

(iii) Interest rate risks

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings with variable interest rates are certain bank borrowings (Note 22). If the interest rates had increased/decreased by 1% (2014: 1%) with all other variables including tax rate being held constant, the loss after tax would have been higher/lower by US\$136,000 (2014: US\$191,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(b) Credit risk

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

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

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

	Company	
	2015 US\$'000	2014 US\$'000
Corporate guarantees provided to banks on subsidiaries' loans	16,441	23,279

The trade receivables of the Group comprise five debtors (2014: five debtors) that represented 63% (2014: 44%) of trade receivables.

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

	Group	
	2015 US\$'000	2014 US\$'000
By geographical areas	6,273	7,380
People's Republic of China	1,786	1,169
Asia	8,059	8,549

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

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

The Group's trade receivables not past due include receivables amounting to US\$2,735,000 (2014: US\$5,849,000). The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group	
	2015 US\$'000	2014 US\$'000
Past due < 3 months	1,472	2,632
Past due > 3 months	3,852	68
	<u>5,324</u>	<u>2,700</u>

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

	Group	
	2015 US\$'000	2014 US\$'000
Gross amount	63	54
Less: Allowance for impairment	(63)	(54)
	<u>-</u>	<u>-</u>
Beginning of financial year	54	234
Currency translation differences	(3)	(2)
Allowance made	12	-
Allowance utilised	-	(178)
End of financial year	<u>63</u>	<u>54</u>

The impaired receivables arise mainly from debtors with significant financial difficulties, default or delay in payments.

(c) Liquidity risk

The Group aims at maintaining sufficient cash and flexibility in funding by obtaining funds for operational needs through various initiatives as set out in Note 2.1. Liquidity risk arises from the possibility that favourable outcome of these initiatives do not take place.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year US\$'000	Between 1 and 5 years US\$'000	Over 5 years US\$'000
<u>Group</u>			
At 31 December 2015			
Trade and other payables	23,698	-	-
Financial guarantee contracts	6,856	-	-
Borrowings	16,032	992	818
At 31 December 2014			
Trade and other payables	21,071	-	-
Financial guarantee contracts	7,083	-	-
Borrowings	22,426	1,510	957
<u>Company</u>			
At 31 December 2015			
Trade and other payables	13,589	-	-
Financial guarantee contracts	6,856	-	-
At 31 December 2014			
Trade and other payables	14,234	-	-
Financial guarantee contracts	7,083	-	-

(d) Capital risk

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

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

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

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Net debt	47,305	49,333	20,429	21,299
Total equity	819	4,603	(4,250)	(4,973)
Total capital	48,124	53,936	16,179	16,326

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Financial risk management (continued)

(e) Fair value measurements

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

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

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

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<u>Group and Company</u>				
<u>2015 and 2014</u>				
Assets				
Available-for-sale financial assets	1	-	-	1

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

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

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

(f) Financial instruments by category

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

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Available-for-sale financial assets	1	1	1	1
Loans and receivables	9,895	13,318	2,238	2,328
Financial liabilities at amortised cost	47,887	52,560	20,445	21,317

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Related party transactions

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

(a) Transactions with a related party

	Group	
	2015 US\$'000	2014 US\$'000
Rental expenses paid to a director of the Company	25	28

Related companies are companies which are controlled by a common shareholder/director. Balances with the related party companies at the balance sheet date are set out in Note 14 and Note 20.

(b) Key management personnel compensation

	Group	
	2015 US\$'000	2014 US\$'000
Salaries, wages and bonuses	994	1,218
Employer's contribution to defined contribution plans including Central Provident Fund	41	46
	1,035	1,264

Included in the above is total compensation to directors of the Company amounting to US\$535,000 (2014: US\$721,000).

31. Segment information

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

The Group is primarily divided into 2 business segments, namely manufacture and sale of film capacitors ("Manufacturing") and distribution of active and passive components ("Distribution").

Manufacture segments – Component Manufacturing Business Unit ("CMBU")

This business unit manufactures its own brand of film capacitors including general purpose film capacitors, interference suppression capacitors (X2), snubber capacitors, DC Link capacitors and AC capacitors. CMBU includes mainly entities operating in People's Republic of China.

Distribution segments – Component Distribution Business Unit ("CDBU")

This business unit distributes other active and passive components such as fuses, resistors, capacitors, inductors, crystals, opto-devices, LCD panels, EEPROMs and power modules. CDBU includes entities operating in Singapore, Hong Kong, Taiwan and People's Republic of China. The Group combines these geographical locations into one segment as they distribute the similar products.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Segment information (continued)

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

	Manufacturing US\$'000	Distribution US\$'000	Investment holding and other US\$'000	Total reportable segments US\$'000
Group				
2015				
Revenue:				
- Total segment sales	14,317	5,039	173	19,529
- Inter-segment sales	(426)	(387)	-	(813)
Sales to external parties	13,891	4,652	173	18,716
Gross profit	594	468	110	1,172
- Depreciation	(2,093)	(88)	-	(2,181)
- Amortisation	(32)	(1)	-	(33)
- Impairment of non-trade receivables	-	-	(74)	(74)
- Impairment of property, plant and equipment	(223)	-	-	(223)
- Finance guarantee contracts	-	-	(404)	(404)
- Gain on disposal of investment properties	36	-	-	36
- Gain on disposal of property, plant and equipment	1	5	-	6
- Gain/(loss) on disposal of intangible assets	(71)	85	-	14
Loss before tax	(2,813)	(1,793)	(1,204)	(5,810)
Segment assets	45,105	251	10,406	55,762
Segment assets includes:				
Additions to property, plant and equipment	120	28	-	148
Segment liabilities	24,998	18,221	11,724	54,943

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Segment information (continued)

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

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

The Senior Management assesses the performance of the operating segments based on the segment profits before tax.

Segment assets

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

Segment liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Segment information (continued)

Geographical segments

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

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

- (a) Revenue by geographical segments are as follows:

	Group	
	2015 US\$'000	2014 US\$'000
People's Republic of China	15,231	20,348
Asia	3,485	4,718
	18,716	25,066

Revenue of approximately US\$3,395,000 (2014: US\$3,994,000) is derived from a single external customer. These revenues are attributable to the People's Republic of China distribution and Asia distribution segment.

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

	Group	
	2015 US\$'000	2014 US\$'000
People's Republic of China	37,128	41,060
Asia	4,464	5,134
	41,592	46,194

32. Events occurring after balance sheet date

Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, to Nantong Jianghai Power Electronics Co Ltd ("the Purchaser")

On 25 January 2016, the Company entered into a Memorandum of Understanding ("MOU") with the Purchaser, allowing the Purchaser the option to purchase all shares in Europtronic (Suzhou) Co., Ltd, excluding certain assets, for consideration based on 1.5 times the net tangible asset value of Europtronic (Suzhou) Co., Ltd. The Purchaser will inform the Company before 25 May 2016 as to whether it is proceeding with its proposed purchase after reviewing the results of the due diligence which is currently in progress. The completion of the proposed sale shall take place by 25 July 2016.

As part of the MOU, the Purchaser has paid the Company a refundable deposit of RMB20 million. As a result of the arrangement, the Company has pledged 10% of its equity interest of Europtronic (Suzhou) Co., Ltd in favour of the Purchaser. Management is of the view that the proposed sale is probable and the proceeds from the sale will enable the Group and the Company to continue as going concern.

Sale of shares in Europtronic (Suzhou) Co., Ltd to Accuvest

On 11 March 2016, the Company has completed the sale of 3.3% shareholding of Europtronic ("Suzhou") Co., Ltd to Accuvest Capital Limited at a consideration of US\$600,000. The proceeds will be used to provide additional working capital for Europtronic ("Suzhou") Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

- FRS 1 Presentation of financial statements (effective for annual periods beginning on or after 1 January 2016)

This amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required by is different to that currently prepared under FRS 39.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Europtronic Group Ltd on 3 April 2016.

35. Listing of significant companies in the Group

Name of companies	Principal activities (Country of business/incorporation)	Equity holding	
		2015 %	2014 %
Subsidiaries held by the Company			
Europtronic (HK) Company Limited ^(c)	Trading of electronic components (Hong Kong)	100	100
Europtronic (Taiwan) Ind. Corp. ^(c)	Trading of electronic components, procurement centre and business development centre (Republic of China)	100	100
Europtronic Investment Pte Ltd ^(a)	Investment holding (Singapore)	100	100
UPT Component (S) Pte Ltd ^(a)	Trading of electronic components (Singapore)	100	100
Europtronic Electronic (Shenzhen) Co., Ltd ^(b)	Manufacture and distribution of own in-house manufactured metalised film capacitors, electronic components and ballasts (People's Republic of China)	100	100
Europtronic (Suzhou) Co., Ltd ^(b)	Manufacture and distribution of own in-house manufactured metalised film capacitors, plastic film capacitors, ceramic capacitors, tantalum capacitors and various types of chip capacitors (People's Republic of China)	92.35	100
Europtronic Technology (Suzhou) Co., Ltd	Dormant (People's Republic of China)	100	100
Europtronic Green Energy Pte Ltd ^(a)	Growing of bio-fuel related plantlets and renewable energy related business development (Singapore)	100	100
Subsidiary held by Europtronic Investment Pte Ltd:			
Crypson Electronics (S) Pte Ltd ^(a)	Trading of electronic components and related goods (Singapore)	100	100
Subsidiary held by UPT Component (S) Pte Ltd:			
UPT Crypson Component (Shanghai) Co., Ltd ^(b)	Trading of electronic components (People's Republic of China)	100	100
Subsidiary held by Europtronic (Taiwan) Ind. Corp.:			
Housing Technology Corp. ^(c)	Manufacture and distribution of chip inductors and chip beads (Republic of China)	99.7	99.97

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

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

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

SUPPLEMENTARY INFORMATION

(SGX-ST Listing Manual Disclosure Requirement)

The Group's properties as at 31 December 2015 are:

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

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

Shareholders' Information as at 18 March 2016

Number of Issued Shares	:	943,732,154
Number of Issued Shares (excluding Treasury Shares)	:	943,732,154 ordinary shares
Number/Percentage of Treasury Shares	:	NA
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

Substantial Shareholders as at 18 March 2016

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Huang Shih-An	161,620,193	17.13	92,124,465 *	9.76
Huang Chuang Shueh-Ou	92,124,465	9.76	161,620,193**	17.13
Chua Hwee Song	94,000,000	9.96	-	-

Notes:

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

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

Shareholdings Held in Hands of Public

As at 18 March 2016, approximately 71.99% of the Company's issued ordinary shares (excluding Treasury Shares) are held in the hands of the public.

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	11	0.70	162	0.00
100 - 1,000	83	5.33	51,410	0.00
1,001 - 10,000	292	18.74	1,722,977	0.19
10,001 - 1,000,000	1,072	68.81	145,291,314	15.39
1,000,001 AND ABOVE	100	6.42	796,666,291	84.42
TOTAL	1,558	100.00	943,732,154	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHUA HWEE SONG	94,000,000	9.96
2	PHILLIP SECURITIES PTE LTD	80,991,800	8.58
3	HUANG SHIH AN	61,620,193	6.53
4	HUANG CHUANG SHUEH OU	42,124,465	4.46
5	UOB KAY HIAN PRIVATE LIMITED	29,780,600	3.16
6	LEONG WAI PING	28,941,000	3.07
7	HSBC (SINGAPORE) NOMINEES PTE LTD	27,465,000	2.91
8	CITIBANK NOMINEES SINGAPORE PTE LTD	25,462,200	2.70
9	LIM HAN QIN	23,834,000	2.53
10	PHUA CHENG YENN	20,899,000	2.21
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	20,237,000	2.14
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,849,055	2.00
13	RAFFLES NOMINEES (PTE) LIMITED	17,254,200	1.83
14	OCBC SECURITIES PRIVATE LIMITED	14,315,368	1.52
15	DBS NOMINEES (PRIVATE) LIMITED	14,011,700	1.48
16	LIM CHAP HUAT	12,542,000	1.33
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	11,778,000	1.25
18	SUEN YIU CHUNG DICKY	11,514,818	1.22
19	HUANG YUN JU	10,557,704	1.12
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	10,350,800	1.10
TOTAL		576,528,903	61.10

NOTICE OF ANNUAL GENERAL MEETING

EUROPTRONIC GROUP LTD (Incorporated in the Republic of Singapore)
(Company Registration No. 200009775K)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Europtronic Group Ltd (the “Company”) will be held at The Conference Room, 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979 on Tuesday, 26 April 2016 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association:-
 - 2.1 Anthony Ang Meng Huat (retiring pursuant to Article 88) **(Resolution 2)**
 - 2.2 Huang Shih An (retiring pursuant to Article 89) **(Resolution 3)**
 - 2.3 Huang Chuang Shueh-Ou (retiring pursuant to Article 89) **(Resolution 4)**
3. To re-appoint Mr Lin Chien as a Director of the Company pursuant to the expiration of his period of office from the resolution passed at the last Annual General Meeting. **(Resolution 5)**
4. To approve the payment of Directors’ fees of S\$100,833 for the year ended 31 December 2015 (2014: S\$113,333). **(Resolution 6)**
5. To re-appoint PricewaterhouseCoopers LLP as the Company’s Auditors and to authorize the Directors to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to Issue Shares

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

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (Notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

Provided that:

- (1) The aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

EUROPTRONIC GROUP LTD (Incorporated in the Republic of Singapore)
(Company Registration No. 200009775K)

- (2) (Subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) In exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) Unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)]

(Resolution 8)

By Order of the Board

Claudia Teo Kwee Yee
Company Secretary
Singapore, 8 April 2016

Explanatory Notes on Resolutions to be passed:

- (i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

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

Notes:

1.
 - (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").
 - (b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

EUROPTRONIC GROUP LTD

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Europtronic Group Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

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

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

and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on at The Conference Room, 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979 on Tuesday, 26 April 2016 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

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

No	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Financial Statements for the year ended 31 December 2015		
2.	Re-election of Mr Anthony Ang Meng Huat as a Director		
3.	Re-election of Mr Huang Shih-An as a Director		
4.	Re-election of Mrs Huang Chuang Shueh-Ou as a Director		
5.	Re-appointment of Mr Lin Chien as a Director		
6.	Approval of Directors' fees amounting to S\$100,833		
7.	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
8.	Authority to Issue Shares		

* Delete where inapplicable

Dated this _____ day of _____ 2016

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

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



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 60 Kaki Bukit Place, #01-10 EunosTechpark, Singapore 415979 not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE DIRECTORY

SINGAPORE (Corporate Headquarters)

Europtronic Group Ltd
Cypson Electronics (Singapore) Pte Ltd
UPT Component (Singapore) Pte Ltd
Europtronic Investment Pte Ltd

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

Europtronic Green Energy Pte Ltd - Floral Architect

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

PEOPLE'S REPUBLIC OF CHINA

SHANGHAI

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Europtronic Beijing Representative Office

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SHENZHEN

Europtronic Electronic (ShenZhen) Co., Ltd.

8A, Unit L, BaoFa Building
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Shenzhen, Guangdong Province
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Fax : (86) 755-25260672

SUZHOU

Europtronic (Suzhou) Co., Ltd

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Wujiang Economic Development Zone
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Fax : (86) 512-63401648

HONG KONG

Europtronic (H.K.) Company Limited

Factory A2, 2/F
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Fax : (852) 27564876

TAIWAN

Europtronic (Taiwan) Ind. Corp.

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Fax : (886) 2-87523116

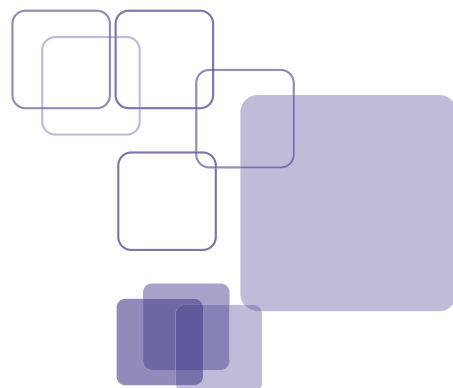
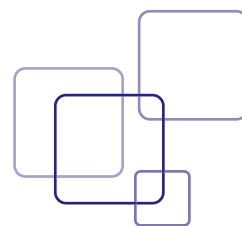
Housing Technology Corp.

12F., No. 255, Dong Sec. 1
Guangming 6th Rd.
Zhubei City, Hsinchu County 302
Taiwan (R.O.C)
Tel : (886) 3-6681010
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Europtronic London Representative Office

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United Kingdom
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優普集團

EUROPTRONIC GROUP LTD

Co. Reg. No.: 200009775K

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Singapore 415979

Tel.: (65) 6447 2037 Fax: (65) 6447 1582

Website: www.europtronicgroup.com

Enquiry: enquiry@europtronic.com



優普集團
EUROPTRONIC GROUP LTD

Co. Reg. No.: 200009775K

ADDENDUM TO THE ANNUAL REPORT 2015

To: Shareholders of Europtronic Group Ltd

We would like to provide an update on the following:

UTILISATION OF PROCEEDS

On 17 June 2015, the Company had allotted and issued 157,288,000 new ordinary shares of S\$0.019 each by way of Placement. The net proceeds from the issue of new shares under the Placement, after deducting expenses, were approximately S\$2,918,000.

The Company would like to provide an update on the use of the Proceeds, which have been utilised for the following purposes as at 7 July 2015:

1.	Trade creditors of the Company and its subsidiaries	S\$607,500
2.	Other operating expenses of the Company and its subsidiaries	S\$256,500
3.	Repayment of loans of the Company	S\$2,054,000

The use of net proceeds from the Placement is in accordance with the use of the net proceeds of the Placement provided in the Company's announcement dated 20 April 2015, i.e. for working capital.

As at 31 December 2015, the entire proceeds have been fully utilised.

Yours faithfully
For and on behalf of
Europtronic Group Ltd

HUANG SHIH-AN
Non-Executive Chairman
8 April 2016

(A member of Europtronic Group of Companies)
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