



MultiChem
The Hole Solution Provider

CONNECT PROTECT SECURE

ANNUAL REPORT
2015

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THE MULTI-CHEM GROUP'S BUSINESS



Multi-Chem has been engaged as a value added supplier to PCB manufacturers for close to three decades. With the ability to apply advanced technologies, a skillful and dedicated production team and customer oriented services, Multi-Chem has emerged as one of the leading drilling service providers in terms of capacity and technology in Eastern China. In addition to being a service provider to PCB manufacturers, the Company is also in the complementary business of distribution of PCB specialty chemicals and related materials.

Other than PCB related business, the Group also ventures to the IT arena, where Multi-Chem, through the M.Tech group, has been engaged in the distribution of IT products since 2002. The M.Tech group is a leading regional IT products distributor, carrying best-of-breed products from industry leading vendors and with a presence in 29 cities in 15 countries.

DEFINITIONS

In this Annual Report, the following definitions apply throughout where the context so admits:

“Group”	The Company and its subsidiaries
“Multi-Chem” or “Company”	Multi-Chem Limited
“M.Tech”	One or more of the M.Tech / M-Security / E-Secure companies
“E-Secure”	One or more of the E-Secure companies

SUBSIDIARIES

“E-Secure Malaysia”	E Fortify Asia Sdn. Bhd.
“E-Secure Singapore”	E-Secure Asia Pte. Ltd.
“E-Secure Thailand”	E-Secure Asia Co., Ltd.
“M.SaaS Solutions”	M.SaaS Solutions Pte. Ltd.
“M.Tech Australia”	M.Tech Products Aust Pty Limited
“M.Tech Holdings”	M.Tech Holdings Pte. Ltd.
“M.Tech Hong Kong”	M.Tech Products (HK) Pte Limited
“M.Tech India”	M.Tech Solutions (India) Private Limited
“M.Tech Indochina”	M-Security Technology Indochina Pte. Ltd.
“M.Tech Indonesia”	PT. M.Tech Products
“M.Tech Japan”	M.Tech Products Japan Kabushiki Kaisha
“M.Tech Korea”	M.Tech Products Korea Limited Liability Company
“M.Tech Malaysia”	M-Security Technology Sdn. Bhd.
“M.Tech Myanmar”	M.Tech Products Myanmar Ltd.
“M.Tech New Zealand”	M.Tech Products New Zealand Limited
“M.Tech Philippines”	M.Tech Products Philippines, Inc.
“M.Tech Shanghai”	M.Tech (Shanghai) Co., Ltd.
“M.Tech Singapore”	M.Tech Products Pte Ltd
“M.Tech Taiwan”	M.Tech Products TW Pte. Ltd.
“M.Tech Thailand”	M-Solutions Technology (Thailand) Co., Ltd.
“M.Tech UK”	M.Tech Products (UK) Pte Ltd
“M.Tech Vietnam”	M-Security Technology Vietnam Company Limited
“M-Security Philippines”	M-Security Tech Philippines, Inc.
“Multi-Chem Kunshan”	Multi-Chem Electronics (Kunshan) Co., Ltd
“Multi-Chem Laser”	Multi-Chem Laser Technology (Suzhou) Co., Ltd.
“Multi-Chem PCB Kunshan”	Multi-Chem PCB (Kunshan) Co., Ltd.
“Multi-Chem Suzhou”	Multi-Chem (Suzhou) Co., Ltd.
“SecureOneAsia”	SecureOneAsia Pte. Ltd.
“SecureOne India”	SecureOne India Holding Pte. Ltd.

OTHER TERMS

“AC”	Audit Committee
“Board”	Board of Directors
“CNC”	Computer numeric controlled
“FY”	Financial year
“IT”	Information technology
“M”	Million
“NC”	Nominating Committee
“PAT”	Profit after tax
“PBT”	Profit before tax
“PCB”	Printed circuit board
“RC”	Remuneration Committee
“WAN”	Wide area network

CORPORATE PROFILE



Multi-Chem is a specialist drilling service provider and also a distributor of specialty chemicals and materials to PCB manufacturers. Incorporated in 1985, Multi-Chem was listed on SESDAQ in January 2000 and upgraded to the Main Board of The Singapore Exchange in November 2000.

Already established in South East Asia, we expanded to Suzhou, China in 2002, and Kunshan, China in 2006. Besides doing mechanical drilling, we also commenced the provision of laser drilling services in China. Laser drilling complements our strengths in mechanical drilling and allows us to drill microvia of sizes not achievable by mechanical drilling.

We are currently one of the leading PCB drilling providers, in terms of both capacity and technology, in the Huadong area in China (Eastern China, in particular, Shanghai, Suzhou and Kunshan regions).

In May 2002, we diversified into the business of IT distribution where we focus on best-of-breed internet security, WAN optimisation, network management and video conferencing products from industry leading vendors.

Through Multi-Chem's subsidiaries under the M.Tech umbrella, our IT business has expanded in both product range and geographical coverage since inception and now spans Singapore, Australia, China (including Hong Kong), India, Indonesia, Japan, Korea, Malaysia, Myanmar, New Zealand, Philippines, Taiwan, Thailand, United Kindom and Vietnam.

We started IT training business in Singapore in late second quarter of 2004 to complement the IT distribution business. We are currently authorised to conduct training for Allot, Blue Coat, Check Point and Nutanix courses. The IT training business is able to provide training courses for MobileIron and Solarwinds too.

Today, the Group comprises the Company, 29 subsidiaries, 2 representative offices, 4 branches and 10 offices, with a staff strength of nearly 1000.



Board of Directors

Lim Keng Jin *Chairman*
Foo Suan Sai *CEO*
Han Juat Hoon
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen
Foo Fang Yong

Company Secretary

Chan Lai Yin

Audit Committee

Wong Meng Yeng *Chairman*
Lim Keng Jin
Neo Mok Choon
Foo Maw Shen

Nominating Committee

Neo Mok Choon *Chairman*
Foo Suan Sai
Wong Meng Yeng
Lim Keng Jin
Foo Maw Shen

Remuneration Committee

Lim Keng Jin *Chairman*
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen

Registered Office

16H Enterprise Road
Singapore 627657
Tel: (65) 6863 1318
Fax: (65) 6863 1618

Share Registrar

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Share Listing

The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2000

Independent Auditor

BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road, #05-01
Singapore 058267
Partner-in-charge: Goh Chern Ni
Appointment since the financial year
ended 31 December 2013

Internal Auditor

Yang Lee & Associates
10 Anson Road #31-03
International Plaza
Singapore 079903

Principal Bankers

Citibank N.A.
DBS Bank Ltd
HSBC Limited
United Overseas Bank Limited
Australia and New Zealand Banking Group
Limited (ANZ)

IR Contact

16H Enterprise Road
Singapore 627657
Tel: (65) 6863 1318
Fax: (65) 6863 1618
E-mail: irmultichem@multichem.com.sg

General

For further information about Multi-Chem,
please contact the secretariat at the
registered office

E-mail:
salesmultichem@multichem.com.sg
sales@mtechpro.com

Websites:
<http://www.multichem.com.sg>
<http://www.mtechpro.com>

BOARD OF DIRECTORS

1. Lim Keng Jin

*Chairman, Independent Director, Chairman of RC,
Member of AC and NC*

Mr Lim was appointed as a Director of the Company in April 2005. He is currently the non-executive director of G.K.Goh Holdings Limited and has more than 30 years of experience in the stock broking industry. He is a fellow member of the Institute of Chartered Accountants of England and Wales. He was an auditor and accountant in Singapore and England before he joined the stock broking industry in 1971.

2. Foo Suan Sai

Chief Executive Officer and Member of NC

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 20 years of experience in the PCB industry, of which the last 27 years were spent building up the Company. Mr Foo is currently responsible for the overall direction and development of the Group. He holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

3. Han Juat Hoon

Chief Operating Officer

Mdm Han is a founding shareholder of Multi-Chem. She has been a Director of the Company since 1987 and commenced working in an executive capacity with the Company in 1992. Mdm Han is well versed in factory operations, having held the appointment of factory manager with a chemical company for 12 years from 1980 to 1992. She is responsible for the overall operations of the Group. Mdm Han holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

4. Wong Meng Yeng

*Independent Director, Chairman of AC,
Member of RC and NC*

Mr Wong was appointed as a Director in January 2000. He has been an advocate and solicitor in Singapore for 32 years, with the past 26 years spent as a corporate lawyer. He holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is currently a director in Alliance LLC, a law corporation he co-founded.



5. Neo Mok Choon

*Independent Director, Chairman of NC,
Member of AC and RC*

Mr Neo was appointed as a Director in August 2012. He has more than 20 years of experience in the PCB industry. He holds a Bachelor of Engineering (Chemical) degree from the National University of Singapore and was Vice President (Operations, Asia Pacific) of Bedero Shaw (Singapore) Pte Ltd.

6. Foo Maw Shen

Independent Director, Member of AC, NC and RC

Mr Foo was appointed as a Director in July 2014. He has over 20 years of extensive experience in commercial litigation, with particular emphasis on restructuring, insolvency litigation, shareholders' disputes, commercial fraud, trust laws and litigation involving gaming issues. He is currently a senior partner in Rodyk & Davidson LLP's Litigation & Arbitration Practice Group and is actively involved in the firm's China Practice.

7. Foo Fang Yong

Executive Director, General Manager

Mr Foo was appointed as a Director in May 2015. Mr Foo joined the Company's subsidiary, M.Tech Products Ptd Ltd in Year 2011 as an I-Security Engineer after completing his Honours Degree in Bachelor of Engineering (Computer Engineering) from National University of Singapore. He subsequently moved to the position of Product Manager in May 2012. At the same time, he attained RSA SecurID Certified Systems Engineer in Year 2011 and Blue Coat Certified ProxySG Professional, Sourcefire Certified Expert (SFCE) v5 and Riverbed Certified Solutions Professional WAN Optimization in Year 2012.



MANAGEMENT TEAM

1. Koh Henry

Senior Manager, Operations

Mr Koh joined the Company as a Service Engineer in May 2000 after completing his university education. He was promoted from QA & Process Manager to Senior Manager (Operations) in November 2005. He currently oversees the operation in the Manufacturing Services Division, which include quality assurance and production. From 1996 to 1997, he worked as an assistant engineer in Hitachi Chemical Asia Pacific Pte Ltd. He holds a Bachelor's degree in Mechanical & Production Engineering from the Nanyang Technological University.

2. Pui Boon Tiong Eugene

Regional Director

Mr Pui worked as an engineer with local PCB manufacturers, Motorola Electronics Pte Ltd and WUS Printed Circuits Pte Ltd prior to joining the Company in December 1999. He worked his way up in Multi-Chem from Assistant Production Manager to Operations Manager before being named Regional Director. He currently oversees business development for various countries within IT business.

3. Lim Kok Soon Rayson

Financial Controller

Mr Lim has been with the Company since March 2002, where he joined as an accountant and was promoted to Senior Finance Manager and subsequently Financial Controller, a position he currently holds. He is in-charge of the Group's financial reporting, finance and tax functions and works closely with internal and external auditors, tax agent and the bankers in performing his role.



4. Yang Wen Kuai

Senior Manager, Business - China Operations

Mr Yang has been with the Company since August 2001. He worked with Multi-Chem for 2 months before being posted to Multi-Chem Suzhou as sales manager and he is based there for the last 14 years. He currently oversees the marketing and business development of the Group's operations in China. Before joining the Company, Mr Yang has 8 years of sales experience in the automotive industry in Taiwan.

5. Goh Tian Keong Winston

Regional Director of Greater China and Korea

Mr Goh has been responsible for the IT business development of M.Tech business in Greater China for the past 11 years. He was promoted to Regional Director of Greater China and Korea and is responsible for the IT business development in Greater China, Hong Kong, Taiwan and Korea. Prior to joining Multi-Chem Limited in Year 2004, he worked in various IT companies for 6 years. He started as Senior Network Specialist and progressed to Senior Business Development Manager.



LETTER TO SHAREHOLDERS

Revenue
\$347M
in 2015
19% growth
from 2014

Foo Suan Sai
Chief Executive Officer

**As at
31 December
2015, the
Group has
22 laser
machines
and 143
CNC drilling
machines**

The Group's revenue reached new heights in year 2015 as we brought in \$347M in revenue as compared to \$292M in year 2014. This boost in the Group's performance was mainly due to continual expansion of the Group's IT arm, the increase in spending by corporations and governments on internet security products in the year 2015. The IT distribution business grew by 21% while the PCB business dropped by 1% in 2015. Overall, the Group's revenue grew by 19%.

The Group

The Group currently has manufacturing facilities in the city of Kunshan in Eastern China, a region known to be one of the fastest growing in terms of PCB production volume. We are one of the leading players in PCB drilling in terms of technology and capacity. As of 31 December 2015 the Group has 140 CNC drilling machines and 13 laser drilling machines in China.

In Singapore, the Group currently operates out of its premise at 16H Enterprise Road and several units at Tradehub 21. As at 31 December 2015, the number of CNC drilling machines and laser drilling machines in Singapore numbered 3 and 9 respectively. The Group's PCB manufacturing service business is therefore mainly derived from its China operations.

As at 31 December 2015, the Group has 22 laser machines and 143 CNC drilling machines, 42 of the CNC drilling machines are capable of drilling at speeds of up to 200,000 rpm, which can achieve higher accuracy for micro vias, particularly for hole-sizes of 0.2mm and below. These machines enable us to service customers that have more stringent hole requirements. Further savings were made when we cut back on headcount in the manufacturing service business.

The Group's main business in 2015 was still its IT business, which accounted for 93% of the Group's revenue. This business commenced in 2002 and is marketed under the M.Tech brand. We expect the IT business to remain as the Group's main business in the near future as corporations and governments increasingly recognize the need to strengthen their internet security infrastructure. An article published on the Forbes website in 20 December 2015 stated that spending on Cybersecurity will reach \$75 billion for 2015, and is



Net working capital
improved from

\$64M

in 2014 to

\$72M

in 2015



Lim Keng Jin
Chief Executive Officer



expected to be worth \$170 billion by 2020. We believe that we will benefit from this growth through our wide geographical coverage and by promoting only the best-of-breed IT products.

While IT security remains the main focus of M.Tech, the Group also carries complementary products in the areas of WAN optimization and network management. It will continue to rationalize and be selective of its existing IT product range. Besides the IT products we distribute, the Group is also authorized to provide certified IT training courses for Allot, Blue Coat, Check Point and Nutanix.

Financial Performance

The Group recorded revenue of \$347M in 2015, which is 19% more than \$292M achieved in 2014. Comparing the fourth quarter of 2015 to fourth quarter of 2014, the revenue increased by 21%, from \$79M to \$96M.

The increase in Group's revenue for the year is mainly due to the positive contributions from IT business, while there was some contraction in the PCB business. In the fourth quarter of 2015, the IT business increased by 25% compared to fourth quarter of 2014, while the PCB business decreased by 18% over the same period. The increase in IT business was mainly due to closing of a few big deals in year 2015, while the decrease in PCB business was mainly due to the economic slow down in China.

Revenue from the PCB business accounted for approximately 7% of Group's revenue in 2015. Contribution from the IT business made up about 93% of Group's revenue in 2015.

Comparing revenue by geographical segments, 19% of the Group's revenue in 2015 was derived from China. Of the remaining 81%, Singapore accounted for 33% and the rest of the regions accounted for the remaining 48%. Contribution from Singapore increased from 29% in year 2014 to 33% in year 2015 mainly due to the continued focus on IT security in Singapore.

The Group recorded a profit before tax of \$8.8M in 2015 compared to \$7.4M in 2014, an increase of 19%. The increase in profit before tax is mainly attributed by the increase in revenue. On an after-tax basis, the Group recorded a profit of approximately \$6.0M in 2015 as

The Group recorded a profit before tax of \$8.8M in 2015 compared to \$7.4M in 2014, an increase of 19%.



LETTER TO SHAREHOLDERS

The IT business contributed \$321M and this accounted for around 93% of Group's revenue in 2015 and this business is expected to deliver more in 2016.



compared to \$5.4M in 2014. On a weighted average basis, the Group's earnings per share dropped from 5.37 cents in 2014 to 5.30 cents in 2015.

Financial Position

The Group has kept its balance sheet healthy and improved its financial position in 2015. As of 31 December 2015, the net working capital of the Group stood at \$72M, compared to \$64M as at 31 December 2014. This includes cash and cash equivalents of \$37M. Shareholders' funds and net asset value per share stood at approximately \$98M and 101 cents respectively as at 31 December 2015.

The Directors are pleased to recommend a final dividend of 2.20 cents for 2015.

Business Outlook

The Group will continue to focus on growing the IT business. Economic and political conditions are still key factors in determining the level of IT spending. The IT business contributed \$321M and this accounted for around 93% of Group's revenue in 2015 and this business is expected to deliver more in 2016.

The Group will continue to focus on the distribution of only the top names in IT security products, and will continue to look for suitable products to add to its range.

The Group has a presence in 31 cities in 15 countries in Asia Pacific Region and Europe. The M.Tech regional offices are expected to contribute positively to the Group's business in 2016.

Appreciation

On behalf of the Board of Directors, we wish to thank the staff and management of the Group for their commitment and dedication during the past years. Special thanks go to the colleagues on the Board for their strong support and positive contribution. We would also like to express our sincere appreciation to our shareholders, suppliers, customers and business partners for their invaluable support.

We look forward to bringing the Group to greater heights in 2016.

Lim Keng Jin
Group Chairman

Foo Suan Sai
Chief Executive Officer

The Group recorded a profit of

\$8.8M

in 2015 which is

19%

more than

\$7.4M

in 2014

The IT sector of the Group under the M.Tech companies has expanded in both product range and geographical coverage since its inception in May 2002.

PCB Business

Revenue for PCB Business of the Group decreased marginally from \$25.8M in FY2014 to \$25.6M in FY2015. The decrease was mainly due to economic slowdown in China in year 2015, particularly decline in demand for the high end electronic products.

Revenue for mechanical drilling service in China increased by 8.7% from \$17.3M in FY2014 to \$18.8M in FY2015. The increase was mainly due to higher efficiency and productivity achieved.

Laser drilling services dropped significantly in FY2015 mainly due to the slowdown in China economy resulting in decline for high end electronic products. Revenue for this business decreased by 37.7% from \$6.1M in FY2014 to \$3.8M in FY2015.

As at 31 December 2015, the Group has 22 laser drilling machines and 143 CNC drilling machines, of which 42 are capable of drilling at 200,000 rpm, 85 are capable of drilling at 160,000 rpm and 16 are capable of drilling at 125,000 rpm. The higher drilling speeds allow for higher accuracy for drilling smaller holes.

IT Business

The IT sector of the Group under the M.Tech companies has expanded in both product range and geographical coverage since its inception in May 2002.

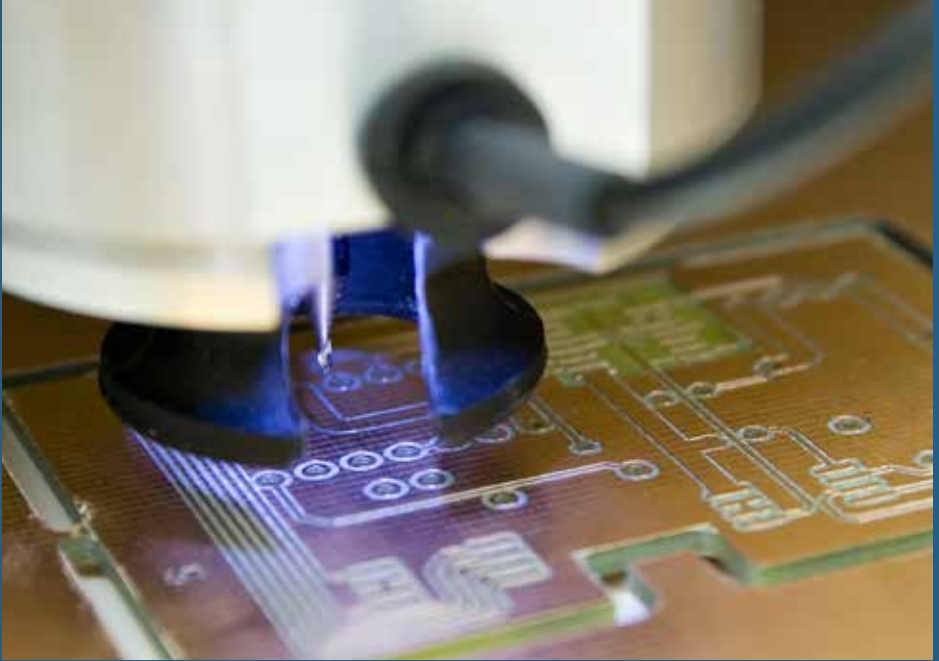
In FY2015, the Group added more leading products, including Sonicwall, LogRhythm, Infotec, Lieberman and Darktrace, to its product suite during the year. Of the products that it carries, the Group is also the sole distributor for several leading products in selected regions.

The Group is selective in taking up new products to remain focused on selling the best-of-breed IT security products and delivering value added services to major systems integrators and resellers in Singapore and the regions.

The IT Business of the Group currently has a presence in 29 cities in 15 countries and carries internet security products from industry leading vendors.



PROSPECTS AND FUTURE PLAN



PCB Business

Comparing 4Q2015 to 4Q2014, the revenue for this quarter decreased by 17.6% or \$1.2M from \$6.8M in 4Q2014 to \$5.6M in 4Q2015. On a 12 month basis, revenue decreased marginally by \$0.2M from \$25.8M in 12M2014 to \$25.6M in 12M2015. The decrease was mainly due to the economic slowdown in China in year 2015. The Group expects revenue contribution from this sector to be limited as the Group continues to face price reduction pressures from its customers.

The Group is currently one of the leading PCB drilling service providers in terms of capacity and technology in Eastern China. As at 31 December 2015, the Group had 143 mechanical drilling machines and 22 laser drilling machines. The Group will continue to be selective to its customers, rationalise operations, manage headcount to cut cost and conserve cash.



PROSPECTS AND FUTURE PLAN

IT Business

The IT business through Singapore and the regional offices reported revenue of \$90.4M in 4Q2015, an increase of 25.0% or \$18.1M from \$72.3M in 4Q2014. On a full year basis, this business grew by 20.9% or \$55.5M, from 265.9M in 12M2014 to \$321.4M in 12M2015. The growth was mainly due to the closing of a few big deals in 12M2015.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Blue Coat, Check Point, Imperva, Riverbed and RSA.

To promote technical competency internally and to train its partners, the Group is able to provide certified IT training through the Education Services Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Allot, Blue Coat, Check Point and Nutanix courses. The Education Services Division is able to provide training courses for MobileIron and Solarwinds too. This business is complementary to the core IT distribution business and is expected to bring about more

awareness and technical knowledge through the courses conducted.

As at 31 December 2015, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific Region and in Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. With the recent USA interest rates rise, the cost of business is expected to increase as well. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group as more efforts are put into growing the IT business.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.



Risk Factors

The Group's primary business risk in its PCB business is the exposure to the electronics products sector. Our customers are PCB manufacturers, most of whom will be exposed to the cyclical nature of the electronics business. Any downturn in the electronics cycle will result in a cutback in outsourcing, which will impact the Group negatively. Additionally, with the typically heavy capital investment required in the manufacturing service business, the Group will be adversely affected should there be a downturn in the electronics business due to the high fixed costs in this business.

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade receivables closely as collection generally takes longer in China. The Group is tightening the credit assessment on customers for all regions.

The Group, with significant investment in China, is also exposed to the political, legal and economic climates of the country. Such risks pertaining to the political, legal and economic climates extend to the other markets in which the Group is operating.

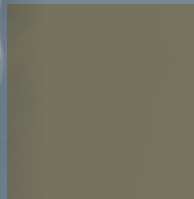
We are also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US

dollar, Chinese renminbi, Thailand baht, Malaysia ringgit, Indian rupee and to a lesser extent, Euro, Taiwan dollar, Indonesian rupiah, Philippines peso, Hong Kong dollar, Korea won, Japanese yen, New Zealand dollar and Australian dollars. The Group may, from time to time, enter into borrowing and foreign exchange arrangements to reduce its foreign currency exposure. The Group expects to be exposed to a higher foreign exchange risk with the current volatility of the US dollar against some of the local currencies we collect from the customers.

In the area of IT distribution, the Group is subjected to risk of reliance on a few key vendors, with respect to their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence with respect to the hardware carried. Despite such risks, the Group has taken steps to align with the leading names in the IT arena and as such, there is a good probability that such companies will take steps to ensure that their products maintain the technological edge. The Group also monitors its inventories on a quarterly basis and will make allowance where necessary.



SIGNIFICANT EVENTS



1Q2015

- ▶ E-Secure distributes LogRhythm in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

2Q2015

- ▶ Multi-Chem consolidated every four shares of the Company into one consolidated share.
- ▶ Multi-Chem appointed Mr Foo Fang Yong as Executive Director of the Company.
- ▶ Multi-Chem's indirect subsidiary, M.Tech Solutions (India) Private Limited established M.Tech India Singapore Branch.
- ▶ Multi-Chem's associate company, Hawera Precision Tec Pte Ltd completed its members' voluntary liquidation.
- ▶ M.Tech held Security Exchange 2015.
- ▶ M.Tech held M.Showdown Bowling Challenge 2015.
- ▶ M.Tech distributes Darktrace in Asia Pacific (exclude India).
- ▶ E-Secure distributes Sonicwall in Singapore.

3Q2015

- ▶ M.Tech held M.Pro Golf Challenge 2015.
- ▶ E-Secure distributes Lieberman in Singapore.

4Q2015

- ▶ Multi-Chem's indirect subsidiary, SecureOneAsia disposed off its entire 51% equity interest in M-Virtual Technology India Private Limited.
- ▶ M.Tech held M.Appreciation Night 2015 in Singapore.
- ▶ M.Tech distributes Infotect in Australia, Indonesia, Singapore and Thailand

FINANCIAL CALENDAR

30

< APRIL >

Annual General Meeting and announcement of 2015 1st quarter results

2015

31

< JULY >

Announcement of 2015 half year results

2015

30

< OCTOBER >

Announcement of 2015 3rd quarter results

2015

05

< FEBRUARY >

Announcement of 2015 full year results

2016

28

< APRIL >

Annual General Meeting and announcement of 2016 1st quarter results

2016

< JULY >

Announcement of 2016 half year results

2016

< OCTOBER >

Announcement of 2016 3rd quarter results

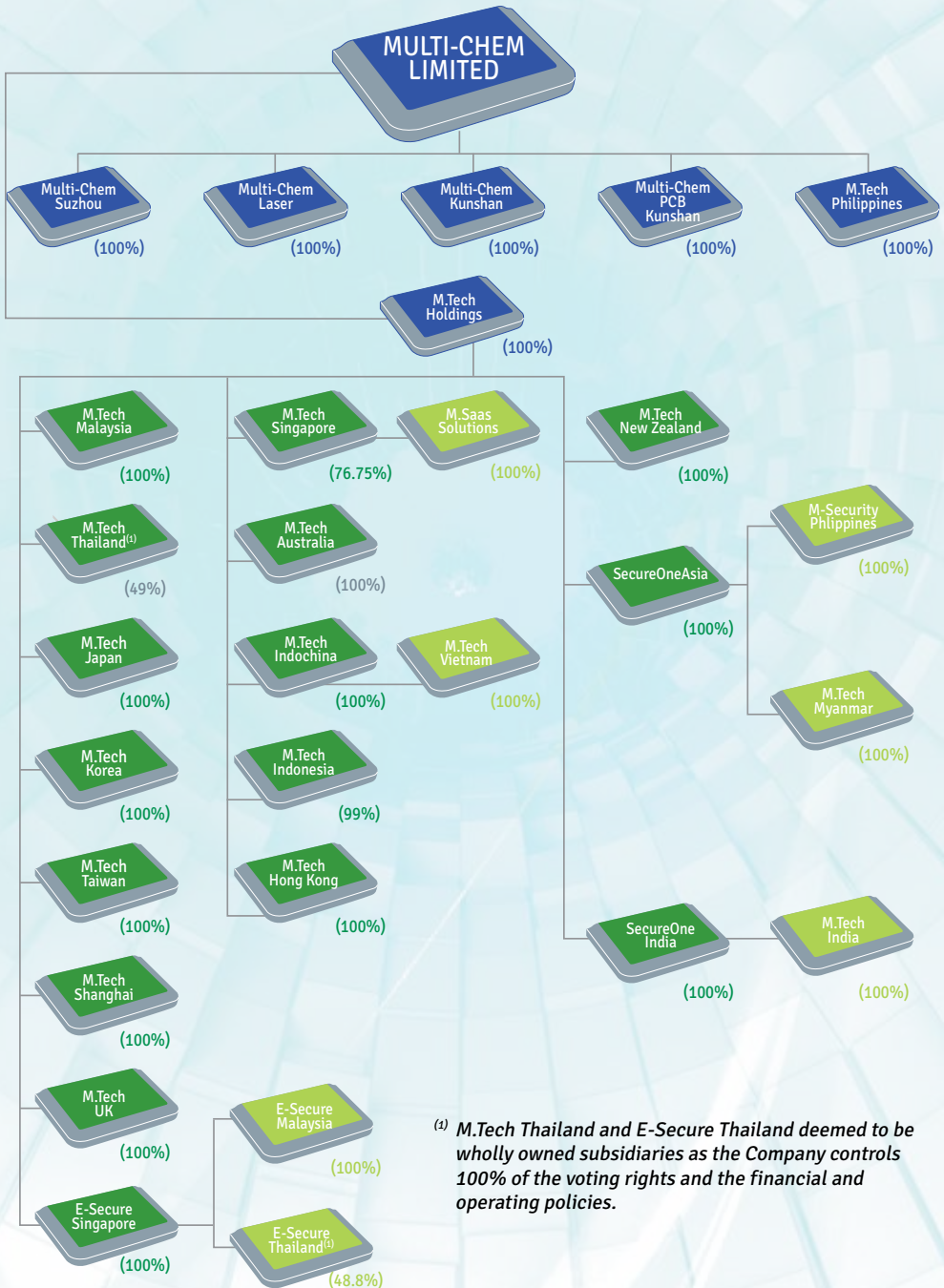
2016

< FEBRUARY >

Announcement of 2016 full year results

2017

GROUP STRUCTURE



⁽¹⁾ M.Tech Thailand and E-Secure Thailand deemed to be wholly owned subsidiaries as the Company controls 100% of the voting rights and the financial and operating policies.

FINANCIAL HIGHLIGHTS

GROUP BALANCE SHEET

As At 31 December (S'000)	2015	2014	2013	2012	2011
Property, plant and equipment	20,673	23,571	27,375	28,920	37,249
Investment in an associate	-	224	474	617	743
Available-for-sale investment	4,047	3,647	-	-	-
Other non-current assets	4,383	3,878	2,481	1,659	1,185
Current assets	157,970	157,328	145,761	127,224	122,421
Current liabilities	(86,361)	(93,785)	(87,615)	(71,428)	(70,915)
Net current assets	71,609	63,543	58,146	55,796	51,506
Long term borrowings	(2,789)	(3,498)	(1,600)	(1,273)	(1,442)
Deferred income tax liabilities	-	-	(11)	(29)	(126)
Other non-current liability	(219)	-	-	-	-
	97,704	91,365	86,865	85,690	89,115
Share capital	37,288	37,288	37,288	37,288	37,288
Foreign currency translation reserve	4,670	2,249	468	(3,917)	1,286
Other reserves	75	(67)	(123)	-	-
Statutory reserve	5,281	4,919	6,132	5,778	5,379
Accumulated profits	43,699	42,137	39,039	43,261	42,038
	91,013	86,526	82,804	82,410	85,991
Non-controlling interest	6,691	4,839	4,061	3,280	3,124
	97,704	91,365	86,865	85,690	89,115

GROUP PROFIT & LOSS

Year Ended (\$'000)	2015	2014	2013	2012	2011
Turnover	347,057	291,664	262,736	237,404	206,850
Gross profit	52,690	45,750	41,014	41,755	38,716
Other income	2,404	3,098	2,778	3,213	3,826
Earnings before interest, tax, depreciation & amortisation (EBITA)	14,306	13,324	9,080	15,189	17,677
Depreciation & amortisation	(4,867)	(5,160)	(5,585)	(5,669)	(8,334)
Interest expense	(648)	(543)	(541)	(381)	(186)
Profit from operations	8,791	7,621	2,954	9,139	9,157
Share of results of an associate	(30)	(250)	(143)	(126)	35
Profit before income tax	8,761	7,371	2,811	9,013	9,192
Income tax expense	(2,739)	(1,976)	(2,200)	(2,989)	(3,390)
Net profit	6,022	5,395	611	6,024	5,802
Non-controlling interests	(1,243)	(555)	(515)	(438)	(260)
Equity holders of the Company	4,779	4,840	96	5,586	5,542

ANALYSIS (%)

Year	2015	2014	2013	2012	2011
Gross profit margin	15.2	15.7	15.6	17.6	18.7
PBT margin	2.5	2.5	1.1	3.8	4.4
Turnover increase	19.0	11.0	10.7	14.8	13.7
Operating profit increase/(decrease)	15.4	158.0	(67.7)	(0.2)	(41.3)
Net profit increase/(decrease)	11.6	783.0	(89.9)	3.8	(50.7)

FINANCIAL HIGHLIGHTS

PER SHARE DATA

(cents, unless otherwise stated)

	2015	2014	2013	2012	2011
Net earnings (basic) ¹	5.30	1.34	0.03	1.55	1.54
Net earnings (fully diluted) ²	5.30	1.34	0.03	1.55	1.54
Net dividend	3.31	0.82	1.10	1.10	1.10
Net dividend payout (times)	0.62	0.61	36.67	0.71	0.71
Net assets value ³	101.02	24.01	22.98	22.87	23.86
Gross dividend	3.31	0.82	1.10	1.10	1.10
Gross dividend yield (%) ⁴	6.9	5.66	7.91	8.33	11.96

1 Numbers of shares used in the above computation (M)

90.1

360.4

360.4

360.4

360.4

2 Numbers of shares used in the above computation (M)

90.1

360.4

360.4

360.4

360.4

3 Numbers of shares used in the above computation (M)

90.1

360.4

360.4

360.4

360.4

4 Based on the closing share price as at the last market day of the year

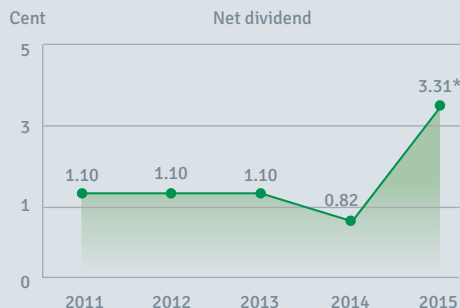
48.0

14.5

13.9

13.2

9.2

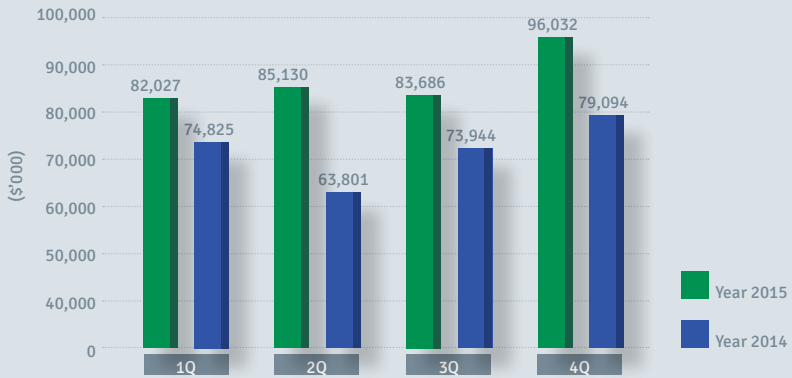


* The figures are after the share consolidation exercise to consolidate every 4 ordinary shares into 1 ordinary share.

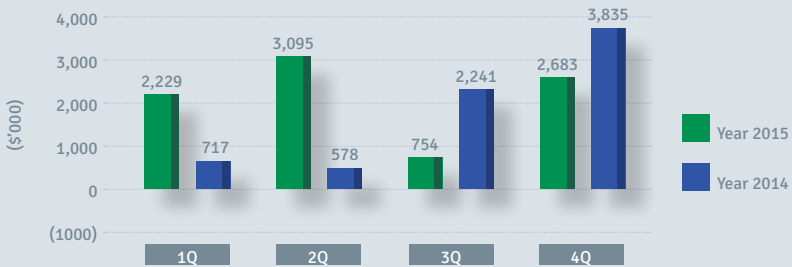
FINANCIAL RATIOS

	2015	2014	2013	2012	2011
Current ratio (times)	1.83	1.68	1.66	1.78	1.73
Return on shareholder's funds (%)	5.25	5.59	0.12	6.78	6.44
Return on assets employed (%)	2.55	2.57	0.05	3.53	3.43
Debt equity ratio	0.23	0.41	0.36	0.28	0.31
Debt interest cover	0.69	0.38	0.30	0.64	0.68

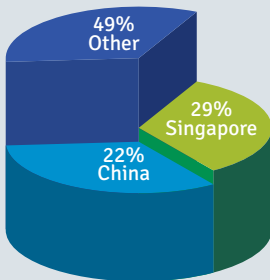
Turnover (\$'000)



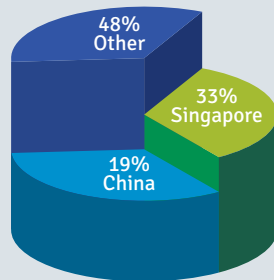
Profit before income tax (\$'000)



Group Turnover By Geographical Segments



YEAR 2014



YEAR 2015

FINANCIAL HIGHLIGHTS

SEGMENTAL INFORMATION

BY BUSINESS SEGMENTS

Year Ended (\$'000)	PCB Business		IT Business		Total	
	2015	2014	2015	2014	2015	2014
Turnover						
1st Quarter	6,318	5,101	75,709	69,724	82,027	74,825
2nd Quarter	6,846	5,965	78,284	57,836	85,130	63,801
3rd Quarter	6,897	7,985	76,971	65,959	83,868	73,944
4th Quarter	5,560	6,762	90,472	72,332	96,032	79,094
	25,621	25,813	321,436	265,851	347,057	291,664
Segment results						
1st Quarter	637	(120)	1,592	837	2,229	717
2nd Quarter	1,282	(288)	1,813	866	3,095	578
3rd Quarter	835	1,763	(81)	478	754	2,241
4th Quarter	(179)	1,244	2,862	2,591	2,683	3,835
	2,575	2,599	6,186	4,772	8,761	7,371

BY GEOGRAPHICAL SEGMENTS

Year Ended (\$'000)	Singapore		China		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
1st Quarter	28,548	24,349	15,387	14,437	38,092	36,039	82,027	74,825
2nd Quarter	26,908	18,990	16,016	13,939	42,206	30,872	85,130	63,801
3rd Quarter	27,669	21,150	17,672	18,595	38,527	34,199	83,868	73,944
4th Quarter	31,847	21,600	17,685	16,023	46,500	41,471	96,032	79,094
	114,972	86,089	66,760	62,994	165,325	142,581	347,057	291,664

REVENUE

The Group achieved a turnover of \$96.0M for the three months ended 31 December 2015 (“4Q2015”), an increase of 21.4% or \$16.9M compared to the revenue of \$79.1M for the three months ended 31 December 2014 (“4Q2014”). For the twelve months ended 31 December 2015 (“12M2015”), the Group achieved turnover of \$347.0M, a year-on-year increase of 19.0% or \$55.3M, compared to revenue of \$291.7M achieved for the twelve months ended 31 December 2014 (“12M2014”).

In comparison to the three months ended 30 September 2015 (“3Q2015”), the revenue for 4Q2015 increased by 14.4% or \$12.1M from \$83.9M in 3Q2015 to \$96.0M in 4Q2015.

For 4Q2015, the IT business accounted for 94.2% of Group revenue, while the PCB business accounted for the remaining 5.8% of Group revenue.

PCB Business

Revenue in this Division decreased by 17.6% or \$1.2M, from \$6.8M in 4Q2014 to \$5.6M in 4Q2015. The decrease is mainly due to the economic slowdown in China. Comparing 4Q2015 to 3Q2015, revenue in this Division decreased by 18.8% or \$1.3M from \$6.9M in 3Q2015 to \$5.6M in 4Q2015.

IT Business

The IT distribution business achieved a quarterly revenue of \$90.4M in 4Q2015, an increase by 25.0% or \$18.1M, from \$72.3M in 4Q2014. On a full year basis, this business grew by 20.9% or \$55.5M, from \$265.9M in 12M2014 to \$321.4M in 12M2015. The growth was mainly due to the closing of a few big deals in 12M2015.

Comparing 4Q2015 to 3Q2015, revenue increased by 17.4% or \$13.4M, from \$77.0M in 3Q2015 to \$90.4M in 4Q2015.



FINANCIAL REVIEW

PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$2.7M in 4Q2015, as compared to \$3.8M in 4Q2014.

The decrease in PBT was due to the following:

- (1) Lower gross profit margin by 1.7 percentage points from 15.5% in 4Q2014 to 13.8% in 4Q2015. The decrease in gross profit margin was mainly due to a decrease in turnover in the high operating leverage PCB Division. Given the fixed cost of depreciation on laser and mechanical drilling machines, the gross margin is particularly sensitive to changes in production volumes;
- (2) An increase in allowance for inventory obsolescence from \$326,000 in 4Q2014 to \$1.0m in 4Q2015. The increase was mainly due to cancellation of orders from customers;
- (3) An impairment loss of plant and equipment of \$502,000 in 4Q2015 due to lower revenue forecast for PCB Business as a result of the gloomy economic outlook in China. There is no such impairment in 4Q2014;
- (4) An increase in allowance for doubtful third parties receivables from \$156,000 in 4Q2014 to \$653,000 in 4Q2015 due to delay in payment from customers; and
- (5) An increase in doubtful third parties trade receivables written off from \$30,000 in 4Q2014 to \$527,000 in 4Q2015 mainly due to doubtful trade receivables written off to profit or loss, arising from the disposal of a subsidiary during 4Q2015.

The drop in PBT was however ameliorated by the following:

- (1) A decrease in depreciation cost from \$1.4M in 4Q2014 to \$893,000 in 4Q2015 mainly due to depreciation of RMB against SGD and some of the plant and equipment were fully depreciated;
- (2) A decrease in inventory written off from \$283,000 in 4Q2014 to \$142,000 in 4Q2015;
- (3) An increase in net foreign exchange gain from \$228,000 in 4Q2014 to \$438,000 in 4Q2015 mainly due to depreciation of USD. Excluding net foreign exchange gain, the Group reported a PBT of \$2.3M in 4Q2015 compared to PBT of \$3.6M in 4Q2014; and
- (4) Gain on disposal of a subsidiary of \$227,000 in 4Q2015. There is no such disposal in 4Q2014.

Comparing 4Q2015 to 3Q2015, the Group PBT stood at \$2.7M in 4Q2015 as compared to \$754,000 in 3Q2015 mainly due to higher revenue attained in 4Q2015.

PROFIT AFTER TAX (“PAT”)

Group PAT decreased from a profit of \$3.4M in 4Q2014 to a profit of \$1.8M in 4Q2015. Comparing 4Q2015 to 3Q2015, net profit after tax increased from a profit of \$282,000 in 3Q2015 to profit of \$1.8M in 4Q2015. This is largely in line with the changes in PBT.

Income tax expenses comprised mainly current income tax and deferred tax of the Company and its subsidiaries. Income tax expenses increased from \$406,000 in 4Q2014 to \$850,000 in 4Q2015 mainly due to income tax expenses for subsidiaries with higher taxable profits attained.

STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items for the financial year ended 31 December 2015.

Cash and cash equivalents at the Group level decreased by \$6.9M from \$43.6M to \$36.7M. The decrease was mainly due to repayment of bank borrowings. At the Company level, cash and cash equivalents decreased from \$11.1M to \$2.4M. The decrease was mainly due to repayment of bank borrowings.

Trade and other receivables of the Group increased by \$11.0M from \$76.7M to \$87.7M, mainly due to higher revenue attained in 4Q2015. At the Company level, trade and other receivables decreased from \$32.3M to \$31.8M, mainly due to repayment received from a subsidiary.

Inventories at the Group level decreased by \$4.0M from \$33.5M to \$29.5M mainly due to the decrease in IT inventories attributed to better inventory management.

Investment in an associated company at both Group and Company level decreased to zero following the liquidation of the associate and capital return from the associate.

Property, plant and equipment decreased by \$2.9M from \$23.6M to \$20.7M at the Group level mainly due to depreciation charge net of purchase of new plant and equipment. The increase at the Company level was mainly due to purchase of new plant and equipment, net of depreciation charge.

Available-for-sale investment refers to purchase of keyman insurance.

Prepayment increased from \$1.6M to \$2.4M at the Group level mainly due to operating expenses prepaid in 4Q2015. Prepayment at Company level remains relatively unchanged.

Trade and other payables increased by \$6.3M from \$59.4M to \$65.7M at the Group level mainly due to higher purchases to support the higher revenue attained in 4Q2015. At Company level, trade and other payables decreased from \$3.0M to \$1.7M mainly due to payment made to a subsidiary.

Borrowings decreased significantly at both Group and Company level mainly due to repayment made, net of loan drawdown.

Foreign currency translation reserve at the Group level increased from \$2.2M to \$4.7M mainly due to depreciation of Singapore dollar.

FINANCIAL REVIEW

INDEBTEDNESS

The amount of Group's borrowings is as set out below:

Year Ended (\$'000)	2015	2014
Due within 1 year:		
Bank borrowings	19,808	33,506
Finance leases	191	129
	19,999	33,635
Due after 1 year:		
Bank borrowings	2,643	3,333
Finance leases	146	165
	2,789	3,498
Total debt	22,788	37,133
Debt equity ratio	0.23	0.41
Debt interest cover	0.69	0.38

Working capital of the Group stood at \$71.6M and \$63.5M as at 31 December 2015 and 31 December 2014 respectively. The increase was mainly due to the increase in trade and other receivables and the decrease in bank borrowings.

At the Company level, working capital stood at \$25.9M and \$28.0M as at 31 December 2015 and 31 December 2014 respectively. Current assets at the Company level as at 31 December 2015 comprised mainly trade and other receivables of \$31.8M, and this decreased by 1.5% from \$32.3M as at 31 December 2014 mainly due to repayment received from a subsidiary. Cash and cash equivalents decreased by \$8.7M from \$11.1M as at 31 December 2014 to \$2.4M in 31 December 2015 mainly due to repayment of bank borrowings. Current liabilities comprised mainly bank borrowings and trade and other payables. Bank borrowings comprised mainly short term loans to finance the working capital expenditure of the Company and its subsidiaries.

CASH FLOW ANALYSIS

The movement in cash and cash equivalents is set out as follows:

Year Ended (\$'000)	2015	2014
Cash flows provided by operating activities	13,167	4,132
Cash flows used in investing activities	(1,361)	(1,227)
Cash flows used in by financing activities	(10,389)	(9,139)
Net increase/(decrease) in cash and cash equivalents	1,417	(6,234)
Cash and cash equivalents at beginning of the financial year	33,718	38,870
Effect of exchange rate changes on cash and cash equivalents	80	1,082
Cash and cash equivalents at end of the financial year	35,215	33,718

Net cash of \$13.2M was generated from operating activities in 12M2015, as compared to net cash of \$4.1M generated in 12M2014. This was mainly due to higher profit before tax in 12M2015 and adjustments for non-cash operating expenses.

Net cash of \$1.4M was used in investing activities in 12M2015, as compared to \$1.2M used in 12M2014. The changes were mainly due to purchase of plant and equipment of \$1.4M, purchase of club membership of \$202,000, net of proceeds from liquidation of an associate of \$194,000, as compared to purchase of available-for-sale investment of \$520,000, purchase of plant and equipment of \$1.0M, net of proceeds from disposals of plant and equipment of \$276,000 in 12M2014.

Net cash of \$10.4M was used in financing activities in 12M2015 as compared to \$9.1M used in 12M2014. This was mainly due to repayment of bank borrowings of \$87.8M, dividend payment of \$3.0M, net of proceeds from bank borrowings of \$72.7M and a lift in pledged fixed deposits of \$8.4M, as compared to an increase of \$8.3M in pledged fixed deposits, repayment of bank borrowings of \$69.4M and dividend payment of \$3.0M net of proceeds from bank borrowings of \$72.1M in 12M2014.

Cash and cash equivalents stood at \$35.2M as at end of 31 December 2015, up from \$33.7M as at the end of 31 December 2014.

VALUE ADDED STATEMENT

Year Ended	2015	2014
	\$'000	\$'000
Sales	347,057	291,664
Purchase of goods & services	(302,169)	(249,370)
Gross value added from operations	44,888	42,294
Other operating income	2,404	2,251
Share of results of an associate before tax	(30)	(250)
Exchange (loss)/gain	(252)	847
Total value added	47,010	45,142
Distribution:		
To employees in salaries & other staff related costs	32,734	32,068
To government in corporate and other taxes	2,739	1,976
To providers of capital		
– Finance costs	648	543
Retained in the business		
– Depreciation and amortisation	4,867	5,160
– Non-controlling interests	1,243	555
– Retained earnings	4,779	4,840
Total distribution	47,010	45,142
Productivity Data		
Average numbers of employees	926	970
Sales per employee (\$'000)	375	301
Value added per employee (\$'000)	51	47
Value added per \$ employment cost	1.44	1.41
Value added per \$ net sales	0.14	0.15

INVESTOR RELATIONS

Multi-Chem recognises the importance of good investor relations and has made positive strides in this area. The Company has been keeping shareholders and the investing community updated on the key developments of the Group through regular announcements on SGXNET.

Multi-Chem has always made efforts to announce our results early. The Company continues to announce its quarterly results to provide investors prompt quarterly updates of financial and business developments of the Group.

The Company has its own corporate website www.multichem.com.sg while its IT security arm has its own website www.mtechpro.com to provide information on its products and services.

The Company will respond within two working days to all calls and emails requesting for information.

Investors are encouraged to refer to the investor guides on SGX website in regards to how to read annual reports and how to prepare for Annual General Meeting.

We will continue to place emphasis on good investor relations and make efforts on improving the information flow so that awareness about the Group and its business can be built.



INFORMATION ON EMPLOYEES

As at 31 December 2015

Human Resource is the single most important asset in the Group and the people we have determines the character of the Group.

Our employees are key resources and we aim to recognise and reward capable and dedicated staff. Rewards are linked directly to employee's performance, contribution to the Company and responsibility level.

Promising employees are given the opportunity to work for a period in our overseas subsidiaries to further enhance their experience. Selected

employees are also given the opportunity to attend local or overseas trade shows or vendors' events to learn more about the products and to network.

The Group conducts half yearly appraisal to evaluate the performance of staff and provides staff with a sense of self-awareness to undertake training that will improve their skills and abilities.

The Manufacturing Services Division is in a business which is capital intensive and



INFORMATION ON EMPLOYEES

that further requires our employees to have the necessary knowledge in operating the machinery and equipment. Selected employees are sent for training conducted by machine manufacturers to learn about the operations, capability and maintenance of the equipment.

In the IT Business, selected employees are sent for training by our vendors. The employees of the M.Tech group are also given regular product updates and technical training both in-house and by our vendors.

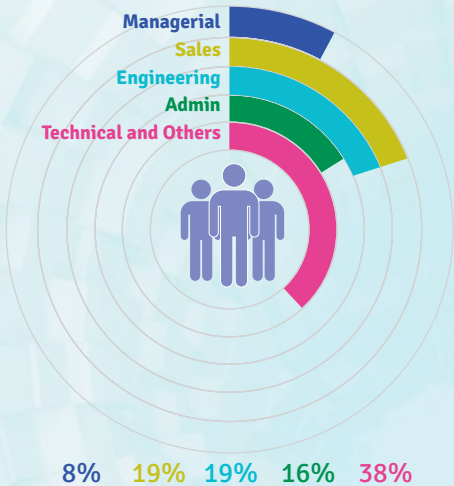
In 2015 a total of 41 long service awards were given out to employees with five years, ten years, fifteen years and twenty years continuous employment record.

The amount spent on employees providing them with on-the-job training, in-house and external training amounted to approximately \$195,000 (2014:\$114,000).

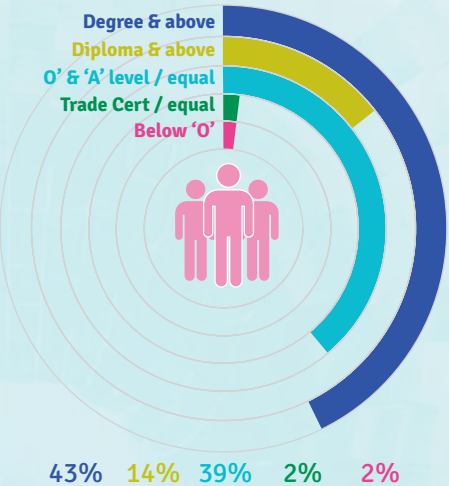


INFORMATION ON EMPLOYEES

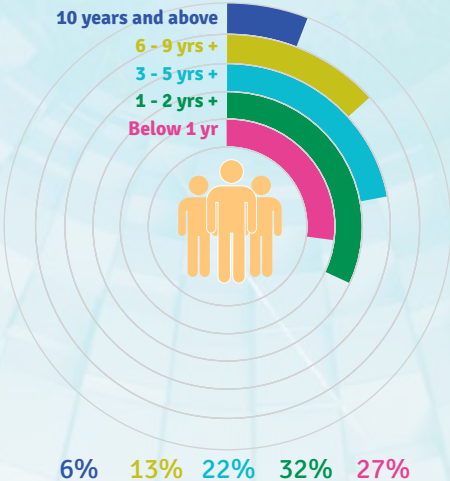
Breakdown by Job Group



Breakdown by Education Qualification



Breakdown by Years of Service



Number of Employees as at 31 December 2015

	Singapore	China	ASEAN	Others	Total
PCB Business	29	357	–	–	386
IT Business	149	70	222	85	526
Total	178	427	222	85	912

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the processes and structure by which the business and affairs of the Company are directed and managed. The Board recognises that sound corporate governance is an essential part of good business practices and corporate accountability. Accordingly, the Company has adopted measures and practices set out in the Code of Corporate Governance 2012 (“2012 Code”). Deviations from the 2012 Code, if any, are explained in the report below.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board is responsible for setting the Group’s strategic vision, direction and long-term goals, management and internal control, approval of major projects and significant financing matters, and approval of the release of the quarterly reports. The Board provides entrepreneurial leadership, establishes effective controls to assess and manage risks as well as safeguarding shareholders’ interests and Company’s assets. The Board works closely with the management. All Directors make objective decisions in the fiduciary interests of the Company.

The Board has delegated certain functions to various Board committees, namely the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). Each of the Committees has the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility lies with the Board.

Matters that are reserved for the Board include broad policy decisions, material acquisitions and disposals of assets, approval of the nomination of Directors, announceable matters to the Singapore Exchange Securities Trading Limited (“SGX-ST”), proposal of dividends, approval of Statement by Directors and audited financial statements, corporate or financial restructuring and other significant corporate actions. In lieu of physical meetings, written resolutions were also circulated for approval by the Directors.

Board approval has to be sought for transactions not in the ordinary course of business if any such transaction exceeds \$2.0M in value. To facilitate operational efficiency, Board approval would not be required for day-to-day decisions and matters that are operational in nature, even though such single transaction may exceed \$2.0M in value.

The Company, assisted by the corporate secretarial firm, Tricor Evatthouse Corporate Services, provides the Board with regular updates of the latest governance and listing policies. The Board also receives relevant training, if required, on changes in the business environment, relevant new laws, regulations and changing commercial risk. The Board has approved an annual training budget for each Director to attend relevant training and professional development programs. During the year, the Board was briefed on the latest changes to the Listing Manual requirements, developments in accounting by the external auditor, updates on internal controls from the internal auditor and business development from the Chief Executive Officer.

Any newly appointed Director will be given briefings on the business activities of the Group, its strategic directions, governance practices and Director’s duties and obligations. They will be given the opportunity to visit the Group’s operational facilities to gain a better understanding of the Group’s business operations. The Board has identified and appointed our General Manager, Mr Foo Fang Yong, as Executive Director. Mr Foo Fang Yong is a son of Mr Foo Suan Sai and Mdm Han Juat Hoon, the Chief Executive Officer and Chief Operating Officer respectively of the Company. Upon appointment of Director, the Company provides a formal letter to the Director.

CORPORATE GOVERNANCE REPORT

The Board meets at least on a quarterly basis to coincide with the announcement of the Group's quarterly results. Where circumstances require, the Board will arrange for telephonic and videoconference meetings. Non-executive Directors are encouraged to meet regularly without management present. In 2015 the non-executive Directors have met (without management) on several occasions before quarterly meetings.

Minutes of all Board Committee and Board Meetings are circulated to its members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. The number of board meetings held in 2015 and the attendance of every board member at the Board meetings and respective Board Committees meetings are disclosed as follows:

Name of Director	Board		AC		RC		NC	
	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
Lim Keng Jin (Chairman, Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Suan Sai (Chief Executive Officer)	4	4	–	–	–	–	1	1
Han Juat Hoon (Chief Operating Officer)	4	4	–	–	–	–	–	–
Foo Fang Yong* (Executive Director)	2	2	–	–	–	–	–	–
Wong Meng Yeng (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Neo Mok Choon (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Maw Shen (Non-executive and Independent Director)	4	4	4	4	1	1	1	1

* Appointed on 28 May 2015.

Principle 2: Board Composition and Guidance

Currently, the Board consists of seven members, out of whom four are non-executive and independent Directors. There is a strong and independent element on the Board with independent Directors make up at least half of the Board.

The independence of each Director is reviewed annually by the NC. The criterion of independence is based on the guidelines provided in the 2012 Code. The NC will look into the ability of the independent Directors to represent the minority shareholders and to exercise judgement without being influenced by relationships or transactions with the management and/or companies within the Group. Among the items the NC considers while reviewing the independence are:–

CORPORATE GOVERNANCE REPORT

1. Whether there is any business arrangement or relationship between the independent Director and the management and/or the Group;
2. If yes, the nature of such arrangement and whether such arrangement constitutes a conflict of interest and is likely to compromise the independent decision making ability of that Director;
3. Whether there is any relationship between the independent Director and the management or key individuals within the Group, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company and Group;
4. Whether the independent Director has a conflict of interest, e.g. by participating in the boards of the Group's customers, suppliers or competing businesses.

An independent Director shall notify the Company Secretary immediately of any change in circumstances that may result in him not being able to meet the criteria for independence. The Board may, after considering the change in circumstances, require the resignation of the Director.

The independent Directors are not employees of any company within the Group and they bring diverse experience to the Company's decision-making process. Apart from receiving Director's fees, they do not have any other material pecuniary relationship or transactions with companies within the Group or the management, which in the judgement of the Board may affect their independence of judgement.

The independence of each Independent Director is assessed annually by the NC. Particular attention is given to review and assess the independence of any director as at FY2015 who has served beyond 9 years from the date of appointment. Mr Wong Meng Yeng and Mr Lim Keng Jin have served the Board beyond 9 years and they were subject to rigorous review. The Board has conducted a review of the performance of each of the two Independent Directors based on a set of criteria. The Board had rigorously reviewed and agreed that the Directors concerned had participated, deliberated and expressed their views independently at all times, presented objective and constructive challenges to the assumptions and viewpoints by Management and the Board has benefited from valuable insight from the presence of the Directors concerned who have over time gained valuable insight into the Group and its markets. The Board had also considered the need for progressive refreshing of the Board as the Company focuses more on IT distribution and IT training but the Board has agreed that progressive Board refreshing should take place without undue disruptions. The Board considers that each of the Directors concerned brings invaluable expertise, experience and knowledge to the Board. The Directors concerned, who are familiar with the business, will continue to contribute positively to the deliberation of the Board and Board Committees. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of service. The Board has determined that Mr Wong Meng Yeng and Mr Lim Keng Jin remained independent of character and judgement. The Board is satisfied that Mr Wong Meng Yeng and Mr Lim Keng Jin can continue to discharge their duties objectively. No NC member is involved in the deliberation in respect of his independence.

The Board comprises Directors who are of diverse professions. These include accounting or finance, legal, business or management experience and engineering. The Board is of the view that its size is appropriate for effective decision making taking into account the scope and the nature of the operations of the Company. Apart from the diversity of skills and experiences, the Board is also not uni-gender. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 4,5, 41 and 42 of the Annual Report.

No individual or small group of individuals dominate the Board's decision making process.

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer (“CEO”)

As a principle of good corporate governance, when the Group’s turnover exceeded \$100M, the roles of Chairman and Chief Executive Officer were separated. The Chairman of the Company is Mr Lim Keng Jin who is an independent Director while Mr Foo Suan Sai is the Chief Executive Officer.

As Chairman of the Board, Mr Lim Keng Jin’s role includes:

- Scheduling of meetings that enables the Board to perform its duties while not interfering with the flow of the Company’s operations;
- Setting meeting agenda;
- Exercising control over quality, quantity and timeliness of the flow of information between management and the Board;
- Assisting in ensuring compliance with the Company’s guidelines on corporate governance; and
- Encouraging constructive relations between executive Directors and non-executive Directors and facilitating the effective contribution of non-executive Directors in particular.

The Chief Executive Officer, Mr Foo Suan Sai manages the business of the Company, sets business strategies and direction for the Group and implements the Board’s decisions. Mr Foo Suan Sai also provides business updates to the Board and shares strategy and goals.

BOARD COMMITTEES

Principle 4: Board Membership

Board membership is under the purview of NC which comprises Mr Neo Mok Choon as Chairman. Mr Lim Keng Jin, Mr Foo Suan Sai, Mr Wong Meng Yeng and Mr Foo Maw Shen are members of NC. A majority of the NC is independent, including the NC Chairman.

The NC has written terms of reference that describe its objectives, duties and responsibilities. The objectives of the NC is to maintain an effective Board and ensuring that only competent individuals capable of contributing to the success of the Company are appointed. The NC’s main functions as defined in the written terms of reference are as follows:

- (a) make recommendations to the Board on all board appointments;
- (b) assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board;
- (c) determine annually whether or not a Director is independent;
- (d) recommend re-nomination and re-election of Directors; and
- (e) review training and professional development programs for the Board.

The Board agreed that directors with multiple listed company board representation and other principal commitments were able to and have been adequately carrying out their duties as a Director of the Company.

Where new appointments are required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates before a decision is made on a selection. The Board was of the view that the skills and knowledge of each Director contributes to the core competencies of the Board. The NC promotes transparency in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and determined that Mr Wong Meng Yeng, Mr Lim Keng Jin, Mr Neo Mok Choon and Mr Foo Maw Shen are independent as at the date of this Annual Report and their experience in finance, business, law and engineering enables them to exercise objective judgement on corporate affairs independently.

A member who wishes to retire or resign should provide sufficient notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the NC, the Company shall endeavour to fill the vacancy within two months, but in any case not later than three months.

The NC had recommended to the Board that Mdm Han Juat Hoon and Mr Wong Meng Yeng be nominated for re-election at the forthcoming Annual General Meeting (“AGM”). The NC also recommended the re-election of Mr Foo Fang Yong for re-appointment at the forthcoming AGM as Mr Foo Fang Yong was appointed to the Board during the year. In reviewing for re-appointment/re-election, NC has considered criteria such as the Director’s contribution and performance, attendance, preparedness, participation and candour and if applicable, assessment of the Director’s independence. The Committee should also decide whether the Director under review has been adequately carrying out his/her duties as Director of the Company. All Directors have to submit themselves for re-nomination/re-election at regular intervals or at least once every three years in accordance with the Company’s Articles of Association.

Although the non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors will widen the experience of the Board and give it a broader perspective.

The Board succession planning begins with the appointment of new directors to the Board. The Board recognised the importance of identifying potential candidate within the Company for succession planning for the CEO.

Key information regarding the Directors of the Company are disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Foo Suan Sai	30 September 1988	–	Chief Executive Officer	Member of Nominating Committee	None
Han Juat Hoon	16 May 1987	30 April 2014	Chief Operating Officer	None	None
Foo Fang Yong	28 May 2015	–	Executive Director	None	None
Wong Meng Yeng	5 January 2000	30 April 2014	Independent Director	Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee	KS Energy Limited Baker Technology Limited Keong Hong Holdings Limited

CORPORATE GOVERNANCE REPORT

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Lim Keng Jin	29 April 2005	30 April 2015	Independent Director and Chairman	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	G.K. Goh Holdings Limited
Neo Mok Choon	1 August 2012	30 April 2015	Independent Director	Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee	None
Foo Maw Shen	31 July 2014	30 April 2015	Independent Director	Member of the Audit Committee, Nominating Committee and Remuneration Committee	None

Details of other principal commitments of the Directors have been set out in page 4 and 5 of this Annual Report.

Principle 5: Board Performance

The Board's performance is ultimately reflected in the performance of the Group. The Board shall, at all times, act honestly and use reasonable diligence and care in the discharge of the duties of their office. They have to carry their duties in the best interests of the Company and its shareholders. Board members must attend at least 75% of all Board Meetings.

The NC has established an appraisal process to assess the performance and effectiveness of the Board annually as a whole and assessing the contribution by each individual Director to the effectiveness of the Board. Each Director is required to complete a questionnaire which is not changed from year to year. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, and the Board's performance in relation to discharging its principal responsibilities. The findings of such evaluations were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The Board was updated on the analysis of such evaluations. The assessment on the effectiveness of Board Committees and contribution by Chairman had been included in the Board assessment.

CORPORATE GOVERNANCE REPORT

Performance of Board members is also evaluated informally on a continual basis by the NC according to their contribution during meetings and also their input to the Company on matters related to corporate governance, legal or accounting matters, based on their individual expertise.

The NC is of the opinion that the above performance evaluation criteria are currently adequate.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the Company circulates the reports relating to operational and financial performance of the Group and Company prior to the Board meetings held quarterly. Additional reports are also available upon request. Where a physical meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing. Monthly management accounts are also provided to the Directors.

The Directors have also been provided with the phone numbers and email particulars of the key management personnel and Company Secretary for separate and independent access.

The Board will refer issues to the AC for opinion on whether any independent advice is necessary. Should any independent advice be required, the cost of such professional advice will be borne by the Company.

The role of the Company Secretary was clearly defined and reported to the Board. It includes responsibility for ensuring Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary shall attend all Board Meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION COMMITTEE

Principle 7: Remuneration Matters

The RC comprises four members, who are all independent Directors. The RC is chaired by Mr Lim Keng Jin, an independent Director. Mr Wong Meng Yeng, Mr Neo Mok Choon and Mr Foo Maw Shen are members of the RC. The RC meets at least once a year. The RC has a written terms of reference that describe its objectives, duties and responsibilities. The objectives of the RC are to facilitate appropriate transparency and accountability to shareholders and make recommendations to the Board on remuneration matters of the Director, CEO and key management personnel.

The RC's main responsibilities as written in the terms of reference include:-

- (a) recommending to the Board, a framework of remuneration for the Board and the key management personnel of the Group covering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits-in-kind and specific remuneration packages for each Director and key management personnel;
- (b) reviewing the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies and considering long-term incentives.

CORPORATE GOVERNANCE REPORT

The RC reviews the performance of the Chief Executive Officer, Chief Operating Officer and key management personnel, as well as reviewing and approving executive remuneration including but not limited to Directors' fees, salaries, allowances, bonuses and benefits. The recommendations from the RC will be submitted for endorsement by the entire Board. No RC member or any Director is involved in deliberation in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of all Directors.

Principle 8: Level and Mix of Remuneration

The executive Directors, Mr Foo Suan Sai and Mdm Han Juat Hoon, are also the substantial shareholders of the Company. Their interests are therefore in line with the Company's interest. Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon is in accordance with their service contracts.

There is a linkage between remuneration paid to executive Directors and performance of the Company based on a profit sharing scheme. The profit sharing scheme is approved by the Board with the concurrence of the Remuneration Committee on an annual basis.

Remuneration of non-executive Directors takes into account the effort and time spent, including the responsibilities of each Director. Non-executive Directors are paid Directors' fees, which are subjected to approval of the Shareholders at the AGM.

The Board comprises independent Directors who hold shares in the Company and their interests are aligned with the interests of shareholders.

The Company currently does not have any share option scheme or any long term scheme in place. The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive Directors and key management personnel in exceptional cases of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Principle 9: Disclosure on Remuneration

Remuneration is fixed in accordance with the experience of the person in question, the role performed, market comparison, the contribution of the individual and/or the performance of the Company.

The number of Directors whose remuneration falls within the following bands:

	2015	2014
\$1M to below \$1.25M	1	-
\$750,000 to below \$1M	-	1
\$500,000 to below \$750,000	1	1
Below \$250,000	5	4
Total	7	6

CORPORATE GOVERNANCE REPORT

The annual remuneration bands (in Singapore Dollars) of the Directors and the key management personnel as at 31 December 2015 are set out below:

FY2015	Base Salary%	Variable Bonus%	Profit Sharing %	Benefits %	Fees %	Total %
Directors						
\$1.0M to below \$1.25M						
Foo Suan Sai	76	-	20	4	-	100
\$500,000 to below \$750,000						
Han Juat Hoon	74	-	22	4	-	100
Below \$250,000						
Foo Fang Yong	70	-	18	12	-	100
Wong Meng Yeng	-	-	-	-	100	100
Lim Keng Jin	-	-	-	-	100	100
Neo Mok Choon	-	-	-	-	100	100
Foo Maw Shen	-	-	-	-	100	100
Key management personnel						
\$250,000 to below \$500,000						
Goh Tian Keong Winston	47	-	15	38	-	100
Lim Kok Soon Rayson	65	35	-	-	-	100
Wong Yoke Hean*	95	-	-	5	-	100
Below \$250,000						
Koh Henry	60	33	-	7	-	100
Pui Boon Tiong Eugene	59	27	-	14	-	100
Yang Wen Kuai	74	11	-	15	-	100

* Resigned on 25 February 2016.

For competitive reasons, the Company is not disclosing each individual Director's remuneration. Instead, the Company is disclosing the remuneration of each Director in bands of S\$250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel while securing the very best talented personnel, the Company shall not disclose the aggregate remuneration paid to the key management personnel of the Group in this report.

Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon are in accordance with their respective service contracts with the Company, which is renewed annually unless terminated by either party giving not less than three months' notice to the other. Remuneration of Mr Foo Fang Yong is in accordance with his employment contract with the Company's subsidiary, M. Tech Holdings Pte. Ltd.. For the key management personnel, the remuneration is based on their respective employment contract with the Company and fixed based on the above factors as well as negotiation between the parties concerned.

CORPORATE GOVERNANCE REPORT

The total remuneration of employees who are related to the substantial shareholders is subject to annual review and approval of the RC. For FY2015, the total remuneration paid to these employees amounted to \$123,355 (2014: \$285,848).

There was no employees who were immediate family members of a Director or the Chief Executive Officer and whose remuneration exceeds \$50,000 during FY2015.

The Company does not have any employee share scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders and the management is accountable to the Board. The Board is provided with management accounts and such explanation and information to assess the Group's performance and make informed decisions.

The Company has adopted quarterly results reporting since the third quarter of 2002. For its financial reporting, the Company will continue to provide a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

The Board takes adequate steps to ensure compliance with regulatory requirements.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

The Audit Committee oversees risk governance which includes the following roles and responsibilities:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management; and
- reviews management's assessment of risks and management's action plans to mitigate such risks.

Management presented a report to the Audit Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during FY2015 on the adequacy of the Group's risk management and internal controls including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessment performed by Management, internal and external audits performed by internal and external auditors.

CORPORATE GOVERNANCE REPORT

The Board has obtained a written confirmation from the Chief Executive Officer (“CEO”), Chief Operating Officer (“COO”) and Financial Controller (“FC”):

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group’s internal control system including financial, operational, compliance and information technology controls, were adequate and effective for the financial year ended 31 December 2015.

Based on the Group Risk Management Framework established and the work performed under the framework, the Board is satisfied that the risk management system in place is adequate and effective.

The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The AC comprises four members, all are independent Directors. The AC is chaired by Mr Wong Meng Yeng. The other AC members are Mr Lim Keng Jin, Mr Neo Mok Choon and Mr Foo Maw Shen. The AC members have accounting or related financial management expertise and experience. The AC is of the view that the members of the AC have the necessary expertise and experience to discharge its functions. The objectives of the AC are to safeguard the Company’s assets, maintain adequate accounting records and develop and maintain effective systems of internal control.

The AC has a set of written terms of reference defining its scope of authority and duties which includes:

- To review the scope and results of the audit, whether it is cost effective and the independence and objectivity of the external auditors on an annual basis;
- To make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- To review with the external auditors on their audit report, management letter and management’s response;
- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcement relating to the Company’s financial performance;
- To review the quarterly, half-yearly and annual financial statements before submission to the Board;
- To review the assistance given by the management to the auditors;
- To make recommendations to the Board for the appointment, re-appointment and removal of internal auditors, and approve the terms of engagement and remuneration;
- to approve the hiring, removal, evaluation and compensation of the accounting/ auditing/ professional service firm to which the internal audit function is outsourced;

CORPORATE GOVERNANCE REPORT

- To review with the internal auditors the scope of the internal audit and results of the internal audit report and management's response;
- To review the adequacy of the Company's internal controls and procedures with the internal auditors;
- To review interested party transactions periodically;
- To review the policy and arrangement by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- To oversee risk governance (refer to detailed disclosure under principle 11).

During the year, the AC has reviewed the scope and quality of the audits and independence and objectivity of the external auditors. The AC is satisfied that the external auditor, Messrs BDO LLP is able to meet the audit requirements and statutory obligation of the Company. The AC shall continue to review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors.

During the review of all audit and non-audit services provided by the external auditors, Messrs BDO LLP during the year, the AC noted there were no non-audit services provided by Messrs BDO LLP. The AC is satisfied with the independence of the external auditors. The AC has recommended to the Board the re-appointment of Messrs BDO LLP as the Company's external auditors at the forthcoming AGM. Details of the audit and non-audit fees are available on page 127.

The Board and the AC are satisfied that the appointment of different auditors for its overseas incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company is therefore in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST.

The AC meets at least four times a year. The AC meetings are attended by external auditors and where required, internal auditors and appropriate members of the executive management are invited to attend its meetings. In FY2015, the AC carried out the activities as set out above. The AC meets the auditors without the presence of management at least once annually. The AC received updates on changes in accounting standards and corporate governance from the external and internal auditors periodically.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise their concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment. Details of the whistle-blowing policies and arrangements have been made available to all employees.

Other information pertaining to the AC is disclosed on page 38 of the Annual Report.

Principle 13: Internal Audit

The Group outsources its internal audit function to Messrs Yang Lee & Associates ("YLA or "IA"). The IA reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the IA to perform its function.

CORPORATE GOVERNANCE REPORT

The IA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the IA is staffed by qualified and experienced personnel.

The IA completed three reviews during the financial year ended 31 December 2015 in accordance with the internal audit plan approved by the AC. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

Principle 14: Shareholder Rights

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholders' rights.

The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings. Shareholders were informed about the voting procedures that govern general meetings of shareholders.

The Board will review its Articles of Association from time to time. Where amendment of its Articles of Association is required to align the relevant provisions with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

Principle 15: Communication with Shareholders

The Company aims to engage in regular, effective and fair communication with shareholders, and be as descriptive, detailed and forthcoming as possible.

Its financial results are disclosed on a quarterly basis through SGXNET within the mandatory period and the information is also available on the Company's website www.multichem.com.sg and investor relations site, TodayIR.com.sg. The Company's quarterly announcements were released within 45 days from the close of financial year.

Information on the Company's new initiatives or key developments are first disseminated via SGXNET and also made available on-line to shareholders. Price sensitive information is announced through SGXNET. However, any information that may be regarded as undisclosable material information about the Group will not be given.

Principle 16: Conduct of Shareholder Meetings

All shareholders of the Company receive the Annual Report and notice of AGM. The notice is also advertised in the press and made available on the website. At AGM, the Company encourages shareholder participation and shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

The Company's Articles of Associations allow a member of the Company to appoint one or two proxies to attend and vote instead of the member. The Company allows a shareholder who is a Relevant Intermediary (as defined in the Companies Act, Cap. 50) to appoint more than two proxies to attend the AGM.

CORPORATE GOVERNANCE REPORT

At every AGM, the chairpersons of the AC, NC and RC are present and available to address questions. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders and address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

The Company ensures that there are separate resolutions at general meeting on each distinct issue. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

Minutes of general meetings include substantial comments or queries from shareholders and responses from the Board and management relating to the agenda of the meeting. These minutes are made available to shareholders upon their request.

DEALINGS IN SECURITIES

The Group has set an internal guideline relating to dealing in the Company's securities by the Company and its officers. The Company and its officers should not deal in the Company's securities

- (a) when in possession of unpublished material price sensitive information;
- (b) on short term considerations; and
- (c) during the period commencing two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's full year results and ending on the date of the particular announcement.

The above mentioned share trading guideline have been disseminated to the Company and its officers (including Directors and employees with access to price sensitive information in relation to the Company's shares). In addition, the guidelines require officers to disclose in writing to the executive Directors on their dealings in the Company's securities.

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions and ensures that all transactions with interested persons are reported in a timely manner for review by the AC.

There was no interested party transaction entered into with value more than \$100,000 during the financial year. The Company does not have a mandate on Interested Person Transactions.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2015.

CORPORATE DIRECTORY

Chief Executive Officer

Foo Suan Sai

Chief Operating Officer

Han Juat Hoon

Executive Director

Foo Fang Yong

Finance, HR & Administration

Lim Kok Soon Rayson

Goh Pei Chen Sandra

Zhao Yu

Purchasing & Logistics

Goh Kie Soon Geraldine

Siow Mee Lin

Distribution Division

Goh Tian Keong Winston

Pui Boon Tiong Eugene

Manufacturing Services Division

Koh Henry

Yang Wen Kuai

Lee Thiam Huat Daniel

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CHINA OFFICE:

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PRC 200041
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• BEIJING BRANCH

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• SHENZHEN OFFICE

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CORPORATE DIRECTORY

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• M. TECH SOLUTIONS (INDIA) PVT LTD

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• DELHI OFFICE

Unit No.403, 4th Floor, Tower - B,DLF Towers
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• MUMBAI OFFICE

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• PUNE OFFICE

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MYANMAR OFFICE:

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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Directors of Multi-Chem Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Lim Keng Jin
Foo Suan Sai
Han Juat Hoon
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen
Foo Fang Yong (Appointed on 28 May 2015)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Act, none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance as at 1 January 2015, or date of appointment if later	Balance as at 31 December 2015	Balance as at 1 January 2015	Balance as at 31 December 2015
	Number of ordinary shares			
Company				
Foo Suan Sai	143,238,500	35,870,925 ^(a)	101,380,500	25,345,125 ^(a)
Han Juat Hoon	101,380,500	25,345,125 ^(a)	143,238,500	35,870,925 ^(a)
Wong Meng Yeng	34,000	8,500 ^(a)	-	-
Foo Fang Yong	50,000	50,000 ^(a)	-	-
Neo Mok Choon	-	-	1,490,000	372,500 ^(a)

^(a) In the current financial year, the Company consolidated every 4 ordinary shares into 1 ordinary share.

By virtue of Section 7 of the Act, Mr Foo Suan Sai and Mdm Han Juat Hoon are deemed to have interests in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year. Mr Foo Suan Sai is deemed to be interested in the shares held by his wife, Mdm Han Juat Hoon, and vice versa.

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholding, the Directors' interests as at 21 January 2016 in the shares of the Company have not changed from those disclosed as at 31 December 2015.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

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

There were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Audit committee

The Audit Committee comprises the following members who, including the Chairman, are all non-executive and Independent Directors. The members of the Audit Committee during the financial year and at the date of this statement are:

Wong Meng Yeng (Chairman)
Lim Keng Jin
Neo Mok Choon
Foo Maw Shen

The Audit Committee performs the functions specified in Section 201B (5) of the Act. In performing those functions, the Audit Committee reviewed the audit plans and the overall scope of examination by the external auditors of the Company. The Audit Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit Committee has reviewed the assistance provided by the Company's officers to the external auditors and the financial statements of the Group and the statement of financial position of the Company as well as the Independent Auditor's Report thereon prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their recommendation.

7. Independent auditor

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

On behalf of the Board of Directors

Foo Suan Sai
Director

Singapore
17 March 2016

Han Juat Hoon
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MULTI-CHEM LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Multi-Chem Limited (the “Company”) and its subsidiaries (the “Group”) which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 60 to 155.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MULTI-CHEM LIMITED

Report on the financial statements (Continued)

Opinion

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

Report on other legal and regulatory requirements

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

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
17 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets					
Property, plant and equipment	4	20,673	23,571	3,719	3,597
Investment properties	5	-	-	1,684	1,718
Investments in subsidiaries	6	-	-	31,299	31,299
Investment in an associate	7	-	224	-	224
Club memberships	8	572	380	186	-
Deferred tax assets	9	2,386	1,986	-	-
Available-for-sale financial assets	10	4,047	3,647	4,047	3,647
Other receivables	11	705	708	-	-
Prepayment	12	720	804	720	804
		29,103	31,320	41,655	41,289
Current assets					
Inventories	13	29,486	33,479	323	301
Trade and other receivables	11	87,012	75,994	31,769	32,264
Prepayments	12	1,707	830	228	238
Current income tax recoverable		3,051	3,396	199	551
Derivative financial instruments	14	17	-	-	-
Cash and cash equivalents	15	36,697	43,629	2,361	11,142
		157,970	157,328	34,880	44,496
Less:					
Current liabilities					
Trade and other payables	16	65,664	59,386	1,749	2,965
Finance lease payables	17	191	129	160	91
Bank borrowings	18	19,808	33,506	7,041	13,414
Current income tax payable		653	764	-	-
Derivative financial instruments	14	45	-	45	-
		86,361	93,785	8,995	16,470
Net current assets		71,609	63,543	25,885	28,026

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Less:					
Non-current liabilities					
Finance lease payables	17	146	165	146	143
Bank borrowings	18	2,643	3,333	2,643	3,219
Provision for post-employee benefits	19	219	-	-	-
		3,008	3,498	2,789	3,362
		97,704	91,365	64,751	65,953
Equity					
Share capital	20	37,288	37,288	37,288	37,288
Foreign currency translation reserve	21	4,670	2,249	-	-
Available-for-sale reserve	22	198	56	198	56
Other reserves	23	5,158	4,796	-	-
Retained earnings	24	43,699	42,137	27,265	28,609
Equity attributable to owners of the parent		91,013	86,526	64,751	65,953
Non-controlling interests		6,691	4,839	-	-
Total equity		97,704	91,365	64,751	65,953

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Revenue	25	347,057	291,664
Cost of sales		(294,367)	(245,914)
Gross profit		52,690	45,750
Other items of income			
Interest income		491	416
Other income	26	1,913	2,682
Other items of expense			
Selling and distribution costs		(22,403)	(21,745)
Administrative and other expenses		(23,252)	(18,939)
Finance costs	27	(648)	(543)
Share of results of an associate, net of tax		(30)	(250)
Profit before income tax	28	8,761	7,371
Income tax expense	29	(2,739)	(1,976)
Profit for the financial year		6,022	5,395
Profit attributable to:			
Owners of the parent		4,779	4,840
Non-controlling interests		1,243	555
		6,022	5,395
		2015	2014
			(Restated)
Earnings per share	30		
- Basic		5.30 cents	5.37 cents
- Diluted		5.30 cents	5.37 cents

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Profit for the financial year		6,022	5,395
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency differences on translation of foreign operations		2,816	1,876
Reclassification of foreign currency translation differences on liquidation of a subsidiary		-	128
Fair value gain on available-for-sale financial assets	22	142	56
		2,958	2,060
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employee benefits	19	127	-
Other comprehensive income for the financial year, net of tax		3,085	2,060
Total comprehensive income for the financial year		9,107	7,455
Total comprehensive income attributable to:			
Owners of the parent		7,469	6,677
Non-controlling interests		1,638	778
		9,107	7,455

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Share capital	Foreign currency translation reserve	Premium on acquisition of non-controlling interests	Available-for-sale reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2015	37,288	2,249	(123)	56	4,919	42,137	86,526	4,839	91,365
Profit for the financial year	-	-	-	-	-	4,779	4,779	1,243	6,022
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	2,421	-	-	-	-	2,421	395	2,816
Remeasurements of post-employee benefits	-	-	-	-	-	127	127	-	127
Fair value gain on available-for-sale financial assets 22	-	-	-	142	-	-	142	-	142
Total comprehensive income for the financial year	-	2,421	-	142	-	4,906	7,469	1,638	9,107
Contributions by and distributions to the owners of the parent									
Dividends 31	-	-	-	-	-	(2,982)	(2,982)	-	(2,982)
Transfer to statutory reserve	-	-	-	-	362	(362)	-	-	-
Total transactions with the owners of the parent	-	-	-	-	362	(3,344)	(2,982)	-	(2,982)
Transactions with non-controlling shareholders									
Disposal of non-controlling interests	-	-	-	-	-	-	-	214	214
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	214	214
Balance at 31 December 2015	37,288	4,670	(123)	198	5,281	43,699	91,013	6,691	97,704

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Share capital \$'000	Foreign currency translation reserve \$'000	Premium on acquisition of non-controlling interests \$'000	Available-for-sale reserve \$'000	Statutory reserve \$'000	Retained Earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2014	37,288	468	(123)	-	6,132	39,039	82,804	4,061	86,865
Profit for the financial year	-	-	-	-	-	4,840	4,840	555	5,395
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	1,653	-	-	-	-	1,653	223	1,876
Reclassification of foreign currency translation differences on liquidation of a subsidiary	-	128	-	-	-	-	128	-	128
Fair value gain on available-for-sale financial assets	22	-	-	56	-	-	56	-	56
Total comprehensive income for the financial year	-	1,781	-	56	-	4,840	6,677	778	7,455
Contributions by and distributions to the owners of the parent									
Dividends	31	-	-	-	-	(2,955)	(2,955)	-	(2,955)
Transfer to statutory reserve	-	-	-	-	(1,213)	1,213	-	-	-
Total transactions with the owners of the parent	-	-	-	-	(1,213)	(1,742)	(2,955)	-	(2,955)
Balance at 31 December 2014	37,288	2,249	(123)	56	4,919	42,137	86,526	4,839	91,365

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000
Operating activities		
Profit before income tax	8,761	7,371
Adjustments for:		
Allowance made for doubtful third party trade receivables	2,100	137
Allowance (reversed)/made for doubtful third party non-trade receivables	(59)	57
Allowance made for inventory obsolescence	3,112	2,902
Bad third party trade receivables written off	544	30
Fair value change in derivative financial instruments	27	-
Amortisation of club memberships	30	-
Depreciation of property, plant and equipment	4,837	5,160
Gain on disposal of a subsidiary	(227)	-
Loss/(Gain) on disposals of plant and equipment	22	(100)
Impairment loss of plant and equipment	502	-
Interest expense	648	543
Interest income	(491)	(416)
Inventories written off	176	556
Plant and equipment written off	34	23
Share of results of an associate	30	250
Unrealised foreign exchange gain	(622)	(1,347)
Operating cash flows before working capital changes	19,424	15,166
Working capital changes:		
Inventories	2,172	(5,573)
Trade and other receivables	(6,735)	1,787
Prepayments	(778)	(762)
Trade and other payables	1,291	(3,735)
Provision for post-employee benefits	127	-
Cash generated from operations	15,501	6,883
Interest received	491	416
Income tax paid	(2,825)	(3,167)
Net cash generated from operating activities	13,167	4,132

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000
Investing activities		
Proceeds from disposal of a subsidiary (Note 6)	2	-
Proceeds from disposal of an associate (Note 7)	194	-
Proceeds from disposal of plant and equipment	66	276
Purchase of property, plant and equipment (Note 4)	(1,421)	(983)
Purchase of club memberships (Note 8)	(202)	-
Purchase of available-for-sale investment (Note 10)	-	(520)
Net cash used in investing activities	(1,361)	(1,227)
Financing activities		
Decrease/(Increase) in fixed deposits pledged	8,418	(8,299)
Proceeds from bank borrowings	72,746	72,144
Repayments of bank borrowings	(87,768)	(69,362)
Repayments of finance lease payables	(155)	(124)
Interest paid	(648)	(543)
Dividends paid to owners of the parent	(2,982)	(2,955)
Net cash used in financing activities	(10,389)	(9,139)
Net change in cash and cash equivalents	1,417	(6,234)
Cash and cash equivalents at beginning of financial year	33,718	38,870
Effects of exchange rate changes on cash and cash equivalents	80	1,082
Cash and cash equivalents at end of financial year (Note 15)	35,215	33,718

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

1. General corporate information

Multi-Chem Limited is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 16H Enterprise Road, Singapore 627657. The Company's registration number is 198500318Z. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Group's ultimate controlling parties are Mr. Foo Suan Sai and Mdm Han Juat Hoon.

The principal activities of the Company are those of investment holding and provision of value-added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricators and the distribution of specialty chemicals and other PCB related products and equipment to PCB fabricators.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with a Directors' resolution dated 17 March 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("S'000") as indicated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company adopted the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 110, FRS 112 and FRS 28 (Amendments)	: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	: Regulatory Deferral Account	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014)		1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard. The Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available-for-sale, and the new impairment requirements are expected to result in changes for allowance for impairment made on trade receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same financial year as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Leasehold properties	Over the lease terms of 25 to 60
Office plant and equipment	1 to 5
Factory plant and machinery	
- Factory machinery	8 to 10
- Other factory equipment	5

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Investment properties

The Company has adopted the cost method for measurement of its investment properties. Investment properties which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of 50 years. The residual values, useful lives and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.6 Associate

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

Investment in an associate is accounted for in the consolidated financial statements of the Group using the equity method of accounting. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in an associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate.

If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate.

Investment in an associate is accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements.

2.7 Club memberships

The club memberships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment loss, if any.

For club membership with expiry date, amortisation is calculated using the straight-line method to allocate the cost over its estimated useful life of 28 years.

The amortisation periods and amortisation method of club memberships are reviewed at the end of each financial year. The effects of any revisions are recognised in profit or loss when changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.7 Club memberships (Continued)

For club memberships with no expiry dates, the carrying values of club membership are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.8 Impairment of non-financial assets

At the end of each financial year, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Inventories

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

Cost in respect of chemicals and other PCB related products is determined on a weighted average basis. Cost in respect of hardware and software relating to internet and network products is determined based on the specific identification basis. The cost includes all costs of purchase and other costs in bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.9 Inventories (Continued)

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

2.10 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Effective interest method

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets ("AFS")

Certain investments held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding deferred revenue and advance billings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

Intra-group transactions are eliminated on consolidation.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward currency contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits, net of fixed deposits pledged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Revenue from rendering of services includes drilling services and maintenance services for internet and network products. Drilling service is recognised when the service is rendered. Maintenance service is recognised in profit or loss on a straight-line basis over the term of the agreement.

Rental income from leasing of plant and machineries is recognised on a straight-line basis over the term of the relevant lease.

Interest income is recognised on a time-apportionment basis using the effective interest method.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. Commission income is recognised upon the completion of a transaction in which the commission relates to.

Dividend income is recognised when the shareholders' right to receive is established.

2.13 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.14 Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.14 Employee benefits (Continued)

Defined benefit plans

Certain subsidiaries operates defined benefit pension plans, which are unfunded.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using discount rates as disclosed in Note 19 to the financial statements) at the end of the financial year reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the method of "Projected Unit Credit".

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate as disclosed in Note 19 to the financial statements to the net defined benefit liability or assets. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated undiscounted liability for annual leave expected to be settled wholly within twelve months from the end of the financial year as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.15 Leases

When the Group and the Company are the lessees of finance leases

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair values and the present values of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the plant and equipment are accounted for in accordance with the accounting policy applicable to those assets. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

When the Group is the lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

When the Group and the Company are the lessors of operating leases

Leases where the Group and the Company retain substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in property, plant and equipment.

Rental income from operating leases (net of any incentives) is recognised in profit or loss on a straight-line basis over the lease term.

2.16 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.17 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

2.18 Foreign currencies transactions and translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.18 Foreign currencies transactions and translation (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.21 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.21 Contingencies (Continued)

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

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

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

3.1 Critical judgements made in applying the accounting policies

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

Investments in Thailand subsidiaries

The Group holds 49% and 48.80% of all shares in its indirect subsidiaries, M-Solutions Technology (Thailand) Co., Ltd ("MTTH") and E-Secure Asia Co., Ltd. ("ESTH") respectively.

There are loan agreements between the remaining shareholders (the "Borrowers") holding 51% in MTTH and 51.20% in ESTH respectively and their respective immediate holding companies (the "Lenders"), M.Tech Holdings Pte. Ltd. ("MTHD") and E-Secure Asia Pte. Ltd., whereby the shares held by the Borrowers have been pledged to the Lenders.

The terms of these pledge agreements include, inter alia:

- (a) the Borrowers agree to allow the Lenders to receive the dividends arising from the pledged shares; and
- (b) the Borrowers agree to appoint the Lenders to have rights to vote in the shareholders' meetings in place of the Borrowers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

Investments in Thailand subsidiaries (Continued)

Accordingly, the Group has determined that it has control of 100% of the voting rights in both MTTH and ESTH and they have been consolidated as wholly-owned subsidiaries of the Group.

Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether investments in subsidiaries or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary or fair value of a financial asset is less than its carrying amount and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

Property, plant and equipment

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. The Group assesses whether there are any indicators for impairment including reviewing the useful lives and residual values of property, plant and equipment at the end of each financial year. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

During the financial year, certain laser machines included in factory plant and machinery with a carrying amount of \$4,131,000 showed indicators of impairment as machine utilisation rates were low and the management had intention to sell these machines but have not been actively sourcing for buyers. Accordingly, the recoverable amount of the laser machines were determined based on value-in-use calculations by estimating expected future cash flows and using a suitable discount rate in order to calculate the present value of those cash flows. These calculations require the use of judgments and estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Property, plant and equipment (Continued)

The recoverable amount of laser machines were determined based on value-in-use calculations, using the pre-tax discount rate of 4.83% (2014: Nil). The key assumptions for the value-in-use computations are those regarding the sales volume and discount rate. The sensitivity analysis on the changes in key assumptions are disclosed in Note 4 to the financial statements.

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2015 were approximately \$20,673,000 and \$3,719,000 (2014: \$23,571,000 and \$3,597,000) respectively.

Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories using the weighted average method for chemicals and other PCB related products and specific identification method for hardware and software relating to internet and network products. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group and the Company to reduce the value of their inventories. The carrying amounts of the Group's and the Company's inventories as at 31 December 2015 were approximately \$29,486,000 and \$323,000 (2014: \$33,479,000 and \$301,000) respectively.

Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2015 were approximately \$87,717,000 and \$31,769,000 (2014: \$76,702,000 and \$32,264,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Property, plant and equipment

Group	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Cost				
Balance at 1 January 2015	5,564	7,887	64,038	77,489
Additions	-	1,259	362	1,621
Disposals	-	(48)	(341)	(389)
Written off	-	(296)	(763)	(1,059)
Currency translation adjustment	165	238	1,241	1,644
Balance at 31 December 2015	5,729	9,040	64,537	79,306
Accumulated depreciation and impairment				
Balance at 1 January 2015	534	5,763	47,621	53,918
Depreciation for the financial year	132	1,184	3,521	4,837
Impairment loss	-	-	502	502
Disposals	-	(52)	(250)	(302)
Written off	-	(292)	(733)	(1,025)
Currency translation adjustment	17	164	522	703
Balance at 31 December 2015	683	6,767	51,183	58,633
Carrying amount				
Balance at 31 December 2015	5,046	2,273	13,354	20,673
Cost				
Balance at 1 January 2014	5,463	7,259	66,072	78,794
Additions	-	927	56	983
Disposals	-	(336)	(2,758)	(3,094)
Written off	-	(146)	(71)	(217)
Currency translation adjustment	101	183	739	1,023
Balance at 31 December 2014	5,564	7,887	64,038	77,489
Accumulated depreciation				
Balance at 1 January 2014	396	4,886	46,137	51,419
Depreciation for the financial year	128	1,115	3,917	5,160
Disposals	-	(233)	(2,685)	(2,918)
Written off	-	(130)	(64)	(194)
Currency translation adjustment	10	125	316	451
Balance at 31 December 2014	534	5,763	47,621	53,918
Carrying amount				
Balance at 31 December 2014	5,030	2,124	16,417	23,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Property, plant and equipment (Continued)

Company	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Cost				
Balance at 1 January 2015	1,410	1,846	3,393	6,649
Additions	-	565	326	891
Written off	-	(188)	(714)	(902)
Balance at 31 December 2015	1,410	2,223	3,005	6,638
Accumulated depreciation				
Balance at 1 January 2015	235	1,163	1,654	3,052
Depreciation for the financial year	53	366	333	752
Written off	-	(186)	(699)	(885)
Balance at 31 December 2015	288	1,343	1,288	2,919
Carrying amount				
Balance at 31 December 2015	1,122	880	1,717	3,719
Cost				
Balance at 1 January 2014	1,410	1,771	2,071	5,252
Additions	-	166	1,323	1,489
Disposals	-	(91)	(1)	(92)
Balance at 31 December 2014	1,410	1,846	3,393	6,649
Accumulated depreciation				
Balance at 1 January 2014	183	900	1,421	2,504
Depreciation for the financial year	52	310	234	596
Disposals	-	(47)	(1)	(48)
Balance at 31 December 2014	235	1,163	1,654	3,052
Carrying amount				
Balance at 31 December 2014	1,175	683	1,739	3,597

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Property, plant and equipment (Continued)

As at 31 December 2015, the carrying amounts of office plant and equipment of the Group and the Company which were acquired under finance lease arrangement were approximately \$651,000 and \$651,000 (2014: \$309,000 and \$264,000) respectively. Finance leased assets are pledged as security for the related finance lease payables (Note 17).

As at 31 December 2015, the carrying amounts of properties of the Group and the Company which were acquired through bank borrowings were approximately \$2,961,000 and \$Nil (2014: \$4,112,000 and \$1,175,000) respectively. The properties are pledged as security for the related bank borrowings (Note 18).

Impairment

During the financial year, the Group carried out an impairment review of its factory plant and machinery and recognised an impairment loss of approximately \$502,000 (2014: \$Nil) that has been classified in “administrative and other expenses” line item of profit or loss and included in the “PCB business” segment.

The recoverable amount of the relevant assets was determined based on value-in-use calculations using cash flow projections covering the machines’ lifespan of four years. The key assumptions for the value-in-use calculations are those regarding sales volume rate with reference to their remaining lifespan. The rate of reduction in sales volume and discount rate are as follows:

	2015 Year 1 to Year 4 %
Sales volume	(5)
Discount rate	4.83

Sensitivity analysis

Management has performed sensitivity analysis on the above critical assumptions as follows:

	Increase/(Decrease) in recoverable amounts of the property, plant and equipment 2015 \$'000
Change in key assumption	
Sales volume	
- 10% increase	56
- 10% decrease	(56)
Discount rate	
- 10% increase	(34)
- 10% decrease	35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Property, plant and equipment (Continued)

Consolidated Statement of Cash Flows

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2015	2014
	\$'000	\$'000
Additions of property, plant and equipment	1,621	983
Acquired under finance lease	(200)	-
Cash payments to acquire property, plant and equipment	1,421	983

5. Investment properties

	Company	
	2015	2014
	\$'000	\$'000
Cost		
Balance at beginning and end of financial year	1,788	1,788
Accumulated depreciation		
Balance at beginning of financial year	70	35
Charged for the financial year	34	35
Balance at end of financial year	104	70
Carrying value		
At end of financial year	1,684	1,718

At the end of the financial year, the management re-assessed the fair value hierarchy of the Company's investment properties. Based on management's re-assessment, the resulting fair value hierarchy of the Company's investment properties are considered level 3, instead of level 2. Consequently, the additional required disclosures for the fair value of the investment properties classified as level 3 were made in Note 35.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. Investment properties (Continued)

The following amounts are recognised in profit or loss:

	Company	
	2015 \$'000	2014 \$'000
Rental income from investment properties	106	106
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	29	39

The investment properties were acquired through bank borrowings and pledged as security for the related bank borrowings (Note 18).

The details of the Company's investment properties are as follows:

Location	Description	Tenure
18 Boon Lay Way #04-110 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #04-111 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003

The Company leased out the investment properties to its subsidiary, M.Tech Holdings Pte. Ltd., under cancellable operating leases.

6. Investments in subsidiaries

	Company	
	2015 \$'000	2014 \$'000
Unquoted equity shares, at cost	40,870	40,870
Allowance for impairment losses	(9,571)	(9,571)
	31,299	31,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

Movements in allowance for impairment losses were as follows:

	Company	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	9,571	5,835
Allowance made during the financial year	-	4,737
Impairment written off upon liquidation of a subsidiary	-	(799)
Transferred to a subsidiary	-	(202)
Balance at end of financial year	9,571	9,571

As at 31 December 2015, the Company carried out a review on the recoverable amount of its investments in subsidiaries due to the losses reported by those subsidiaries. The review led to the recognition of an impairment loss of approximately \$Nil (2014: \$4,737,000) that have been recognised in the Company's profit or loss. In the previous financial year, the recoverable amount of the investment in a subsidiary of \$2,375,000 was determined on the basis of the subsidiary's fair value less costs to sell that was estimated by the management.

Disposal of a subsidiary

On 1 December 2015, the Company's indirect subsidiary, SecureOneAsia Pte. Ltd. disposed of its entire 51% equity interest in M-Virtual Technology India Private Limited ("MVTI") to a related party of the Company for a cash consideration of approximately \$5,000.

The effects of the disposal as at the date of disposal were as follows:

	Carrying amounts MVTI 2015 \$'000
Trade and other receivables	1,039
Cash and bank balances	3
Fixed deposit pledged with banks	8
	1,050
Trade and other payables	1,486
Net identifiable liabilities	436
51% of Net identifiable liabilities	222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

Disposal of a subsidiary (Continued)

The effects of disposal of subsidiary on cash flows are as follows:

	2015 \$'000
Net identifiable liabilities (as above)	222
Cash consideration from disposal	5
Gain on disposal of a subsidiary (Note 26)	227
Cash consideration from disposal	5
Cash and bank balances disposed	(3)
Net cash inflow on disposal	2

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by the Company					
Multi-Chem (Suzhou) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Designing, manufacturing panel and microdrill, selling own products and providing relevant service, renting out machines
Multi-Chem Laser Technology (Suzhou) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Designing, producing, processing PCB and related products, selling own products and providing relevant service

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by the Company (Continued)					
M.Tech Products Philippines, Inc. ^(g) (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Multi-Chem Electronics (Kunshan) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
Multi-Chem PCB (Kunshan) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
M.Tech Holdings Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Investment holding and distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
Held by M. Tech Holdings Pte. Ltd.					
M.Tech Products Pte Ltd ^(a) (Singapore)	76.75	76.75	23.25	23.25	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M-Solutions Technology (Thailand) Co., Ltd. ^{(d),(e)} (Thailand)	49	49	51	51	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Security Technology Sdn. Bhd. ^(b) (Malaysia)	100	100	-	-	Distribution of information technology products and related services
SecureOneAsia Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Investment holding and provision of management services of its subsidiaries
M-Security Technology Indochina Pte.Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech (Shanghai) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
PT. M.Tech Products ^(f) (Indonesia)	99	99	1	1	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M.Tech Products (HK) Pte Limited ⁽ⁱ⁾ (Hong Kong)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products TW Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M. Tech Products Aust Pty Limited ⁽ⁱ⁾ (Australia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
SecureOne India Holding Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Japan Kabushiki Kaisha ^(k) (Japan)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M.Tech Products New Zealand Limited ^(h) (New Zealand)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products Korea Limited Liability Company ^(k) (South Korea)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products (UK) Pte Ltd ^(k) (United Kingdom)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
E-Secure Asia Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M. Tech Products Pte Ltd					
M.SaaS Solutions Pte. Ltd. ^(a) (Singapore)	76.75	76.75	23.25	23.25	Software consultancy and implementation services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by SecureOneAsia Pte. Ltd.					
M-Virtual Technology India Private Limited ^(k) (India)	-	51	-	49	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Security Tech Philippines, Inc. ^(g) (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Myanmar Ltd. ^(k) (Republic of the Union of Myanmar)	100	100	-	-	Provision of installation and maintenance services for internet and network products
Held by SecureOne India Holding Pte. Ltd.					
M.Tech Solutions (India) Private Limited ^(m) (India)	99.99	99.99	0.01	0.01	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M-Security Technology Indochina Pte. Ltd.					
M-Security Technology Vietnam Company Limited ^(l) (Vietnam)	100	100	-	-	Provision of installation and related technical service of hardware and software relating to internet and network products and distribution of such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
Held by E-Secure Asia Pte. Ltd.					
E Fortify Asia Sdn. Bhd. ^(b) (Malaysia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
E-Secure Asia Co., Ltd. ^{(d),(e)} (Thailand)	48.80	48.80	51.20	51.20	Distribution of IT products and maintenance services

Notes:

- (a) Audited by BDO LLP, Singapore
- (b) Audited by BDO, Malaysia
- (c) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China
- (d) Audited by Dharmniti Auditing Co., Ltd, Thailand
- (e) Deemed to be a subsidiary as the Company has power, exposure to variable returns and the ability to use its power to affect those variable returns over the subsidiary.
- (f) Audited by KAP Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited
- (g) Audited by Mateo Ramos Celestino Llona & Co., Philippines
- (h) Audited by Walker Wayland Auckland Limited, New Zealand
- (i) Audited by BDO Limited, Hong Kong
- (j) Audited by Peter Tsang & Co., Australia
- (k) Not required to be audited and not considered as significant subsidiaries as defined under Rule 718 of the SGX Listing Manual
- (l) Audited by Nexia Stt Vietnam Co., Ltd, Vietnam
- (m) Audited by MZSK & Associates Chartered Accountants, India, a member firm of BDO International Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

Non-controlling interests

Summarised financial information in relation to the subsidiary that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	M.Tech Products Pte Ltd	
	2015	2014
	\$'000	\$'000
Revenue	98,244	80,979
Profit before income tax	5,085	2,830
Income tax expense	(176)	(8)
Profit after income tax	4,909	2,822
Profit allocated to NCI	1,141	656
Other comprehensive income allocated to NCI	-	-
Total comprehensive income allocated to NCI	1,141	656
Dividends paid to NCI	-	-
Cash flows generated from/(used in) operating activities	16,514	(5,292)
Cash flows used in investing activities	(317)	(479)
Cash flows (used in)/generated from financing activities	(15,114)	6,572
Net cash inflows	1,083	801
Assets:		
Current assets	51,924	75,320
Non-current assets	4,091	4,198
Liabilities:		
Current liabilities	26,770	56,787
Non-current liabilities	16	136
Net assets	29,229	22,595
Accumulated non-controlling interests	6,796	5,253

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Investments in subsidiaries (Continued)

Significant restriction

Cash and bank balances of \$16,493,000 (2014: \$13,066,000), equivalent to RMB75,485,000 (2014: RMB61,547,000) held with subsidiaries in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

7. Investment in an associate

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Equity investment at cost			-	700
Allowance for impairment losses			-	(476)
			-	224
Balance at beginning of financial year	224	474		
Share of results	(30)	(250)		
Proceeds from liquidation	(194)	-		
Balance at end of financial year	-	224		

Movement in allowance for impairment losses was as follows:

	Company	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	476	-
Allowance made during the financial year	-	476
Written off upon liquidation	(476)	-
Balance at end of financial year	-	476

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. Investment in an associate (Continued)

The details of the associate are as follows:

Name of company (Country of incorporation)	Effective equity interest		Principal activities
	2015 %	2014 %	
Hawera Precision Tec Pte Ltd ^(a) (Singapore)	-	35	Distribution of precision tools and provision of regrinding services

(a) Not audited. The associate has completed its member's voluntary liquidation during the financial year.

The associate's financial year-end is 31 December. The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group and the Company is as follows:

	2015 \$'000	2014 \$'000
Assets and liabilities:		
Total assets	-	715
Total liabilities	-	(74)
Net assets	-	641
Share of net assets (35%), representing the carrying amount of the investment	-	224
Results:		
Revenue	-	969
Net loss for the financial year, representing total comprehensive income for the financial year	(86)	(714)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. Club memberships

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cost				
Balance at beginning of financial year	380	363	-	-
Additions	202	-	186	-
Currency translation adjustment	21	17	-	-
Balance at end of financial year	603	380	186	-
Accumulated amortisation				
Balance at beginning of financial year	-	-	-	-
Charged for the financial year	30	-	-	-
Currency translation adjustment	1	-	-	-
Balance at end of financial year	31	-	-	-
Carrying value				
At end of financial year	572	380	186	-

Club memberships comprise memberships for golf clubs in the People's Republic of China and Singapore. As the club memberships do not have quoted market prices in an active market and there are no other available methods to reasonably estimate the fair values, it is not practicable to determine the fair values of the club memberships with sufficient reliability. However, the Directors of the Company are of the view that the carrying amounts of club memberships approximate their fair values.

As at 31 December 2015, the Group had club memberships held in trust by Directors of the Company with carrying amount of approximately \$434,000 (2014: \$243,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. Deferred tax

	Group	
	2015 \$'000	2014 \$'000
Deferred tax assets		
Balance at beginning of financial year	1,986	1,462
Credit to profit or loss (Note 29)	366	472
Currency translation adjustment	34	52
Balance at end of financial year	2,386	1,986

The following are the major deferred tax assets recognised by the Group and the movements during the financial year.

	Provisions \$'000	Unutilised tax losses \$'000	Other temporary differences \$'000	Total \$'000
Group				
At 1 January 2014	1,082	173	207	1,462
Credit to profit or loss	100	221	151	472
Currency translation adjustment	27	15	10	52
At 1 January 2015	1,209	409	368	1,986
Credit to profit or loss	308	74	(16)	366
Currency translation adjustment	(33)	6	61	34
At 31 December 2015	1,484	489	413	2,386

Deferred tax assets are recognised for provisions, unutilised tax losses and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable.

	Group	
	2015 \$'000	2014 \$'000
Deferred tax liabilities		
Balance at beginning of financial year	-	(11)
Credit to profit or loss (Note 29)	-	11
Balance at end of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. Deferred tax (Continued)

The following were the major deferred tax liabilities recognised by the Group and the movements in the previous financial year.

	Accelerated tax depreciation	Provisions	Others	Total
	\$'000	\$'000	\$'000	\$'000
Group				
At 1 January 2014	(33)	26	(4)	(11)
Credit/(Charge) to profit or loss	33	(26)	4	11
At 31 December 2014	-	-	-	-

10. Available-for-sale financial assets

	Group and Company	
	2015	2014
	\$'000	\$'000
Unquoted equity shares, at cost	50	50
Investment in life insurance plan, at fair value	4,047	3,647
	4,097	3,697
Allowance for impairment losses	(50)	(50)
	4,047	3,647

Investment in unquoted equity shares

The investment in unquoted equity shares are stated at cost less impairment loss since there is no quoted market price in an active market and fair value cannot be reliably measured. The Group does not have intention to dispose the unquoted equity shares in the near future. There is no movement in allowance for impairment losses made for available-for-sale investment in unquoted equity shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. Available-for-sale financial assets (Continued)

Investment in life insurance plan

Movements in the investment in life insurance plan is as follows:

	Group and Company	
	2015	2014
	\$'000	\$'000
Balance at beginning of financial year	3,647	-
Addition	-	3,543
Fair value change recognised in other comprehensive income	142	56
Exchange differences charged to profit or loss	258	48
Balance at end of financial year	4,047	3,647

The investment in life insurance plan pertains to the Jade Ultra Global Generations Universal Life Insurance Policy (the "Policy") purchased by the Company for a Director with a sum insured of US\$8,500,000 with a guaranteed return of 4.2% per annum within the 1 year lock-in period, after which, a variable return will be received, as determined by the insurer. The single premium paid on the Policy amounted to approximately US\$703,000, equivalent to approximately \$922,000 (Note 12). The investment is measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses and foreign exchange gains and losses which are recognised in profit or loss.

The Policy is pledged as security for the related bank borrowings (Note 18).

The available-for-sale financial assets are denominated in United States dollar.

For the purpose of consolidated statement of cash flows, the Group's addition to available-for-sale financial assets was financed as follows:

	Group	
	2015	2014
	\$'000	\$'000
Addition of available-for-sale financial asset	-	3,543
Acquired under bank borrowings	-	(3,023)
Cash payments to acquire available-for-sale financial asset	-	520

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets				
Other receivables	705	708	-	-
Current assets				
Trade receivables				
- third parties	87,739	73,891	911	1,073
Allowance for doubtful trade receivables - third parties	(3,153)	(1,164)	-	-
	84,586	72,727	911	1,073
Non-trade receivables				
- third parties	1,955	2,859	54	79
- subsidiaries	-	-	30,800	31,099
- associate	-	8	-	8
Allowance for doubtful non-trade receivables				
- third parties	-	(57)	-	-
	1,955	2,810	30,854	31,186
Deposits	471	457	4	5
Total current trade and other receivables	87,012	75,994	31,769	32,264
Total trade and other receivables	87,717	76,702	31,769	32,264

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 (2014: 30 to 120) days credit terms.

Non-current other receivables due from third parties are unsecured, non-interest bearing and expected to be settled within 2 to 7 years (2014: 2 to 7 years).

The amounts due from subsidiaries and an associate are unsecured, non-interest bearing and repayable on demand, except for an amount due from a subsidiary of approximately \$30,791,000 (2014: \$19,599,000) which bears an interest rate of 2.5% (2014: 2.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables (Continued)

The carrying amount of non-current other receivables approximate the fair value as at the end of the financial year as the impact of discounting is insignificant.

Movements in allowance for doubtful third party trade receivables were as follows:

	Group	
	2015 \$'000	2014 \$'000
Balance at beginning of financial year	1,164	1,479
Allowance made during the financial year	2,100	137
Bad debt receivables written off	(181)	(469)
Currency translation adjustment	70	17
Balance at end of financial year	3,153	1,164

The Group's allowance for doubtful trade receivables of approximately \$2,100,000 (2014: \$137,000) was included in "administrative and other expenses" line item in profit or loss subsequent to a debt recovery assessment performed during the financial year.

Movements in allowance for doubtful non-trade receivables were as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at beginning of financial year	57	-	-	329
Allowance (reversed)/made during the financial year	(59)	57	-	(335)
Currency translation adjustment	2	-	-	6
Balance at end of financial year	-	57	-	-

The Group's allowance for doubtful third party non-trade receivables of approximately \$Nil (2014: \$57,000) was included in "administrative and other expenses" line item in profit or loss subsequent to a debt recovery assessment performed during the financial year.

The Group and the Company reversed allowance for doubtful non-trade receivables from subsidiaries no longer required of approximately \$59,000 and \$Nil (2014: \$Nil and \$335,000) respectively during the financial year subsequent to the recovery of the related receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	3,329	2,737	29,350	29,292
United States dollar	48,889	43,733	2,225	672
Chinese renminbi	9,074	12,340	-	2,112
Thailand baht	5,310	6,150	10	-
Indian rupee	6,228	3,560	-	-
Ringgit Malaysia	5,356	3,905	-	-
New Taiwan dollar	1,315	1,150	-	-
Australian dollar	3,455	1,748	1	-
Others	4,761	1,379	183	188
	87,717	76,702	31,769	32,264

12. Prepayment

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Non-current	720	804	720	804
Current	1,707	830	228	238
	2,427	1,634	948	1,042

The Group's and the Company's prepayment classified as non-current assets represent prepaid insurance premium in relation to the life insurance plan purchased by the Company for a Director (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. Inventories

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Finished goods	29,486	33,479	323	301

The cost of inventories recognised as an expense and included in “cost of sales” line item in profit or loss amounted to approximately \$269,861,000 (2014: \$219,630,000).

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for inventory obsolescence and inventories written off of approximately \$3,112,000 and \$176,000 (2014: \$2,902,000 and \$556,000) respectively that have been included in “cost of sales” line item in profit or loss.

14. Derivative financial instruments

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Derivative financial instruments				
Assets				
- Forward currency contracts	17	-	-	-
Liabilities				
- Forward currency contracts	(45)	-	(45)	-

The Group uses forward currency contracts to manage some of its foreign currency transaction exposure. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives did not qualify for hedge accounting.

The maximum exposure to credit risk at the end of the financial year is the fair value of the derivative financial instruments in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Derivative financial instruments (Continued)

The details of forward currency contracts entered are as follows:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2015 \$'000	2014 \$'000	2015 FC\$'000	2014 FC\$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Group								
<i>Sell Malaysian Ringgit</i>								
Less than 6 months	3	-	4,900	-	1,633	-	17	-
<i>Sell Philippine Peso</i>								
Less than 7 months	33	-	35,320	-	1,044	-	(10)	-
<i>Sell Indonesian Rupiah</i>								
Less than 3 months	10,048	-	18,137,200	-	1,805	-	(35)	-
					4,482	-	(28)	-
Company								
<i>Sell Philippine Peso</i>								
Less than 7 months	33	-	35,320	-	1,044	-	(10)	-
<i>Sell Indonesian Rupiah</i>								
Less than 3 months	10,048	-	18,137,200	-	1,805	-	(35)	-
					2,849	-	(45)	-

The following details the foreign currency forward contracts outstanding as at the end of the financial year:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Foreign currency forward contracts				
Contract/Notional amount				
- United States dollar	4,482	-	2,849	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	24,530	24,189	1,001	1,362
Fixed deposits with banks	12,167	19,440	1,360	9,780
Cash and cash equivalents as per statements of financial position	36,697	43,629	2,361	11,142
Fixed deposits pledged with banks	(1,482)	(9,911)		
Cash and cash equivalents as per consolidated statement of cash flows	35,215	33,718		

Fixed deposits mature on varying dates between 7 days to 4 months (2014: 24 days to 8 months) from the end of the financial year. The effective interest rates on the fixed deposits range from 1.00% to 3.00% (2014: 1.10% to 8.25%) per annum.

As at 31 December 2015, the fixed deposits of the Group amounting to approximately \$1,482,000 (2014: 9,911,000) were pledged to banks for bankers' guarantees issued on behalf of the Group and as security for banking facilities as disclosed in Note 18 to the financial statements.

Cash and cash equivalents included in the statements of financial position are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	1,197	1,495	267	328
United States dollar	7,257	6,908	631	828
Chinese renminbi	15,045	19,165	-	7,857
Ringgit Malaysia	265	4,648	-	-
Thailand baht	2,836	3,360	-	-
Indian rupee	4,769	2,472	-	-
Australian dollar	1,979	2,654	1,360	1,922
Others	3,349	2,927	103	207
	36,697	43,629	2,361	11,142

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade payables				
- third parties	48,282	43,160	150	197
Non-trade payables				
- third parties	4,185	3,841	114	71
- subsidiaries	-	-	250	1,691
Advance billings	2,075	2,603	-	-
Deferred revenue	3,686	3,605	-	-
Accrued operating expenses	7,436	6,177	1,235	1,006
	65,664	59,386	1,749	2,965

Trade and non-trade payables are unsecured, non-interest bearing and are generally on 30 to 90 (2014: 30 to 90) days credit terms.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Deferred revenue represents unrecognised revenue from maintenance contracts expiring in future financial periods.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	2,675	3,345	1,382	923
United States dollar	52,356	45,934	159	1,842
Chinese renminbi	2,171	2,657	198	192
Ringgit Malaysia	1,104	1,683	-	-
Thailand baht	1,743	2,106	-	-
Australian dollar	1,827	1,031	-	-
Others	3,788	2,630	10	8
	65,664	59,386	1,749	2,965

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. Finance lease payables

	Minimum lease payments \$'000	Future finance charges \$'000	Present value of minimum lease payments \$'000
Group			
2015			
Current liabilities			
Within one year	205	(14)	191
Non-current liabilities			
After one year but within five years	150	(4)	146
	355	(18)	337
2014			
Current liabilities			
Within one year	141	(12)	129
Non-current liabilities			
After one year but within five years	172	(7)	165
	313	(19)	294
Company			
2015			
Current liabilities			
Within one year	169	(9)	160
Non-current liabilities			
After one year but within five years	150	(4)	146
	319	(13)	306
2014			
Current liabilities			
Within one year	98	(7)	91
Non-current liabilities			
After one year but within five years	147	(4)	143
	245	(11)	234

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. Finance lease payables (Continued)

The finance lease payables are due to financial institutions.

The carrying amounts of non-current financial lease payables approximate their fair values as at the end of the financial year.

The finance lease term is 3 to 7 (2014: 5 to 7) years. The average effective interest rates for finance lease payables ranges from 3.57% to 5.43% (2014: 3.57% to 5.43%) per annum.

Interest rate is fixed at the contract date and is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and the Company's payables under finance leases are secured by the leased assets, which will revert to the lessor in the event of default by the Group and the Company.

The finance lease payables are denominated in Singapore dollar.

18. Bank borrowings

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current liabilities				
Secured				
Short term loans	1,027	8,200	1,027	8,200
Term loan I	-	116	-	116
Term loan II	114	196	-	-
Term loan III	284	284	284	284
Term loan IV	475	444	475	444
	1,900	9,240	1,786	9,044
Unsecured				
Short term loans	17,908	24,266	5,255	4,370
	19,808	33,506	7,041	13,414
Non-current liabilities				
Secured				
Term loan II	-	114	-	-
Term loan III	308	592	308	592
Term loan IV	2,335	2,627	2,335	2,627
	2,643	3,333	2,643	3,219
	22,451	36,839	9,684	16,633

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

18. Bank borrowings (Continued)

The average effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Short term loans	2.16	1.91	2.24	2.05
Term loan I	2.55	2.27	2.55	2.27
Term loan II	2.44	2.02	-	-
Term loan III	2.37	1.86	2.37	1.86
Term loan IV	1.88	1.83	1.88	1.83

Secured

Short term loans were secured against fixed deposits placed with financial institutions.

Term loan I from a financial institution is repayable over 54 months commencing from 19 January 2011. Term loan I is secured by the Company's leasehold property. The term loan has been fully settled in June 2015.

Term loan II from a financial institution is repayable over 54 months commencing from 30 January 2012. Term loan II is secured by a subsidiary's leasehold property.

Term loan III from a financial institution is repayable over 60 months commencing from 15 February 2013. Term loan III is secured by the Company's leasehold property.

Term loan IV from a financial institution is repayable over 83 months commencing from 15 January 2015. Term loan IV is secured by the Company's available-for-sale financial assets.

As at the end of the financial year, the Group and the Company have banking facilities as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Banking facilities granted	87,255	88,453	56,001	56,212
Banking facilities utilised	22,451	36,839	9,684	16,633

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

18. Bank borrowings (Continued)

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Singapore dollar	10,488	23,866	6,874	13,562
United States dollar	11,963	12,973	2,810	3,071
	22,451	36,839	9,684	16,633

The carrying amounts of non-current bank borrowings approximate their fair values as at the end of the financial year as the interest rates are re-priced frequently.

19. Provision for post-employee benefits

The Group recognises provision for post-employment benefits for all its permanent employees in accordance with the applicable legislation. The provision is based on an actuarial calculation by an independent actuaries using the "Projected Unit Credit Method".

	Group	
	2015 \$'000	2014 \$'000
Provision for employee service entitlement benefits		
- Post-employment benefit program ("Plan A")	199	-
- Other long-term employee benefit program ("Plan B")	20	-
	219	-
Present value of provision for post-employee benefits	214	-
Currency alignment	5	-
Net benefit liability	219	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. Provision for post-employee benefits (Continued)

The amounts recognised in profit or loss in respect of these employee benefits are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Current services costs	72	-
Past services costs	17	-
Interest costs	15	-
Actuarial gain	(5)	-
	99	-

Changes in the present value of the provision for post-employee benefits are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Balance at beginning of financial year	-	-
Transferred from other payables under current liabilities	243	-
Charged to profit or loss	99	-
Net remeasurements of post-employee benefits recognised to other comprehensive income	(127)	-
Repayment made during the financial year	(1)	-
Currency realignment	5	-
Balance at end of financial year	219	-

The cost of providing for employee benefits is calculated by independent actuaries. The actuarial valuations were carried out using the following key assumptions:

	Group	
	2015	2014
Financial assumptions:		
Annual discount rate		
- Plan A	9.00%	-
- Plan B	2.25%	-
Annual salary growth rate	10.00%	-
Demographic assumptions:		
Retirement age	55 years	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. Provision for post-employee benefits (Continued)

The average duration of the post-employee benefits at the end of the financial year is 12 years (2014: Nil).

Significant actuarial assumptions for the determination of the defined obligation are annual discount rate and annual salary growth. No sensitivity analysis is disclosed as the effect on defined obligations is insignificant and may not be representative of the actual changes as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

20. Share capital

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares			
	'000	'000	\$'000	\$'000
Issued and fully-paid:				
Balance at beginning of financial year	360,381	360,381	37,288	37,288
Share consolidation	(270,286)	-	-	-
Balance at end of financial year	90,095	360,381	37,288	37,288

On 15 May 2015, the Company has completed a share consolidation exercise to consolidate every four ordinary shares in the capital of the Company held by the shareholders into one ordinary share, so as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 90,095,268 consolidated shares after disregarding any fractions of consolidated shares arising from the share consolidation exercise.

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

21. Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

	Group and Company	
	2015	2014
	\$'000	\$'000
Balance at beginning of financial year	56	-
Fair value gain recognised in other comprehensive income	142	56
Balance at end of financial year	198	56

23. Other reserves

	Group	
	2015	2014
	\$'000	\$'000
Premium on acquisition of non-controlling interests	(123)	(123)
China statutory reserve	5,240	4,878
Thailand statutory reserve	41	41
	5,158	4,796

Premium on acquisition of non-controlling interests

Premium on acquisition of non-controlling interests is the effect of transactions with non-controlling interests if there are no changes in control and the transactions will no longer result in goodwill or gains or losses.

China statutory reserve

According to the relevant regulations in the People's Republic of China ("PRC") and the Articles of Association of the PRC subsidiaries, they are required to transfer 10% of their profit after income tax to the statutory reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. Other reserves (Continued)

Thailand statutory reserve

Under the provisions of the Civil and Commercial Code of Thailand, the subsidiary in Thailand is required to set aside as legal reserve at least 5% of its profit at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution. The subsidiary in Thailand had already appropriated retained earnings as legal reserve amounting to Thailand baht 1,000,000 (\$41,000) equivalent to 10% of the authorised capital.

The movements of the other reserves of the Group are presented in the consolidated statement of changes in equity.

24. Retained earnings

Movements of retained earnings of the Company are as follows:

	Company	
	2015	2014
	\$'000	\$'000
Balance at beginning of financial year	28,609	33,852
Total comprehensive income for the financial year	1,638	(2,288)
Dividends (Note 31)	(2,982)	(2,955)
Balance at end of financial year	27,265	28,609

25. Revenue

	Group	
	2015	2014
	\$'000	\$'000
Rendering of services	205,849	119,564
Sale of goods	141,208	172,100
	347,057	291,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. Other income

	Group	
	2015 \$'000	2014 \$'000
Commission income	191	199
Compensation income from an associate	-	181
Foreign exchange gain, net	-	847
Freight income	195	192
Gain on disposal of a subsidiary	227	-
Gain on disposal of plant and equipment	-	100
Government grant	150	131
Incentive received	395	163
Marketing income	-	147
Third party trade payables written back	-	203
Sale of drill bits	26	123
Scrap sales	481	237
Others	248	159
	1,913	2,682

27. Finance costs

	Group	
	2015 \$'000	2014 \$'000
Interest expenses		
- bank borrowings	632	528
- finance leases	16	15
	648	543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. Profit before income tax

The above is arrived at after charging:

	Group	
	2015	2014
	\$'000	\$'000
<i>Cost of sales</i>		
Allowance made for inventory obsolescence	3,112	2,902
Inventories written off	176	556
Depreciation of property, plant and equipment	3,471	3,921
<i>Selling and distribution costs</i>		
Entertainment	1,707	1,663
Sales commission	2,151	2,163
Travelling	1,355	1,637
<i>Administrative and other expenses</i>		
Allowance made for doubtful third party trade receivables	2,100	137
Allowance made for doubtful third party non-trade receivables	-	57
Amortisation of club memberships	30	-
Bad third party trade receivables written off	544	30
Depreciation of property, plant and equipment	1,366	1,239
Directors' fees		
- Directors of the Company	199	148
Foreign exchange loss, net	252	-
Impairment loss of plant and equipment	502	-
Loss on disposals of plant and equipment	22	-
Audit fees		
- auditors of the Company	143	138
- other auditors	137	142
Non-audit fees		
- auditors of the Company	-	-
- other auditors	-	3
Operating lease expenses	1,440	1,309
Plant and equipment written off	34	23

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. Profit before income tax (Continued)

The profit before income tax also includes:

	Group	
	2015	2014
	\$'000	\$'000
Employee benefits		
- salaries and other short term benefits	29,440	29,039
- post-employment benefits	3,294	3,029
	32,734	32,068

The employee benefits are recognised in the following line items of profit or loss:

	Group	
	2015	2014
	\$'000	\$'000
Cost of sales	3,935	5,078
Selling and distribution costs	18,059	16,922
Administrative and other expenses	10,740	10,068
	32,734	32,068

Included in the staff costs were key management remuneration as disclosed in Note 34 to the financial statements.

29. Income tax expense

	Group	
	2015	2014
	\$'000	\$'000
Current income tax		
- current year	3,033	2,283
- under provision in prior years	72	176
	3,105	2,459
Deferred tax		
- current year	(203)	(207)
- over provision in prior years	(163)	(276)
	(366)	(483)
Total income tax expense recognised in profit or loss	2,739	1,976

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. Income tax expense (Continued)

Reconciliation of effective tax rate

	Group	
	2015	2014
	\$'000	\$'000
Profit before income tax	8,761	7,371
Share of results of an associate	30	250
	8,791	7,621
Income tax calculated at Singapore's statutory income tax rate of 17%	1,495	1,296
Effect of different income tax rates in other countries	129	195
Effect of expenses not deductible for income tax purposes	451	734
Effect of partial tax exemption and tax relief	(396)	(411)
Deferred tax assets not recognised	1,054	662
Utilisation of deferred tax assets not recognised previously	(430)	(698)
Under provision of current income tax in prior years	72	176
Over provision of deferred tax in prior years	(163)	(276)
Withholding tax paid overseas	485	304
Others	42	(6)
	2,739	1,976

Unrecognised deferred tax assets

	Group	
	2015	2014
	\$'000	\$'000
Balance at beginning of financial year	4,012	4,287
Utilised during the financial year	(430)	(698)
Amount not recognised during financial year	1,054	662
Forfeited upon disposal/liquidation of subsidiary	(218)	(174)
Currency translation adjustment	60	(65)
Balance at end of financial year	4,478	4,012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2015 \$'000	2014 \$'000
Unutilised tax losses	3,623	3,583
Other temporary differences	855	429
	4,478	4,012

As at 31 December 2015, the Group had unutilised tax losses of approximately \$13,435,000 (2014: \$13,295,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates. No deferred tax assets have been recognised in respect of such losses as the management is not confident that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with its accounting policy.

The total unutilised tax losses of the subsidiaries in the jurisdiction of the People's Republic of China and India amounting to \$11,270,000 (2014: \$8,925,000) and \$2,704,000 (2014: \$3,335,000) respectively can only be utilised for set-off against its future taxable profits within five and eight years from the date the tax losses were incurred.

30. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2015	2014 (Restated) ^(a)
Profit after income tax attributable to owners of the parent (\$'000)	4,779	4,840
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	90,095	90,095
Earnings per share (in cents)		
- Basic	5.30	5.37
- Diluted	5.30	5.37

^(a) Comparative figures for earnings per share have been adjusted for the share consolidation exercise to consolidate every 4 ordinary shares into 1 ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. Earnings per share (Continued)

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

31. Dividends

	Group and Company	
	2015 \$'000	2014 \$'000
Interim tax-exempt dividends paid of \$0.0111 per share in respect of financial year ended 31 December 2015	1,000	-
Interim tax-exempt dividends paid of \$0.0027 per share in respect of financial year ended 31 December 2014	-	973
Final tax-exempt dividends paid of \$0.022 per share in respect of financial year ended 31 December 2014	1,982	-
Final tax-exempt dividends paid of \$0.0055 per share in respect of financial year ended 31 December 2013	-	1,982
	2,982	2,955

The Directors of Company recommend a final tax-exempt dividend of \$0.022 (2014: \$0.022) per share amounting to approximately \$1,982,000 (2014: \$1,982,000) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. Commitments and contingent liabilities

32.1 Operating lease commitments

The Group as a lessee

As at the end of the financial year, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2015	2014
	\$'000	\$'000
Within one year	1,773	1,500
After one year but within five years	1,488	487
	3,261	1,987

The above operating lease commitments are based on existing rental rates at the end of the financial year. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various office premises under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights.

The Group and the Company as lessors

The Group and the Company have entered into operating lease commitment on its machineries. These non-cancellable leases have remaining lease terms of between 8 to 17 (2014: 4 to 20) months.

As at the end of the financial year, future minimum rentals receivable under non-cancellable operation leases at the end of the financial year are as follows:

	Group and Company	
	2015	2014
	\$'000	\$'000
Within one year	1,261	822
After one year but within five years	316	208
	1,577	1,030

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. Commitments and contingent liabilities (Continued)

32.2 Contingent liabilities

Corporate guarantees

As at 31 December 2015, the Company had given guarantees amounting to \$12,653,000 (2014: \$19,896,000) to certain banks in respect of banking facilities granted to the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Directors of the Company have assessed that the likelihood of the subsidiaries defaulting on repayment of its loan is remote.

33. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.20).

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, People's Republic of China ("PRC") and other countries. These locations are engaged in the manufacturing, distribution of PCB and distribution of hardware and software.

The Group has two reportable segments being PCB business and IT business.

The PCB business segment provides precision drilling services to PCB fabricators and distributes specialty chemicals and other PCB-related products and equipment to PCB manufacturers.

The IT business segment relates to the distribution of hardware and software relating to internet and network products and the provision of maintenance services for such products.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss from 2014.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

	Singapore		PRC		Others	Elimination and adjustments	Total
	PCB business	IT business	PCB business	IT business	IT business		
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
- External sales	4,733	130,768	20,889	49,748	140,919	-	347,057
- Inter-segment sales	-	118	-	-	13	(131)	-
Total revenue	4,733	130,886	20,889	49,748	140,932	(131)	347,057

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

	PCB business \$'000	IT business \$'000	Elimination and adjustments \$'000	Total \$'000
2015				
Segment results				
Interest income	296	195	-	491
Interest expense	(12)	(636)	-	(648)
Depreciation of property, plant and equipment	(3,980)	(857)	-	(4,837)
Share of results of an associate, net of tax	(30)	-	-	(30)
Other material non-cash items:				
- Impairment of plant and equipment	(502)	-	-	(502)
- (Loss)/Gain on disposal of plant and equipment	(28)	6	-	(22)
- Inventories written off	1	(177)	-	(176)
- Unrealised foreign exchange (loss)/gain	(306)	928	-	622
- Allowance made for inventory obsolescence	(12)	(3,100)	-	(3,112)
- Allowance made for doubtful third party trade receivables	-	(2,100)	-	(2,100)
- Amortisation of club memberships	-	(30)	-	(30)
- Write-back of allowance for third party non-trade receivables	-	59	-	59
- Fair value change in derivative financial instruments	(45)	18	-	(27)
Segment profit	2,575	6,186	-	8,761

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

	← Singapore →		← PRC →		Others		Elimination and	
	PCB business	IT business	PCB business	IT business	IT business	Unallocated	adjustments	Total
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure								
Property, plant and equipment	573	439	355	38	216	-	-	1,621
Assets and liabilities								
Segment assets	14,236	62,564	31,710	22,430	50,697	5,436	-	187,073
Segment liabilities	11,532	52,036	1,578	8,275	15,295	653	-	89,369

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

	← Singapore →		← PRC →		Others	Elimination and adjustments	Total
	PCB business	IT business	PCB business	IT business	IT business		
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
- External sales	3,419	102,845	22,394	44,176	118,830	-	291,664
- Inter-segment sales	15	543	-	-	117	(675)	-
Total revenue	3,434	103,388	22,394	44,176	118,947	(675)	291,664

	PCB business	IT business	Elimination and adjustments	Total
	\$'000	\$'000	\$'000	\$'000
Segment results				
Interest income		237	179	416
Interest expense		(10)	(533)	(543)
Depreciation of property, plant and equipment		(4,322)	(838)	(5,160)
Share of results of an associate, net of tax		(250)	-	(250)
Other material non-cash items:				
- Gain/(Loss) on disposal of plant and equipment		109	(9)	100
- Inventories written off		-	(556)	(556)
- Unrealised foreign exchange gain		420	927	1,347
- Allowance made for inventory obsolescence		2	(2,904)	(2,902)
- Allowance made for doubtful third party trade receivables		-	(137)	(137)
- Allowance made for doubtful third party non-trade receivables		-	(57)	(57)
Segment profit		2,600	4,771	7,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

	Singapore		PRC		Others	Elimination and		Total
	PCB business	IT business	PCB business	IT business	IT business	Unallocated	adjustments	
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure								
Property, plant and equipment	192	520	29	98	144	-	-	983
Assets and liabilities								
Segment assets	22,612	61,543	31,634	20,743	46,511	5,381	-	188,424
Investment in an associate	224	-	-	-	-	-	-	224
Segment liabilities	18,141	57,490	1,387	7,015	12,486	764	-	97,283

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Segment information (Continued)

Geographical information

The Group's two business segments operate in three main geographical areas. Revenue is based on the country in which the customer is located.

Revenue from external customers

	Singapore \$'000	PRC \$'000	Others \$'000	Group \$'000
2015				
Revenue from external customers	114,972	66,760	165,325	347,057

2014

Revenue from external customers	86,089	62,994	142,581	291,664
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Location of non-current assets

	Singapore \$'000	PRC \$'000	Others \$'000	Group \$'000
2015				
Non-current assets	9,659	11,989	317	21,965

2014

Non-current assets	9,597	15,243	139	24,979
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Non-current assets consist of property, plant and equipment, investment in an associate, club memberships and prepayment as presented in the statement of financial position of the Group.

Major customers

The Group does not have a major customer whose revenue is 10% or more of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
With subsidiaries				
Advances made to subsidiaries	-	-	15,063	29,110
Dividend income	-	-	1,915	3,136
Interest on advances made to a subsidiary	-	-	695	495
Payment made by the Company on the subsidiaries' behalf	-	-	167	339
Purchase of goods	-	-	233	123
Rental income	-	-	106	106
Service fee	-	-	2,149	1,744
Transfer of shares	-	-	-	202
With an associate				
Compensation income	-	181	-	181
Service fee	-	249	-	249

Compensation of key management personnel

The remuneration of Directors and other members of the key management personnel of the Group and the Company during the financial year was as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries and other short-term benefits (other than fees)	3,351	3,062	2,661	2,617
Post-employment benefits	106	100	75	68
Directors' fees	199	147	199	147
	3,656	3,309	2,935	2,832

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Significant related party transactions (Continued)

The above includes the following remuneration to the Directors of the Company:

	Group	
	2015 \$'000	2014 \$'000
Salaries and other short-term benefits (other than fees)	1,691	1,602
Post-employment benefits	22	19
Directors' fees	199	147
	1,912	1,768

35. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure these risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals.

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 statement of financial position, except as follows:

	Company	
	2015	2014
	\$'000	\$'000
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	12,653	19,896

The earliest period that the guarantee could be called is within 1 year from the end of the financial year. Based on expectations at the end of the financial year, the Company considers that it is more likely than not that no amount will be payable under the arrangement (Note 32.2). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top three trade receivables from third parties amounting to approximately \$22,822,000 and \$882,000 (2014: \$17,290,000 and \$988,000) respectively as at the end of financial year.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk (Continued)

The credit risk for trade receivables based on the information provided to the key management as at the end of the financial year was as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
By geographical areas				
Singapore	31,170	27,711	827	1,008
People's Republic of China	13,112	15,138	-	-
Thailand	5,276	6,083	7	9
Other countries	35,028	23,795	77	56
	84,586	72,727	911	1,073

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. Management will assess for impairment with reference to the creditworthiness and the past collection history of each customer. Based on historical experience, the Group's and the Company's collection of receivables falls within the credit period granted.

The age analysis of trade receivables that are past due is as follows:

	Gross		Gross	
	receivables	Impairment	receivables	Impairment
	2015	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000
Group				
Past due 0 to 1 month	17,238	-	16,141	-
Past due 1 to 2 months	10,005	-	8,787	-
Past due 2 to 5 months	6,295	-	4,603	-
Past due over 5 months	3,395	3,153	2,528	1,164
Company				
Past due 0 to 1 month	292	-	273	-
Past due 1 to 2 months	183	-	108	-
Past due 2 to 5 months	103	-	47	-
Past due over 5 months	3	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.2 Market risk

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currencies other than the functional currencies of the entities within the Group. The currencies that give rise to this risk are primarily United States dollar and Chinese renminbi.

The Group and the Company monitor their foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group and the Company enter into foreign currency forward contracts with its principal bankers to mitigate the foreign currency risks (mainly export sales and import purchases).

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year were as follows:

	Assets		Liabilities	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Group				
United States dollar	24,459	18,263	64,182	54,352
Chinese renminbi	-	9,970	197	195
Others	4,925	2,763	664	689
Company				
United States dollar	2,856	1,500	2,969	4,913
Chinese renminbi	-	9,969	198	192
Others	1,657	2,317	10	8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The Group's and the Company's exposure to foreign currency risk are mainly in United States dollar and Chinese renminbi.

The following table details the Group's and Company's sensitivity to a 6% (2014: 3%) change in United States dollar and Chinese renminbi against the Singapore dollar. The sensitivity analysis assumes an instantaneous 6% (2014: 3%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in United States dollar and Chinese renminbi are included in the analysis.

	Profit or loss	
	2015	2014
	\$'000	\$'000
Group		
<i>United States dollar</i>		
Strengthens against Singapore dollar	(2,353)	(1,083)
Weakens against Singapore dollar	2,353	1,083
<i>Chinese renminbi</i>		
Strengthens against Singapore dollar	(12)	293
Weakens against Singapore dollar	12	(293)
Company		
<i>United States dollar</i>		
Strengthens against Singapore dollar	(7)	(102)
Weakens against Singapore dollar	7	102
<i>Chinese renminbi</i>		
Strengthens against Singapore dollar	(12)	293
Weakens against Singapore dollar	12	(293)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.2 Market risk (Continued)

(ii) *Interest rate risk management*

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to short-term bank deposits, finance lease payables and bank borrowings as shown in Notes 15, 17 and 18 to the financial statements.

The Group's and the Company's financial performance are affected by changes in interest rates due to the impact of such changes on interest income and expenses from short-term bank deposits and bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group's and Company's borrowings at variable rates are denominated in Singapore dollar and United States dollar. If the Singapore dollar interest rates increase or decrease by 1% (2014: 0.5%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$105,000 (2014: \$119,000) as a result of higher or lower interest expense on borrowings. If the United States dollar interest rates increase or decrease by 1% (2014: 0.5%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$120,000 (2014: \$65,000) as a result of higher or lower interest expense on borrowings.

35.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

Contractual maturity analysis

	Within one year \$'000	After one year but within five years \$'000	After five years \$'000	Total \$'000
Group				
2015				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	59,903	-	-	59,903
Interest bearing				
- Bank borrowings	19,920	2,314	439	22,673
- Finance lease payables	205	150	-	355
	80,028	2,464	439	82,931
2014				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	53,178	-	-	53,178
Interest bearing				
- Bank borrowings	33,651	2,623	867	37,141
- Finance lease payables	141	172	-	313
	86,970	2,795	867	90,632

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year \$'000	After one year but within five years \$'000	After five years \$'000	Total \$'000
Company				
2015				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	1,749	-	-	1,749
Interest bearing				
- Bank borrowings	7,105	2,314	439	9,858
- Finance lease payables	169	150	-	319
	9,023	2,464	439	11,926
Financial guarantee contracts	12,653	-	-	12,653
2014				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	2,965	-	-	2,965
Interest bearing				
- Bank borrowings	13,492	2,508	867	16,867
- Finance lease payables	98	147	-	245
	16,555	2,655	867	20,077
Financial guarantee contracts	19,896	-	-	19,896

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

The Group's operations are financed mainly through equity, retained earnings, finance leases and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows / (outflows) on those derivatives that require gross settlement and the undiscounted net cash outflows on those derivatives that settle on a net basis.

	Within one financial year \$'000
Group	
2015	
Gross settled:	
Foreign currency contracts	
- Gross inflows	1,633
- Gross outflows	(1,616)
Net settled:	
Foreign currency contracts	(45)
Company	
2015	
Net settled:	
Foreign currency contracts	(45)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2014.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, finance lease payables and bank borrowings less cash and cash equivalents. Equity attributable to owners of the parent consists of share capital, foreign currency translation reserve, available-for-sale reserve, other reserves and retained earnings.

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade and other payables	65,664	59,386	1,749	2,965
Finance lease payables	337	294	306	234
Bank borrowings	22,451	36,839	9,684	16,633
Less: Cash and cash equivalents	(36,697)	(43,629)	(2,361)	(11,142)
Net debt	51,755	52,890	9,378	8,690
Equity attributable to owners of the parent	91,013	86,526	64,751	65,953
Total capital	142,768	139,416	74,129	74,643
Gearing ratio (%)	36	38	13	12

The Group and the Company are in compliance with all borrowing covenants, including consolidated net worth, current assets to current liabilities ratio and debt service cover, imposed by the financial institutions for the financial year ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.4 Capital management policies and objectives (Continued)

As disclosed in Note 23 to the financial statements, certain subsidiaries of the Group is required by the People's Republic of China and Civil and Commercial Code of Thailand to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. The Group is in compliance with all statutory reserve fund capital requirement for the financial year ended 31 December 2015 and 2014.

35.5 Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current other receivables and non-current liabilities in relation to finance lease payables and bank borrowings are disclosed in the respective notes to the financial statements.

Financial instruments by category

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Financial assets				
<i>Available-for-sale financial assets</i>	4,047	3,647	4,047	3,647
<i>Derivative financial instruments</i>	17	-	-	-
Loans and receivables				
Trade and other receivables	87,717	76,702	31,769	32,264
Cash and cash equivalents	36,697	43,629	2,361	11,142
	124,414	120,331	34,130	43,406

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category (Continued)

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
<i>Derivative financial instruments</i>	45	-	45	-
<i>Other financial liabilities</i>				
Trade and other payables (excluding deferred revenue and advance billings)	59,903	53,178	1,749	2,695
Bank borrowings	22,451	36,839	9,684	16,633
Finance lease payables	337	294	306	234
	82,691	90,311	11,739	19,562

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category (Continued)

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2015				
Financial assets				
Available-for-sale financial assets	-	-	4,047	4,047
Derivative financial instruments	-	17	-	17
Financial liabilities				
Derivative financial instruments	-	45	-	45
2014				
Financial assets				
Available-for-sale financial assets	-	-	3,647	3,647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category (Continued)

Fair value hierarchy (Continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Company				
2015				
Non-financial assets				
Investment properties	-	-	1,684	1,684
Financial assets				
Available-for-sale financial assets	-	-	4,047	4,047
Financial liabilities				
Derivative financial instruments	-	45	-	45
2014				
Non-financial assets				
Investment properties	-	1,718	-	1,718
Financial assets				
Available-for-sale financial assets	-	-	3,647	3,647

There were no transfers between Levels 1 and 2 during the year.

The fair value of the Company's investment properties as at 31 December 2015 was approximately \$1,789,000 (2014: \$1,958,000). The fair value was determined based on the management's estimation by using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. Management considers that the fair value of the investment properties is sensitive to these unobservable adjustments to the price per square metre.

NOTES TO THE FINANCIAL STATEMENTS

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category (Continued)

Fair value hierarchy (Continued)

Any changes to the unobservable inputs, to the extent that they increase or decrease the price per square metre, will result in a corresponding increase or decrease in the fair values of the properties. There are no significant inter-relationship between unobservable inputs.

There have been no changes in the valuation techniques of investment properties as at the end of the financial year.

Fair value of the forward foreign currency contracts are determined based on discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the financial year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There are no significant unobservable inputs and significant inter-relationship between unobservable inputs.

The fair value measurements categorised within Level 3 for available-for-sale financial assets includes unobservable inputs that are not developed by the Group and the Company.

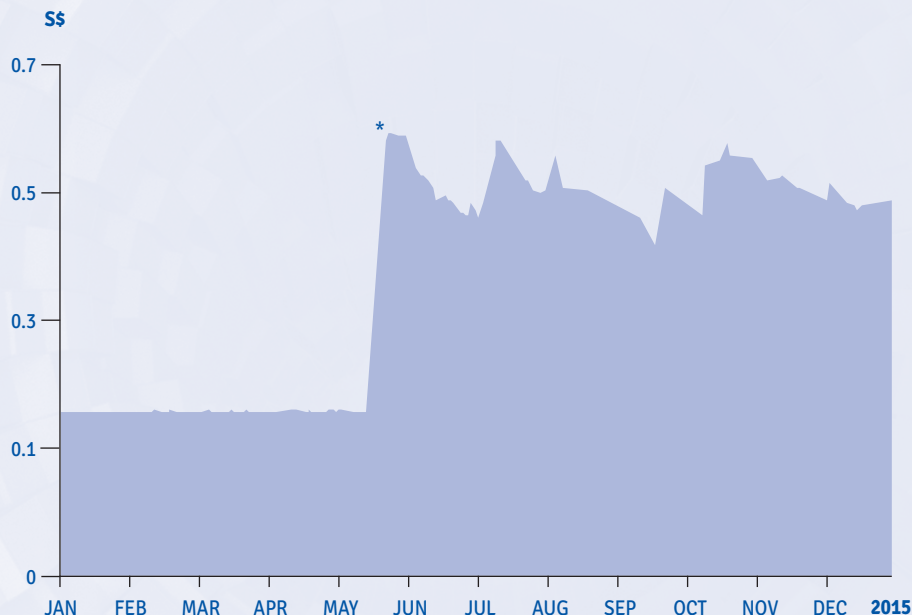
The fair value of the investment in life insurance plan is based on the cash value provided by the insurer without adjustment.

36. Events subsequent to the reporting date

On 8 March 2016, the Company had exercised an option to purchase a property located at 18 Boon Lay Way, #04-108 Tradehub21, Singapore 609966, from a third party for \$1,000,000 (the "Purchase Consideration"). The Purchase Consideration was arrived at a "willing-buyer, willing seller" basis after taking into account various commercial factors including the prevailing market conditions, the location of the property and the comparison of recent transacted prices in the vicinity.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Share Price Chart



* On 15 May 2015, the company consolidated every four shares into one share. Share price from 15 May 2015 is on consolidated shares.

	In 2015			As at 17 March 2016
	Highest	Lowest	Average	
Share Price (S\$)	0.590	0.145	0.312	0.470
Share Volume	253,100	1,000	20,000	1,000

STATISTICS OF SHAREHOLDERS

AS AT 17 MARCH 2016

ANALYSIS OF SHAREHOLDINGS AS AT 17 MARCH 2016

Total number of issued shares excluding treasury shares	-	90,095,268
Number of treasury shares	-	NIL
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 99	34	0.62	1,474	0.00
100 – 1,000	3,985	72.32	1,846,666	2.05
1,001 – 10,000	1,217	22.09	3,879,471	4.31
10,001 – 1,000,000	270	4.90	10,626,145	11.79
1,000,001 and above	4	0.07	73,741,512	81.85
TOTAL	5,510	100.00	90,095,268	100.00

STATISTICS OF SHAREHOLDERS

AS AT 17 MARCH 2016

LIST OF TWENTY LARGEST SHAREHOLDERS

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	FOO SUAN SAI	35,870,925	39.81
2	HAN JUAT HOON	25,112,625	27.87
3	YAWALAK PHOOWARACHAI	10,668,000	11.84
4	DBS NOMINEES PTE LTD	2,089,962	2.32
5	DBS VICKERS SECURITIES (S) PTE LTD	547,750	0.61
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	512,275	0.57
7	UOB KAY HIAN PTE LTD	479,250	0.53
8	MAYBANK KIM ENG SECURITIES PTE LTD	402,000	0.44
9	RAFFLES NOMINEES (PTE) LTD	370,075	0.41
10	IAN HAROLD HOLLAND	310,000	0.34
11	NEO THUA TEE	226,250	0.25
12	FOO CHIK HEE @ FOO CHIK ENG	189,500	0.21
13	EU YEE CHUN BARRY	161,078	0.18
14	EU YEE-KWUN MICHAEL	161,078	0.18
15	HARRY HALIM @ LIM ENG LIAN	144,250	0.16
16	HOO LEN YUH	133,750	0.15
17	YONG WAI CHENG	131,250	0.15
18	SUZUKI TOSHIAKI	125,000	0.14
19	OCBC SECURITIES PRIVATE LTD	123,379	0.14
20	PHUA SOO HONG	122,125	0.14
TOTAL		77,880,522	86.44

SUBSTANTIAL SHAREHOLDERS

AS AT 17 MARCH 2016

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Foo Suan Sai	35,870,925	39.81	25,345,125	28.13
2.	Han Juat Hoon	25,345,125	28.13	35,870,925	39.81
3.	Yaowalak Phoowarachai	10,668,000	11.84	-	-

Notes :

Mr Foo Suan Sai and Mdm Han Juat Hoon are husband and wife and they are each deemed to be interested in the shares held by the other.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 17 March 2016, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 19.69%. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Thursday, 28 April 2016 at 11.30 a.m., for the purpose of transacting the following businesses:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Foo Fang Yong who is retiring pursuant to Article 90 of the Articles of Association of the Company. *(See Explanatory Note 1)* **(Resolution 2)**
3. To re-elect Mr Wong Meng Yeng who is retiring by rotation pursuant to Article 106 of the Articles of Association of the Company. *(See Explanatory Note 2)* **(Resolution 3)**

Mr Wong Meng Yeng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, and a member of the Nominating Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To re-elect Mdm Han Juat Hoon who is retiring by rotation pursuant to Article 106 of the Articles of Association of the Company. *(See Explanatory Note 3)* **(Resolution 4)**
5. To re-elect Mr Lim Keng Jin as a Director. *(See Explanatory Note 4)* **(Resolution 5)**
6. To approve a final tax exempt (one-tier) dividend of SGD0.022 per ordinary share for the financial year ended 31 December 2015. **(Resolution 6)**
7. To approve the payment of Directors' fees of SGD199,375 for the financial year ended 31 December 2015. **(Resolution 7)**
8. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**
9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

10. Authority to issue shares

“That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:-

(Resolution 9)

- (a)
 - (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) 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 may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
 - (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company’s total number of issued shares excluding treasury shares (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 existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company’s total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

NOTICE OF ANNUAL GENERAL MEETING

- (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 is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
 - (i) 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 this Resolution is passed; and
 - (ii) 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 for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”
(See Explanatory Note 5)

BY ORDER OF THE BOARD
Chan Lai Yin
Company Secretary
Singapore, 12 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be Transacted

1. The detailed information of Mr Foo Fang Yong can be found under Directors' Profile section of the Company's Annual Report. Mr Foo Fang Yong is a son of Mr Foo Suan Sai and Mdm Han Juat Hoon, Chief Executive Officer and Chief Operating Officer of the Company. Save for this relationship, Mr Foo Fang Yong has no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.
2. The detailed information of Mr Wong Meng Yeng can be found under Directors' Profile section of the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Wong Meng Yeng and the other Directors and the Company or its 10% shareholders.
3. The detailed information of Mdm Han Juat Hoon can be found under Directors' Profile section of the Company's Annual Report. Mdm Han Juat Hoon is wife of Mr Foo Suan Sai, Chief Executive Officer of the Company and mother of Mr Foo Fang Yong, Executive Director of the Company. Save for this relationship, Mdm Han Juat Hoon has no relationship (including immediate family relationships) with other Directors, the Company or its 10% shareholders.
4. The detailed information of Mr Lim Keng Jin can be found under Directors' Profile section of the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Lim Keng Jin and the other Directors and the Company or its 10% shareholders.
5. The Ordinary Resolution no. 9 proposed in item 10 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

NOTICE OF ANNUAL GENERAL MEETING

Notes

- i. A member is entitled to attend and vote at this meeting and may appoint not more than two proxies to attend and vote in his stead.
- ii. Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- iii. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) 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 each member. Where such member appoints more than two (2) 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, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.
- iv. A proxy need not be a member of the Company.
 - v. A corporation which is a member of the Company 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.
 - vi. The instrument appointing a proxy must be deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not less than 48 hours before the time appointed for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE DATE

Subject to shareholders' approval at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 19 May 2016, for the purpose of determining Members' entitlements to a final tax exempt (one-tier) dividend of 2.20 cents per ordinary share for the financial year ended 31 December 2015, to be proposed at the Annual General Meeting of the Company to be held on 28 April 2016 (the "Proposed Final Dividend").

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 by 5.00 p.m. on 18 May 2016 will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 18 May 2016 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 30 May 2016.

PERSONAL DATA PRIVACY

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

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MULTI-CHEM LIMITED

(Company Registration No.: 198500318Z)
(Incorporated in Singapore)

PROXY FORM**IMPORTANT**

1. For investors who have used their CPF monies to buy shares of Multi-Chem Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY. CPF Investor who wish to vote should contact their CPF Approved Nominees.
2. 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

By submitting an instrument appointing a proxy (ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2016.

*I/We _____ of

being *a member/members of Multi-Chem Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

--	--	--	--

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Thursday, 28 April 2016 at 11.30 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	To receive and adopt the Audited Financial Statements, Directors' Statement and Auditors' Report for the financial year ended 31 December 2015.		
2.	To re-elect Mr Foo Fang Yong as Director.		
3.	To re-elect Mr Wong Meng Yeng as Director.		
4.	To re-elect Mdm Han Juat Hoon as Director.		
5.	To re-elect Mr Lim Keng Jin as Director.		
6.	To approve a final tax exempt (one-tier) dividend.		
7.	To approve the payment of Directors' fees.		
8.	To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration.		
9.	To authorise Directors to issue shares.		

* If you wish to exercise all you votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

Dated this _____ day of _____ 2016

Total Number of Shares Held

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

* Delete accordingly

IMPORTANT. Please read notes overleaf

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) 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 each member. Where such member appoints more than two (2) 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, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of

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Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

5. The instrument appointing proxy or proxies must be deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not later than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy and deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not later than 48 hours before the time set for the Meeting, failing which the instrument may be treated as invalid.
8. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
9. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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**AFFIX
STAMP**

The Company Secretary
MULTI-CHEM LIMITED
16H Enterprise Road
Singapore 627657



Multi-Chem
The Hole Solution Provider

Multi-Chem Limited
Company's Registration No. 198500318Z

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