8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

# Unleashing New Potential

ANNUAL REPORT 2016

## VISION

We envision ourselves to be a premier mission critical info communications service and solutions platform provider for multiple industry verticals and critical public services.

## MISSION

We aim to become a reliable partner for our customers in providing mission critical info communications services and solutions, and to continue to innovate in order to provide suitable products and services to match their ever evolving needs.

# CORPORATE PROFILE

8Telecom International Holdings Co. Ltd ("8Telecom", together with its subsidiaries, "the Group") is an emerging information communications services provider in Asia. Together with Arete M Pte. Ltd ("Arete M"), the Group is now engaged in the provision of information communications services via long term evolution ("LTE") networks to be built in the next phase of our growth stage.

Listed on the SGX-ST Mainboard in 2004, 8Telecom has carried out restructuring plans during the 2016 financial year to dispose its previous core business in telecommunication infrastructure manufacturing and to reposition itself for the upcoming phase of information communications evolution through the integration of Arete M.

Supported by a strong in house R&D team, Arete M has successfully obtained approval for the Facility Based Operations ("FBO") license from Infocom Media Development Authority ("iMDA") in December 2016. This further reinforces the Group's position in providing private LTE communications services to our customers and will also serve as a technological backbone for the Group to develop further services and capabilities.

# CONTENTS

# LETTER TO SHAREHOLDERS

### DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present to you 8Telecom's Annual Report for the financial year ended 31 December 2016 ("FY2016").

This marks my inaugural Letter to Shareholders for the Group and over the past few months since I assumed office as the Group's new Director, we have been actively reshaping our business model and consolidating our resources to reposition ourselves for future growth. We are encouraged by the initial results and even more excited about the digital future which we are now nurturing and creating.

### STRATEGIC TRANSFORMATION

Realigning our growth strategies to build stronger fundamentals, we announced on July 2016 that we are transforming our business activities in the telecommunications space with our newly-acquired subsidiary Arete M Pte Ltd ("Arete M"), which the Group currently holds a 51% stake.

### STRONG COLLABORATION

Over the past two years, our team at Arete M has worked relentlessly, going through multiple rounds of trials and testing to prove our capabilities to tap on this narrow frequency spectrum while limiting electromagnetic interference to other bandwidths. We witnessed our fruits of labour when we successfully obtained the approval for the Facility-Based Operations ("FBO") Licence from Infocom Media Development Authority ("iMDA") last December to be allocated the relevant frequency. Since then, companies from various industries especially in the marine and tourism industries have expressed interest in our products and services, and we are in negotiation talks with them to help create functional and reliable solutions that cater to their needs.

Furthermore, Arete M is also working on the next phase of technology development, which is the set-up of a Co-Innovation Platform with Nanyang Technological University ("NTU"), using the 1.79GHz - 1.80GHz frequency spectrum to enable innovators globally to showcase and integrate their product innovations into

## ARETE M Dedicated LTE – next generation mission critical communication system

Arete M is amongst the first in the world ready to utilise the 1.79GHz – 1.8GHz frequency spectrum to provide world-class dedicated Long-Term Evolution ("LTE") network services for critical communications in the public transportation, public safety, security, surveillance and specific vertical industry.

The 1.79GHz - 1.80GHz frequency spectrum has traditionally been used as a centre gap for telco networks. Helmed by industry veteran and technology expert, Dr PS Tang, a Steering Committee Member of the Global TD-LTE Initiative ("GTI"), "Arete M is poised to showcase the world's first commercial dedicated LTE network using this frequency spectrum. This is in line with Internet of Things (IoT) trends and the Singapore government's Smart Nation initiatives, which create a ready market for us to offer our unique solution of next generation privately operated communication systems."

this dedicated LTE network. Plans are currently underway and will subsequently be rolled out in Singapore and other countries in the Southeast Asia.

With Singapore's reputation for its high regulatory standards successfully used as a reference for the roll-out of our technology, we can replicate this business model, which is very scalable and portable, in other countries where there is the same centre gap availability for utilisation. Leveraging on our first-mover advantage, we have already secured expression of interests ("EOI") from several overseas TD-LTE Operators, as well as some major technology vendors.

We believe that Arete M's expertise will complement our strengths and track the growth evolution in the telecommunications market. In turn, Arete M will be able to call on our resources, as a listed company, to tap into capital markets and benefit from strategic guidance, enabling it to deepen its research and development, as well as product innovation initiatives.

## DISPOSAL OF DISCONTINUED OPERATIONS

On 21 July 2016, we completed the Disposal of the Group's entire shareholding interest of East Jade International Limited and Aim Tech Network Investment Limited. These companies are principally engaged in the manufacturing and supplying of telecommunications pipes, telecommunications and other towers as well as provision of telecommunications engineering services.

## BUSINESS REVIEW

As a result of the Disposal of the discontinued operations, the results of the discontinued operations are not accounted for in the Group accounts, resulting in the decrease in revenue when comparing the individual business segments of the discontinued operations between FY2016 and FY2015.

For the continuing operations, the Group has consolidated the results of its 51% subsidiary as of 1 May 2016, Arete M, reflecting the management of 8Telecom has been actively involved in Arete M's operation following the disposal of the business of the discontinued operations.

The revenue of continuing operations consist of service rendered in relation to provision of networking solutions from May 2016 onwards.

Subsequent to the disposal at the end of July, the Group has a much leaner operation, resulting in a reduction in administrative expenses for continuing operations from RMB 10 million in FY2015 to RMB 6.5 million in FY2016. The significant downsizing of cost centres puts the Group in a stronger position to build on our core business in the development of dedicated LTE network, and strengthen our core competencies. Through restructuring and reallocation of assets and resources, we will continue to optimise our operational efficiency.

Overall, the Group recorded a total comprehensive loss of RMB 133 million as compared to total comprehensive income of RMB 8.2 million generated during the same period in FY2015. This is primarily due to loss incurred in the disposal of discontinued operations during FY2016.

## STRATEGY & OUTLOOK

Moving forward, we strongly believe that the potential for using this dedicated LTE technology is immense. According to reports by IHS Technology, a leading global source for critical information and insight, the critical communications market in public safety and oil and gas will each target to reach US$18 billion and US$19 billion respectively by 2019. This demand is likely to be driven by command and control solutions and licensed mobile radio terminals which together account for over two-thirds of critical communications revenue.

In addition, we also aim to expand our market beyond critical communications, reaching out to market like the automated guided vehicles or drones which are expected to reach US$2.8 billion by 2022. We are actively exploring strategic penetration to various markets to serve multiple user groups requiring their own core network within common and adjacent coverage zones.

## A NOTE OF ACKNOWLEDGEMENTS

At this juncture, on behalf of the Board of Directors, I would like to thank Independent Director Mr Cartel Yeo, who has resigned at the end of January 2017 to spend more time with his family. Mr Yeo's wealth of experience has proved to be invaluable and has contributed to steering 8Telecom through difficult times.

I would also like to take this opportunity to thank our staff, customers, business partners as well as our valued shareholders for their continued support, commitment and the faith in the company. As we embark on our next phase of growth, we look forward to forging stronger ties with each and every one of you as we propel forward.

Wilson Lim Tiong How

**Non-Independent Non-Executive Director**

# UNLEASHING NEW POTENTIAL

**At 8Telecom, our dedicated LTE network solutions provide functionality, reliability, connectivity and expandability for next generation privately-operated communication system. With the next emerging wave of technological revolution known as Industry 4.0 developing, we believe that our ability to provide innovative and targeted solutions for different industries through our network will lead us into our next phase of growth.**

# CORPORATE STRUCTURE

# BOARD OF DIRECTORS

## MS. ZHANG WEN

Ms. Zhang Wen joined the Company as Executive Director on 12 May 2017. She is the director of Carpe Diem Childcare Pte Ltd from 1st January 2016 to involve daily basis operation of the childcare centers. She operates 5 childcare centers in Singapore since year 2016. She is the executive director of SMT Excel Pte Ltd since 1st October 2012. She was working with Deloitte Singapore as Business Development Executive from September 2010 to October 2012.

## MR. WILSON LIM

Mr. Lim has been an entrepreneur since his early 20s with diverse experience in a variety of businesses including finance, industrials and building & construction. He has invested and managed portfolios for private individuals and companies that are based in Singapore, China, South Korea, Brunei, Malaysia and Thailand. He has advised various groups on their investment opportunities in Singapore, China and Thailand. Wilson Lim graduated from the University of Bradford, Bachelor of Science (Hons) in Accounting and Finance.

## MS. WANG ZHEJUN

Ms. Wang joined the company as Non Executive Director on 7th July 2017. She is the director of an investment company. She has experience in managing portfolios and developing client relationship. Ms. Wang graduated from the Nanyang Technological University, Master of Finance and National University of Singapore, Bachelor Degree in Business Administration.

## MS. ZHANG YUANYUAN

Ms. Zhang Yuanyuan joined the company as independent Director on 7th July 2017. She has been in the senior management position for an internet Tourism company for more than 5 years and she has rich experience in managing large corporation. She was the CEO of Tiandi Internet Tourism Company in China for the last three years. Ms. Zhang is an expert in the developing and marketing in online business.

## MR. LIU YI

Mr. Liu joined the company as independent Director on 7th July 2017 and he is the Chairman of our Audit Committee and a member for the Remuneration Committee and Nominating Committee. Prior to joining our Group, he was financial controller of China Taishan Techonology Group Holding Limited from 2011 to 2016 and Mr. Liu was the Audit Supervisor in Mazars LLP from 2006 to 2011.

Mr. Liu has obtained his qualification from Association of Chartered Certified Accountants and graduated with a Bachelor of Applied Accounting Degree from Oxford Brookes University in 2006. Mr. Liu is presently a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Singapore Chartered Accountants (ICPAS).

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Ms. Zhang Wen
*Executive Director*

Mr. Wilson Lim Tiong How
*Non-Independent Non-Executive Director*

Mr. Liu Yi
*Independent Director*

Ms. Zhang Yuanyuan
*Independent Director*

Ms. Wang Zhejun
*Non-Executive Director*

## AUDIT COMMITTEE

Mr. Liu Yi (Chairman)
Ms. Zhang Yuanyuan
Ms. Wang Zhejun

## REMUNERATION COMMITTEE

Ms. Wang Zhejun (Chairman)
Mr. Liu Yi
Ms. Zhang Yuanyuan

## NOMINATING COMMITTEE

Ms Zhang Yuanyuan (Chairman)
Mr. Liu Yi
Ms. Wang Zhejun

## COMPANY SECRETARY

Mr. Lim Kok Meng

## ASSISTANT SECRETARY

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

## REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

## BUSINESS OFFICE

20 Sin Ming Lane #03-63, Midview City,
Singapore 573968

## RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

## PRINCIPAL SHARE REGISTRAR

Conyers Corporate Service (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

## SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
80 Robinson Road, #02-00,
Singapore 068898

## AUDITORS

PricewaterhouseCoopers LLP,
8 Cross Street #17-00, PWC Building,
Singapore 048424

## PARTNER-IN-CHARGE

Mr. Chua Chin San
(Appoint since February 2017)

## PRINCIPAL BANKER

United Overseas Bank Limited
Thompson Branch
251 Upper Thomson Road,
Singapore 574376

# FINANCIAL CONTENTS

# CORPORATE GOVERNANCE REPORT

The current Board of Directors as at the date of this Report (the "**Current Board**") of 8Telecom International Holdings Co. Ltd. (the "**Company**", and its subsidiaries, the "**Group**") are committed to observe high standard of corporate governance with a view of enhancing corporate transparency and safeguarding interest of the shareholders. However, the Current Board wishes to highlight that the Board Committees recently reconstituted on 7 July 2017 such that only one director from the previous Board, Mr Wilson Lim Tiong How, has remained on the Current Board. Ms Zhang Wen was appointed as a director on 12 May 2017 and Ms Wang Zhejun, Mr Liu Yi and Ms Zhang Yuanyuan were all appointed as directors only on 7 July 2017. Accordingly, the Current Board is unable to opine fully on the Group's corporate governance practices for the period from 1 January 2016 to the date of this Corporate Governance Report (the "**Report**"), save where there were official written records of such practices. Instead, this Report is prepared on the basis of the action and/or corporate governance practices adopted by the Current Board.

This statement outlines the main corporate governance practices followed by the Company during the financial year ended 31 December 2016 ("**FY2016**") up to the date of this Report with reference to the Code of Corporate Governance 2012 (the "**Code**") except where otherwise stated. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**").

## BOARD MATTERS

### The Board's Conduct of its Affairs

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

The Board is committed to uphold good corporate governance within the Group includes setting its overall strategic directions, putting in place a prudent and effective framework and establishing goals for management. Other responsibilities, such as setting the Company's values and standards as well as the supervision of management for attaining these goals are also the priorities of the Board.

The Company has in place a limitation and authorisation policy. The policy contains schedule of matters specifically reserved for the Board's approval. Below the Board level, there are appropriate delegations of authority at management level, to facilitate operational efficiency.

Matters reserved for Board's approval include major investment proposals or divestments, announcements of financial results, mergers and amalgamation, changes in capital structure, remuneration packages for Executive Directors and Key Management Personnel, dividend payment, policy or strategic matters affecting the Group, reorganizations, substantial transactions which have a material effect on the Group and any other matters required to be considered or approved by the Board as a matter of law or regulation.

The Board also conduct periodic reviews on the Group's financial performance, internal controls, risk management, compliance practices and resources allocation.

To facilitate effective execution of its function, the Board has delegated specific responsibilities to various Board Committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). Each of the committees has its own terms of reference setting out its role, empowered with authority to examine particular issues and report to the Board with their findings and recommendations as the case may be. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The names of the members and principal responsibilities of AC, NC and RC are disclosed in this Report.

# CORPORATE GOVERNANCE REPORT

**Board attendance**

The Board holds meetings on a regular basis to coincide with the mandatory financial results reporting throughout the financial year, and as and when it deems necessary and appropriate. The Bye-Laws of the Company allows the Directors to convene meetings by teleconferencing or videoconferencing.

The number of meetings of the Board and the respective Board Committees held during FY2016 up to the date of this Report and the attendance of each Director at these meetings are set out as follows:

| | **Board** | **Audit Committee** | **Remuneration Committee** | **Nominating Committee** |
|---|---|---|---|---|
| **No. of meetings held** | 7 | 7 | 2 | 3 |
| Directors | **Number of meetings attended** | | | |
| Ye Tianyun(1) | 2 | 0* | NA | NA |
| Yu Chunxiang(2) | 1 | NA | NA | NA |
| Chen Xiangjing(3) | NA | NA | NA | NA |
| Chen Jin(4) | 1 | 1 | 1 | 1 |
| Lien Kait Long(5) | 7 | 7 | 2 | 3 |
| Cartel Yeo See Meng(6) | 4 | 4 | 1 | 1 |
| Hoi Yan Joseph Tang(7) | 5* | 4* | 1* | 2* |
| Wilson Lim Tiong How(8) | 5 | 5 | 1 | 2* |
| Ross Yu Limjoco(9) | 2 | 2 | NA | 1 |
| Richard Tan Kheng Swee(10) | NA | NA | NA | NA |
| Zhang Wen(11) | 1 | NA | NA | NA |
| Liu Yi(12) | NA | NA | NA | NA |
| Zhang Yuanyuan(13) | NA | NA | NA | NA |
| Wang Zhejun(14) | NA | NA | NA | NA |

NA: Not Applicable

**Notes:**

(1) Mr Ye Tianyun resigned as a director of the Company on 26 July 2016 and ceased to be a member of the NC.

(2) Mr Yu Chunxiang retired as a director of the Company on the Annual General Meeting held on 28 April 2016.

(3) Mr Chen Xiangjing resigned as a director of the Company on 28 April 2016.

(4) Mr Chen Jin resigned as a director of the Company on 28 April 2016 and ceased to be a member of the AC, RC and NC.

(5) Mr Lien Kait Long ceased to be a member of the NC on 9 May 2016 and resigned as a Director of the Company on 4 July 2017.

(6) Mr Cartel Yeo See Meng resigned as a director of the Company on 24 January 2017 and ceased to be a Chairman of the RC and NC and a member of the AC.

# CORPORATE GOVERNANCE REPORT

(7) Mr Hoi Yan Joseph Tang was appointed as a director of the Company on 25 July 2016 and appointed as a member of the NC on 26 July 2016. He ceased to be a director of the Company on 4 May 2017 and member of the NC.

(8) Mr Wilson Lim Tiong How was appointed as a director and a member of the AC and NC of the Company on 9 May 2016. He subsequently resigned as a member of the NC and was appointed a member of the RC on 26 July 2016. He ceased to be a member of the AC and RC on 7 July 2017.

(9) Mr Ross Yu Limjoco was appointed as a director, Chairman of the NC and RC and a member of the AC on 23 April 2017. He resigned as a Director, Chairman of the NC and RC and a member of the AC on 7 July 2017.

(10) Mr Richard Tan Kheng Swee was appointed as a director, Chairman of the NC and a member of the RC and AC on 2 June 2017. He resigned as a Director, Chairman of the NC and a member of the RC and AC on 7 July 2017.

(11) Ms Zhang Wen was appointed as a director on 12 May 2017.

(12) Mr Liu Yi was appointed as a director, Chairman of AC and a member of NC and RC on 7 July 2017. Accordingly, Mr Liu Yi has not attended any meetings of the Board nor meetings of the respective Board Committees.

(13) Ms Zhang Yuanyuan was appointed as a director, Chairman of the NC and a member of the AC and RC on 7 July 2017. Accordingly, Ms Zhang Yuanyuan has not attended any meetings of the Board nor meetings of the respective Board Committees.

(14) Ms Wang Zhejun was appointed as a director, Chairman of the RC and a member of the AC and NC on 7 July 2017. Accordingly, Ms Wang Zhejun has not attended any meetings of the Board nor meetings of the respective Board Committees.

* Attendance by invitation.

**Training for Directors**

During the financial year, the Company held site visit to the Group's office in PRC for the directors during which they received updates and information in relation to the Group's businesses, industry developments and business initiatives. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts. Where necessary, the Company arranges for presentations by external professionals, consultants and advisers on topics that would have an impact on the relevant regulations, accounting standards and the implications on responsibilities of the directors. The directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors and the SGX-ST, which would be funded by the Company.

Newly appointed directors would receive a formal letter setting out the director's duties and obligations and the Company would arrange orientation program to enable the new directors to familiar with the Group's business and governance practices. The Company would also arrange and fund the training to the new directors.

**Board Composition and Guidance**

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

As at the date of this Report, the Board comprises the following members:

| | |
|---|---|
| Zhang Wen(1) | Executive Director |
| Liu Yi(2) | Independent Director |
| Zhang Yuanyuan(3) | Independent Director |
| Wang Zhejun(4) | Non-Independent Non-Executive Director |
| Wilson Lim Tiong How(5) | Non-Independent Non-Executive Director |

# CORPORATE GOVERNANCE REPORT

As at 31 December 2016, the previous Board comprised the following members:

| | |
|---|---|
| Hoi Yan Joseph Tang(6) | Executive Director |
| Lien Kait Long(7) | Lead Independent Director |
| Cartel Yeo See Meng(8) | Independent Director |
| Ross Yu Limjoco(9) | Independent Director |
| Richard Tan Kheng Swee(10) | Independent Director |
| Wilson Lim Tiong How | Non-Independent and Non-Executive Director |

**Notes:**

(1) Ms Zhang Wen was appointed as a Non-Executive Director on 12 May 2017 and re-designated as an Executive Director on 7 July 2017.

(2) Mr Liu Yi was appointed as an Independent Director on 7 July 2017.

(3) Ms Zhang Yuanyuan was appointed as an Independent Director on 7 July 2017.

(4) Ms Wang Zhejun was appointed as an Independent Director on 7 July 2017.

(5) Mr Wilson Lim Tiong How was appointed as an Independent Director on 9 May 2016 and re-designated as a Non-Independent Non-Executive Director on 20 June 2016.

(6) Mr Hoi Yan Joseph Tang was appointed as an Executive Director on 25 July 2016.

(7) Mr Lien Kait Long was appointed as an Independent Director on 25 May 2004.

(8) Mr Cartel Yeo See Meng was appointed as an Independent Director on 15 January 2011.

(9) Mr Ross Yu Limjoco is appointed an Independent Director on 23 April 2017

(10) Mr Richard Tan Kheng Swee is appointed an Independent Director on 2 June 2017.

The composition of the Board is determined in accordance with the following principles:

(a) the Board and its Board Committees should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (this number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);

(b) the Board should comprise a majority of Non-Executive Directors, with at least one-third of the Board made up of Independent Non-Executive Directors; and

(c) the Board should have enough directors to serve on various committees of the Board without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

As at the date of this Report, the Board comprises five directors, two of which are Independent Directors, two of which are Non-Executive Directors, and one Executive Director. The Board believes there is a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board with independent directors making up at least one-third of the Board. The requirement of the Code that at least one-third of the Board consists of independent directors is satisfied.

# CORPORATE GOVERNANCE REPORT

The independent directors, Mr Liu Yi and Ms Zhang Yuanyuan, had confirmed that they do not have any relationship with the Company or its related corporations or its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

The NC reviewed the independence of each Director annually and as when circumstances required by adopting the Code's definitions that constitutes an independent director in its review and the Board, taking into account of the views of the NC, determined that the said Directors are independent in character and judgement and no relations or circumstances which are likely to affect, or could appear to affect, the said Directors' judgement.

Independent members of the Board exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Board considers its Non-Executive and Independent Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in this statement.

The Board has constantly examined its size and, with a view to determining the impact of its number upon effectiveness, decided on what it considers an appropriate size of itself. The Board is satisfied that the present board size is appropriate given the nature and scope of the business of the Group's operation.

The composition of the Board and Board Committees will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise, experience and competencies. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The current Board consists of accounting, finance, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group. In particular, the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during the Board deliberations. Details of the Directors' qualifications, background and working experience are set out under "Board of Directors" section in this Annual Report.

The Board and the Management are given opportunities to engage in open and constructive debate for the furtherance of achieving strategic objectives. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management.

**Chairman and Chief Executive Officer**

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

At the date of this Report, the Company does not have a Chairman and Chief Executive Officer. The Company intends to appoint a Chairman and Chief Executive Officer at a later date.

# CORPORATE GOVERNANCE REPORT

The Chairman's responsibilities will include:

(a) providing the Group with leadership and vision;

(b) setting Board meeting agenda in consultation with the Board members and ensure time is available for discussion for all agenda items, in particular strategic issues;

(c) encouraging constructive relations among the Directors and their interactions with management;

(d) takes a lead role in promoting high standards of corporate governance, with the full support of the Directors and Management;

(e) ensuring the Group is always compliance with Listing Manual, Bermuda Companies Act, and applicable regulations; and

(f) developing and expanding the business of the Group.

The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of an Executive Chairman.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between the shareholders, the Board and the Management.

The CEO is responsible for, inter alia, the day-to-day operation of the Group and leads the Management in setting strategies, objectives and missions, translates the Board's decisions and plans into execution action and drive the Group's growth and development.

All major decisions like substantial acquisitions, material contracts, acquisitions of banking facilities made by Executive Chairman are under the purview of review by the AC. His performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

**Board Membership**

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

At the date of this Report, the NC comprises three members, a majority of whom including the Chairman, are independent. The members of the NC are as follows:

Ms Zhang Yuanyuan (Chairman)
Mr Liu Yi
Ms Wang Zhejun

As at 31 December 2016, the members of the NC were as follows:

Mr Cartel Yeo See Meng (Chairman)
Mr Lien Kait Long
Mr Hoi Yan Joseph Tang

# CORPORATE GOVERNANCE REPORT

The Board has approved the written terms of reference of the NC. The NC meets at least once a year. The principal functions of the NC include, but are not limited to, the following:

(a) recommending the nomination or re-nomination of the directors having regard to the director's contribution and performance;

(b) reviewing and determining the independence of each director on an annual basis;

(c) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;

(d) reviewing and approving any new employment of related persons and proposed terms of their employment;

(e) reviewing and recommending the training and professional development programmes for the Board;

(f) recommending to the Board the review of board succession plans for Directors, in particular, the Chairman and the CEO;

(g) recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group.

During FY2016, the NC also reviews and determines whether directors who have multiple board representations and other principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a director of the Company.

Despite some of the directors having other board representations, the NC takes into account the results of the assessment of the effectiveness of the individual director and his actual conduct on the Board, attendance and participation, in making his determination, is satisfied that these directors had devoted sufficient time and attention to the affairs of the Company and are able to and have adequately carried out their duties as directors of the Company. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorship a director can hold. The NC will however not rule out the requirement to set limits subsequently on its directors' directorships in other listed companies should subsequent situations warrant such action. After conducting reviews, the NC considers that the multiple board representations held presently by its directors do not impede their respective performance in carrying out their duties to the Company.

The NC reviews the need for appointment of additional director(s) from time to time and the composition of the Board, including the mix of expertise, skills and attributes of existing directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes. The process for the search, selection and appointment of new directors is as follows:

a) The NC will first source and identify candidates from network of contacts based on the needs of the relevant skills, experience, knowledge and expertise;

b) The NC then meets the short-listed candidates to assess their suitability taking into consideration the existing composition of the Board and strives to ensure that the Board has an appropriate balance of independent directors as well as the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives; and

c) The NC makes recommendations to the Board for approval.

# CORPORATE GOVERNANCE REPORT

The NC has in place internal guidelines to address the conflict of competing time commitments of directors serving on multiple boards. If a director is on the board of other companies, the NC shall consider whether he/she has been able to devote adequate time and attention to the affairs of the Group. In the event there are sufficient grounds for complaint, the Chairman of the Board will on the advice of the NC, discuss, and if necessary, advise the director concerned of the issues and the consequences of failure to rectify the situation within the period required.

The Company's Bye-Law 104 provides that one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third to retire by rotation at each Annual General Meeting ("**AGM**"), with each director retiring at least once in every three years. In addition, the Company's Bye-Law 107 provides that a newly appointed director shall retire at each AGM following his/her appointment and he/she shall be eligible for re-election.

The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the Directors as necessary.

The dates of the appointment and last re-election of each director as at the date of this Annual Report as well as their directorships in listed companies (other than their directorship in the Company) are set out below:

| | | | Directorship in Listed Company | |
|---|---|---|---|---|
| **Name of Director** | **Date of Appointment** | **Date of Last Re-election** | **Present** | **Past Preceding 3 years** |
| Wilson Lim Tiong How | 9 May 2016 | – | – | – |
| Zhang Wen | 12 May 2017 | – | – | – |
| Liu Yi | 7 July 2017 | – | JES International Holdings Limited | – |
| Zhang Yuanyuan | 7 July 2017 | – | – | – |
| Wang Zhejun | 7 July 2017 | – | – | – |

The NC has recommended the following directors who will be retiring at this forthcoming AGM for re-election as directors of the Company:

| | |
|---|---|
| Mr Wilson Lim Tiong How | (retiring pursuant to Bye-Law 104) |
| Ms Zhang Wen | (retiring pursuant to Bye-Law 107) |
| Mr Liu Yi | (retiring pursuant to Bye-Law 107) |
| Ms Zhang Yuanyuan | (retiring pursuant to Bye-Law 107) |
| Ms Wang Zhejun | (retiring pursuant to Bye-Law 107) |

In evaluating the director's contribution and performance for the purpose of re-nomination, factors such as attendance, preparedness, participation and candour are taken into consideration.

Each NC member shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations in respect of matters in which he has an interest in.

# CORPORATE GOVERNANCE REPORT

Key information regarding the directors such as academic, professional qualifications, shareholding in the Company and its related corporations, board committees served on (as a member or Chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies, and other principal commitments is disclosed under the “Board of Directors”, “Further information on Board of Directors’, “Directors’ Statement”, and “Shareholding Statistics as at 2 August 2017” sections of this Annual Report.

**Board Performance**

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

Subject to the approval of the Board, the NC will periodically review and decide on how the Board’s performance is to be evaluated and will propose objective performance criteria which will evaluate and address how the Board has enhanced long-term shareholders’ value. The Board’s performance is a function of the experience and expertise that each of the directors bring with them. Factors taken into consideration for the assessment of each director include attendance at meetings, adequacy of preparation, participation, industry knowledge and functional expertise. Factors for assessment of the Board as a whole include the board structure, conduct of meetings, corporate strategy, risk management and internal controls, business and financial performance, compensation, financial reporting and communication with shareholders.

During the financial year under review, the Board had implemented a formal annual assessment process to be carried out by our NC by way of board assessment checklist and individual director evaluation, which is circulated to the Board members for completion and thereafter, for the NC to review and determine the actions required to improve the corporate governance and effectiveness of the Board as a whole.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial period reported on, is of the view/satisfied that:

(a) the performance of the Board as a whole has been satisfactory;

(b) the Board has given sufficient time and attention to the Group and reasonably and effectively discharged its duties; and

(c) the current board size and composition of the Board provides it with adequate ability to meet the existing scope of needs and nature of operations of the Group.

The NC will review the appropriateness of the Board size, taking into consideration changes in the nature of the Group’s business, the scope of operations, as well as changing regulatory requirements.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance of re-nomination as director or any other matters in which he/she has an interest in.

**Access to information**

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

# CORPORATE GOVERNANCE REPORT

The directors are provided with board papers specifying relevant information and commercial rational for each proposal for which Board approval is sought. Such information includes relevant financial statements which are presented quarterly, financial results, risk analyses, mitigation strategies, feasibility studies and key commercial issues for the Board's attention and consideration. The board papers are circulated to directors on a timely manner prior to each Board meeting and committee meeting to enable them to have sufficient time to review and consider the matters being tabled and/or discussed. The Senior Management will be also invited to attend Board Meetings to provide additional insights into matters being discussed, and to respond to any queries that the directors may have.

Reports on major operational matters, business development activities, financial performance, potential investment opportunities and budgets are also circulated to the Board. In respect of the annual budgets, any material variances between the projections and actual results are disclosed and explained to the Board by the Management during the Board Meetings.

The Company Secretary or his representative is always present at such meetings to record the proceedings, to ensure that all Board procedures are followed and to ensure good information flows within the Board and its committees and between senior management and Non-Executive Directors. The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole.

Each director has a separate and independent access to the advices and services of the Company's senior management and Company Secretary before finalising its decision. The directors also have the right to seek independent legal and other professional advices at the Company's expense, concerning any aspect of the Group's operations and undertakings in order to fulfil their duties and responsibilities as directors.

**Procedures for Developing Remuneration Policies**

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

As at the date of this Report, the RC comprises three members, a majority of whom are independent. The members of the RC are as follows:

Ms Wang Zhejun (Chairman)
Mr Liu Yi
Ms Zhang Yuanyuan

As at 31 December 2016, the members of the RC were as follows:

Mr Cartel Yeo See Meng (Chairman)
Mr Lien Kait Long
Mr Wilson Lim Tiong How

The Board has approved the written terms of reference of the RC. The RC meets at least once a year. The principal functions of the RC include, but are not limited to, the following:

a) review and approve the general remuneration framework of the directors and key management personnel of the Company and its subsidiaries;

b) structure a significant and appropriate proportion of executive directors and key management personnel's remuneration;

# CORPORATE GOVERNANCE REPORT

c) review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;

d) determine, review and approve the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement;

e) review the remuneration of employees who are related to the directors and 10% shareholders;

f) review and recommend to the Board the eligibility of the Executive Directors and key management personnel under long-term incentive schemes and to evaluate the costs and benefits of such long-term incentive schemes.

The RC may from time to time, where necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for directors and Management, so that the Group remains competitive in this regard. The members of the RC do not participate in any decision concerning their own remuneration.

The RC also review the Company's obligations arising in the event of termination of the executive directors and key management personnel as contained in their respective service contracts and is satisfied that the termination clauses therein are fair and reasonable.

**Level and Mix of Remuneration**

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

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director. The recommendations of the RC are thereafter submitted to the Board for its approval.

The RC ensures that the level and structure of remuneration of the Executive and key management personnel aligned with the interests of the stakeholders, promote long-term interest and risk policies of the Company as well as attract, retain and motivate them to provide good stewardship of the Company and manage the Company.

The Executive Directors' remuneration packages are based on service contracts and they do not receive directors' fees. The remuneration of the Executive Directors and the top 5 key management personnel comprises the fixed component and variable component. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group and individual.

The Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board committees. The Chairman of each committee is compensated for his additional responsibilities. In determining the remuneration of the Non-Executive Directors, the RC ensures that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Non-Executive Directors. The RC ensures that Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Non-Executive Directors. The RC recommends the payment of such fees in accordance with the contributions of the Non-Executive Directors, which will then be endorsed by the Board and subjected to approval by the shareholders of the Company at the AGM.

# CORPORATE GOVERNANCE REPORT

With regard to the remuneration of other key executives, the RC, together with Management, reviews proposals which are made by the Executive Directors. The remuneration policy for the key management executives takes into consideration the Group's performance, and the responsibility and performance of individual key management executives. The latter is measured by goals and objectives set for each key management executive in congruence with the Group's overall goals and objectives. None of the employees in the Company or any of its principal subsidiaries whose remuneration exceed S$50,000 during the year is a relative of a Director or Substantial Shareholder of the Company or any of its principal subsidiaries. In addition, the Group is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss as they owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

**Disclosure of Remuneration**

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

**Directors' remuneration**

A breakdown showing the level and mix of remuneration paid to each director for FY2016 is as follows:

| Name of Directors | Remuneration (RMB/S$) | Directors' Fees (%) | Fixed Salary (%) | Variable Bonus (%) | Post-employment benefits (%) | Total |
|---|---|---|---|---|---|---|
| Ye Tianyun | RMB 417,040 | – | 95 | – | 5 | 100 |
| Yu Chunxiang | RMB 333,039 | – | 61 | 33 | 6 | 100 |
| Chen Xiangjing | RMB 687,380 | – | 37 | 60 | 3 | 100 |
| Chen Jin | RMB 50,000 | – | – | – | 100 | 100 |
| Tang Hoi Yan Joseph | HKD 349,661 | – | 100 | – | – | 100 |
| Lien Kait Long | S$ 50,000 | 100 | – | – | – | 100 |
| Cartel Yeo See Meng | S$ 50,000 | 100 | – | – | – | 100 |
| Wilson Lim Tiong How | S$ 0 | – | – | – | – | – |

***Note:***

***The remuneration for all directors are paid in RMB, except for Mr Lien Kait Long and Mr Cartel Yeo See Meng, whom the directors' fees are paid in SGD, and Mr Tang Hoi Yan Joseph, whom the remuneration is paid in HKD.***

# CORPORATE GOVERNANCE REPORT

**Key Management Personnel's Remuneration**

For FY2016 and up to the date of this Report, the Company did not have any key management personnel.

There are no employees of the Group who are immediate family members of a director or a substantial shareholder, and whose remuneration exceeds S$50,000 during FY2016 and up to the date of this Report.

**Accountability**

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

The Board's primary role is to protect and enhance long-term value and return for the shareholders.

In discharging its duties to the shareholders, the Board, when presenting the full year financial statements and quarterly financial results of the Group through annual report and SGXNET, seeks to provide the shareholders with detailed analysis, explanation and assessment of the Group's financial position and prospects.

The Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the International Financial Reporting Standards.

Management provides the Board with financial statements of the Group's performance, position and prospects on a quarterly basis. The Board also provided negative assurance statement to shareholders in the quarterly results announcements to confirm that nothing had come to their attention that may render the results false or misleading.

The Board is accountable to the shareholders of the Company to ensure the Company achieves its goals and enhances value of the Group continuously. In order to attain the goals, the Board will conduct a balance and understandable assessment to the Company's performance and position regularly. Management, who is accountable to the Board, will facilitate the Board's assessment by presenting a balance and understandable report on the Group's performance, position and prospects.

Other ways in which information is disseminated to shareholders are further disclosed under principles 14, 15 and 16 of this Report.

**Risk Management and Internal Controls**

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

The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

At the date of this Report, the Company does not have a Chairman and Chief Executive Officer. However, the Board had received assurance from Ms Zhang Wen, to the best of her knowledge, that the financial records as at 31 December 2016 have been properly maintained and the financial statements for FY2016 give a true and fair view of the Group and Company's operations and finances and the Group and Company's risk management and internal control systems are effective. The Board, however, notes that Ms Zhang Wen was appointed as a director of the Company only on 12 May 2017.

# CORPORATE GOVERNANCE REPORT

Based on various management controls put in place, the reports from the internal and external auditors and the reviews and confirmations by the Management, the Board with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational, information technology and compliance risks during the financial year under review are adequate to safeguard the assets and ensure the integrity of financial statements. The Management continues to focus on improving the standard of internal controls and corporate governance.

**Audit Committee**

***Principle 12:** The Board should establish an audit committee with written terms of reference, which clearly set out its authority and duties.*

As at the date of this Report, the AC comprises three members, a majority of whom are independent. The members of the AC are as follows:

Mr Liu Yi (Chairman)
Ms Zhang Yuanyuan
Ms Wang Zhejun

As at 31 December 2016, the members of the AC were as follows:

Mr Lien Kait Long (Chairman)
Mr Cartel Yeo See Meng
Mr Wilson Lim Tiong How

The AC adopts relevant best practices set out in the second edition of Guidebook for Audit Committee in Singapore and uses it as reference to assist the AC in performing its function.

The Board has approved the written terms of reference of the AC. Specifically, the AC's duties include the following:

(a) review with the external auditors, the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;

(b) review the internal controls and internal procedures and ensure coordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(c) review the annual and quarterly financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, going concern basis of the Company, compliance with accounting standards as well as compliance with the Listing Manual and other relevant statutory/regulatory requirements;

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(e) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

# CORPORATE GOVERNANCE REPORT

(f) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);

(g) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(h) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;

(i) review the key financial risk areas, with a view to providing independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, immediately announced to the SGX-ST via SGXNET;

(j) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(k) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and

(l) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

The AC carried out the following activities during the financial year ended 31 December 2016 in the discharge of its functions and duties including the deliberation and review of:

- the unaudited quarterly financial results of the Group and announcements prior submission to the Board for approval and release the results to the SGX-ST;
- the internal and external audit plans in terms of their scope of audit prior to their commencement of their annual audit;
- the external auditors' report in relation to audit and accounting issues arising from the audit matters from audit of the Group in meeting with the external auditors without presence of the executive board members and management;
- the adequacy and effectiveness of the Group's internal audit function;
- the audited financial statements of the Group and of the Company prior to submission to the Board of Directors for consideration and approval;
- the external audit and internal audit fees for FY2016 and recommended to the Board for approval;
- the independence and re-appointment of the external auditors and recommended to the Board for approval;
- interested person transactions falling within scope of Chapter 9 and 10 of Listing Manual and any potential conflicts of interests; and
- review the Whistle-Blowing Policy of the Group and procedures by which employees of the Group could report the possible improprieties to the AC Chairman.

Apart from the duties listed above, the AC also meets with external auditors and internal auditors at least once a year without the presence of Management. The Group's existing auditors, PricewaterhouseCoopers LLP, have been the external auditors of the Group since 2017 and Chua Chin San is the current audit partner in charge. The audit partner of the external auditors is rotated every 5 years, in accordance with the Listing Manual. The aggregate amount of audit fees and non-audit fees paid and/or payable to the external auditors for FY2016 amounted to approximately SGD350,000 and SGD16,000, respectively.

The AC, having reviewed the independence of the external auditors including the volume of non-audit services supplied by them and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended the re-appointment of PricewaterhouseCoopers LLP as external auditors of the Company at the forthcoming AGM.

The external auditors have unrestricted access to the AC. Having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Group's auditing obligations. The Company complies with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any applicable law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC has full access to and co-operation by the Management and full discretion to invite directors or management to attend AC meetings, and reasonable resources to enable it to discharge its functions properly. The AC has full discretion to invite any director or executive officer to its meetings and has the authority to conduct or authorise investigations into any matters within its scope of responsibilities.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on financial statements, with training conducted by professionals or external consultants. No former partner or director of the Company's existing auditing firm is a member of the AC.

**Whistle-Blowing Policy**

The AC has also reviewed the policy and arrangements by which the employees of the Group and any other persons may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are put in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken as and when the need arises.

The Group has adopted a Whistle-blowing policy and guideline in order to detect any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statements, financial reports and records of the Group.

The AC is responsible to ensure that arrangements are in place for such concerns to be raised and independently investigated; appropriate follow-up actions are carried out.

# CORPORATE GOVERNANCE REPORT

**Internal Audit**

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

As of the date of this report, no internal auditors have been appointed by the Company as there were no major operations during FY2016. However, the Group has an in-house internal audit function. The aim of the internal audit function is to promote internal control in the Group and to monitor the performance and effective application of internal control procedures. The internal audit function reports functionally to the Chairman of the AC and administratively to the CEO.

To ensure adequacy of the internal audit function, the AC meets regularly to review this function. The AC will also review the audit plans and the findings of the external auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The AC is generally satisfied with the adequacy of the current arrangement and will continue to assess its effectiveness regularly.

Based on the internal controls established and maintained by the Company, work performed by the external auditors, and reviews performed by the management, various Board committees and the Board, the Board, after making all reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the AC, is of the opinion that the internal controls of the Company were adequate to address the financial, operational and compliance risks as at the date of this Report.

**Shareholder Rights and Communication with Shareholders**

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

All shareholders of the Company are treated fairly and equitably to facilitate their ownership rights. In this regard, care is taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement through SGXNET.

All shareholders of the Company receive the Annual report, and notice of AGM, which is normally held within four months after the close of the financial year. The notice is also advertised in the newspapers.

The directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures. With the exception of CDP (which may appoint more than two proxies), a member of the Company who is entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead.

**Communication with Shareholders**

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

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules and the Companies Act, the Board's policy is that shareholders are informed of all major developments that impact the Group. The Company has an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, the Company will be as descriptive, detailed and forthcoming as possible and avoid boilerplate disclosures.

Information is communicated to shareholders on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as promptly as possible. The Board has established regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns. Communication is made through:

(a) annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the relevant accounting standards;

(b) quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;

(c) notices of and explanatory memoranda for AGMs and extraordinary general meetings;

(d) press releases on major developments of the Group; and

(e) disclosures to the SGX-ST.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

**Conduct of Shareholder Meetings**

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

The Board supports and encourages shareholder participation at the AGMs of the Company.

The Company has not amended its Bye-Laws to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of the shareholders through the web is not compromised.

At the Company's AGMs, shareholders are given the opportunity to voice their views and ask directors or the management questions regarding the Company. In addition to Board Committees, the external auditors are also invited to attend the AGMs to assist the directors in addressing shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report.

Besides the external auditors, the CEO, Independent Directors, Non-Executive Directors and Management are normally present and available to address queries from shareholders.

At AGMs, each substantial issue is deliberated on separate resolutions in general meetings. The Company will conduct its voting by poll at the forthcoming AGM in the presence of independent scrutineers. Explanation on polling procedures will be provided to shareholders before the poll voting is conducted. The total numbers and percentage of valid votes cast for or against each resolution will be announced at the AGM and also to SGX-ST after the AGM.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting to avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

# CORPORATE GOVERNANCE REPORT

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

**Dealing in Securities**

The Group has adopted an internal policy that complies with and is consistent with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the securities of the Company.

Directors, officers and employees of the Company are notified that they are prohibited from trading in the securities of the Company while in possession of material unpublished price sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full-year results, ending on the date of the announcement of the relevant results. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, quarterly reminders of the restrictions in dealing in the securities of the Company are issued to all directors, officers and employees of the Company. The directors are issued with a copy of the Company's Best Practice on Securities' Dealings as they are privy to price sensitive information.

The directors, officers and employees are also reminded and expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

The directors and the officers of the Company are required to notify the Company of their dealings in the Company's shares within two business days of the transaction.

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

**Interested Person Transactions ("IPT")**

The AC is satisfied that the procedures for IPTs, which are reviewed and examined periodically by the AC, are sufficient to ensure IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company's disclosure according to Rule 907 of the Listing Manual in respect of IPT for FY2016 is stated as follows:-

| Name of Interested Person | Aggregate value of all IPTs under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| | RMB | RMB |
| Mr Ye Tianyun and his associate | NIL[Note 1] | N/A |
| Mr Ye Tianyun and his associate | NIL[Note 2] | N/A |

N/A: Not Applicable

# CORPORATE GOVERNANCE REPORT

Notes:

1) The amount of RMB2,571,000 was the utilities bill payable by an associate of Mr Ye Tianyun, Zhejiang Andison Information and Technology Co., Ltd. ("Zhejiang Andison"). Both factories each owned by Zhejiang Andison and the Company have been using a common transformer installed by the Company for electricity supply. Nevertheless, they are two separate electricity meters installed at the respective factories. The Electricity Supply Board issues monthly billing to the Company as the transformer is installed under the name of the Company. Therefore, the Company will be liable for the whole amount of monthly billing while Zhejiang Andison will pay its portion of the electricity bill to the Company based on its usage. There were no additional charges levied on such arrangements, therefore, the Board is of the view that the aggregate value of the IPT is zero.

2) The amount of RMB24,000,000 was the loan advances to Zhejiang Andison and RMB 43,519,000 was the loan advances from Zhejiang Andison. The advancses are interest free and are related to the disposed business during FY2016, therefore, the Board is of the view that the aggregate value of the IPT is zero.

## Material Contracts

Save for the service contracts entered into between the Executive Directors and the Company and agreements which have been published in the SGX-ST, there were no other material contracts of the Group or its subsidiaries involving the interest of any director or controlling shareholder which are either still subsisting as at the end of the FY2016 or if not then subsisting, entered into since the end of the previous financial year.

## Risk Management

Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. The significant risk management policies are as disclosed in the audited financial statements of this Annual Report.

## Corporate Social Responsibility

The Group views the principles of Corporate Social Responsibility as an essential part of our business. The Group believes that all people are entitled to free, safe and healthy living and working environments. This commitment extends beyond the Group's employees and the communities in which the Group operates, to the Group's suppliers, business partners and customers. The Group works with its suppliers and business partners to ensure a safe working environment for the employees.

# CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is integral to the long-term sustainability of our Company and we have programmes in place to ensure that the diverse interests of our stakeholders are looked after. We believe this will support our Company's corporate performance and aid in building equitable value for shareholders, employees, customers and the community over the long term.

## Commitment to Shareholders

We recognise that we have a diverse variety of different stakeholders and our aim is to build solid relations of trust with the stakeholders and ensure ever greater synchronicity with society and individuals in order to create sustainable value for all.

As a public-listed company, we abide by the compliance rules in providing transparent, relevant and up-to-date information to our shareholders and the investing community. Our Board of Directors and Management Team are present at our Annual General Meeting and Extraordinary General Meetings to clarify any queries on the resolutions of the meetings as well as to interact with the shareholders to communicate our business directions and strategies.

## Commitment to Employees

We strive to be an organisation that attracts and retains talented people. We cultivate a fair and inclusive workplace where colleagues treat each other with courtesy and everyone feels empowered to pursue their personal and professional goals.

Our people are our assets, brand ambassadors and the reason our Company is distinguished from our competitors. We realise that building a fair, inclusive and safe environment is important to creating a conducive setting for our employees to perform their best possible work. At the same time, we are committed to investing in the growth of our people to help them realise their full potential. We take the view that this will have a positive spill-over effect on our business as our employees become better qualified and equipped with new capabilities.

People are the driving force behind the Company's success. We provide a supportive environment where the employees can build a fulfilling career and offer many opportunities for career development within a dynamic environment.

We are focused on recruiting and retaining the best people and enhancing their capabilities and competencies through education, development and training. We also believe in building strong employee engagement to deliver a high-performance culture throughout the Company.

## Commitment to Environment

We are focused on improving the environment by providing products and services that help create a better world for future generations. We have made environment protection and conservation one of our key priorities and we are working to provide environmentally friendly products and services across all of our business processes from product planning through to maintenance operations. We are also striving to save energy and resources and we have taken active steps to improve recycling rates in our workplaces.

In addition, we have always emphasized the importance of being environmentally friendly. We have integrated environmental protection schemes into daily operational matters and put great attention to resource recycling and waste disposal to ensure operational sustainability.

# CORPORATE SOCIAL RESPONSIBILITY

## COMMITMENT TO THE SOCIETY

The Company also has plans to actively call on and encourage employees to participate in charitable activities, build a platform for employees to participate in philanthropy activities and diversify the forms of participation and incentive mechanisms, providing employees with a large platform to realise value.

At our Company, we recognise that if the communities in which we operate prosper, so does our business. We are in a position to create positive impacts in our local communities through increased economic activity such as sourcing local produce and attracting more tourists, and also by providing training and career opportunities to local people.

To our stakeholders, we are committed to delivering sustainable value over the long term. The generation of sustainable returns over the long term depends on stable, wellfunctioning and wellgoverned social, environmental and economic systems. We consider environmental, social and governance factors when we make decisions as an investor, asset owner and shareholder. We work to understand the impact of our portfolio companies. We encourage our business partners to adopt responsible and sustainable practices in their businesses, operations and supply chains.

# DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 36 to 100 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that with the funds provided by certain shareholders of the Company and a subsidiary (refer to Note 2.1), the Group will be able to pay its debts as and when they fall due.

## Directors

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

| | |
|---|---|
| Wilson Lim Tiong How | (appointed on 9 May 2016) |
| Zhang Wen | (appointed on 12 May 2017) |
| Liu Yi | (appointed on 7 July 2017) |
| Zhang Yuanyuan | (appointed on 7 July 2017) |
| Wang Zhejun | (appointed on 7 July 2017) |

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares or debentures

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

| | Holdings registered in name of director or nominee | | Holdings in which director is deemed to have an interest | |
|---|---|---|---|---|
| | **At 31.12.2016** | At 1.1.2016 or date of appointment, if later | **At 31.12.2016** | At 1.1.2016 or date of appointment, if later |
| **The Company**<br>- Number of ordinary shares of US$0.001 each (2015: US$0.01 each) | | | | |
| Ye Tianyun[(a)] | **3,895,000** | 3,895,000 | **19,200,720** | 66,442,450 |
| Chen Xiang Jing [(b)] | **-** | - | **-** | 300,000 |
| Wilson Lim Tiong How | **23,892,516** | 23,892,516 | **-** | - |
| Manfaith Investments Ltd.<br>- Number of ordinary shares of US$1.00 each (2015 : US$1.00 each) | | | | |
| Ye Tianyun[(a)] | **-** | 8,750 | **-** | 1,250 |

[(a)] Ye Tianyun resigned as Director of the Company on 26 July 2016.

[(b)] Chen Xiang Jing resigned as Director of the Company on 28 April 2016.

There were no other changes in directors' interest as at 21 January 2017.

## Share options

*(a) Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

*(b) Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

*(c) Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## Audit Committee

The Audit Committee of the Company is chaired by Mr Liu Yi, and includes Ms Zhang Yuanyuan and Ms Wang Zhejun. Ms Zhang Yuanyuan is a Independent Director, and Ms Wang Zhejun is a Non-Executive Non-Independent Director.

The nature and extent of the functions performed by the Audit Committee are discussed in the Annual Report under "Corporate Governance Report".

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

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

## Independent Auditor

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

On behalf of the directors

| | |
|---|---|
| Wang Zhejun | Zhang Wen |
| Director | |
| 8 August 2017 | Director |

# INDEPENDENT AUDITOR'S REPORT

To the Members of 8Telecom International Holdings Co. Ltd.

**Disclaimer of opinion**

We do not express an opinion on the consolidated financial statements of 8Telecom International Holdings Co. Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit financial statements of the Company and Group comprising:

- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

**Basis for Disclaimer of Opinion**

As stated in Note 2.1 to the financial statements, the Group reported a net loss amounting to RMB133,015,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB16,525,000 and its net liabilities amounted to RMB15,628,000. Furthermore, the Company's current liabilities exceeded its current assets by RMB11,989,000 and its net liabilities amounted to RMB11,980,000 as at that date.

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

If the Group and Company are unable to continue as going concerns, several adjustments would have to be made to the accompanying financial statements. Assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the financial statements. In addition, the Group and Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The accompanying financial statements do not reflect these adjustments.

**Other Matter**

The financial statements for the preceding financial year were reported on by an audit firm other than PricewaterhouseCoopers LLP. The auditor's report dated 28 March 2016 issued by the predecessor audit firm on the financial statements for the financial year ended 31 December 2015 was unqualified.

# INDEPENDENT AUDITOR'S REPORT

To the Members of 8Telecom International Holdings Co. Ltd.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Chua Chin San.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 8 August 2017

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

| | Note | 31 December 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales | 4 | **52** | – |
| Cost of sales | 5 | **(24)** | – |
| Gross profit | | **28** | – |
| Other income | 7 | **51** | – |
| Other (losses)/gains - net | 8 | **(112,903)** | – |
| Expenses | | | |
| - Distribution and marketing | 5 | **(850)** | – |
| - Administrative | 5 | **(6,504)** | (10,097) |
| - Finance | 9 | **(148)** | – |
| Loss before income tax | | **(120,326)** | (10,097) |
| Income tax expense | 10 | **–** | – |
| **Loss from continuing operations** | | **(120,326)** | (10,097) |
| **Discontinued operations** | | | |
| (Loss)/profit from discontinued operations | 11 | **(12,689)** | 18,277 |
| **Total (loss)/profit and comprehensive (loss)/income** | | **(133,015)** | 8,180 |
| **(Loss)/profit attributable to equity holders of the Company relates to:** | | | |
| (Loss) from continuing operations | | **(118,840)** | (10,097) |
| (Loss)/profit from discontinued operations | | **(12,689)** | 18,277 |
| | | **(131,529)** | 8,180 |
| **Total (loss)/profit and comprehensive (loss)/income attributable to:** | | | |
| Equity holders of the Company | | **(131,529)** | 8,180 |
| Non-controlling interests | | **(1,486)** | – |
| | | **(133,015)** | 8,180 |
| **(Losses)/earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company** (RMB cents per share) | | | |
| **Basic earnings per share** | 12 | | |
| From continuing operations | | **(128.29)** | (10.90) |
| From discontinued operations | | **(13.70)** | 19.73 |
| **Diluted earnings per share** | 12 | | |
| From continuing operations | | **(128.29)** | (10.90) |
| From discontinued operations | | **(13.70)** | 19.73 |

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

# BALANCE SHEET - GROUP

As at 31 December 2016

| | Note | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank balances | 13 | **2,248** | 211,332 |
| Trade and other receivables | 14 | **218** | 136,634 |
| Inventories | 15 | **–** | 14,816 |
| Construction contracts | 16 | **–** | 80,296 |
| Properties under development | 17 | **–** | 545,946 |
| | | **2,466** | 989,024 |
| **Non-current assets** | | | |
| Investments in an associated company | 18 | **–** | – |
| Investment properties | 19 | **–** | 195,304 |
| Derivative financial instrument | 20 | **–** | 9,782 |
| Fixed deposits | 13 | **383** | – |
| Prepayment | 22 | **–** | 20,838 |
| Property, plant and equipment | 23 | **514** | 87,401 |
| Intangible assets | | **–** | 658 |
| | | **897** | 313,983 |
| **Total assets** | | **3,363** | 1,303,007 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Short term borrowings | 24 | **–** | 317,500 |
| Trade and other payables | 25 | **18,991** | 181,551 |
| Current income tax liabilities | | **–** | 939 |
| Provision for land appreciation tax | 26 | **–** | 34,055 |
| | | **18,991** | 534,045 |
| **Non-current liabilities** | | | |
| Long term bank loans | 24 | **–** | 168,182 |
| Other payables | 25 | **–** | 9,782 |
| Deferred income tax liabilities | 27 | **–** | 57,648 |
| | | **–** | 235,612 |
| **Total liabilities** | | **18,991** | 769,657 |
| **NET (LIABILITIES)/ ASSETS** | | **(15,628)** | 533,350 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 28 | **794** | 79,369 |
| Treasury shares | 28 | **(129)** | (12,883) |
| Share premium | 29 | **–** | 118,574 |
| Other reserves | 30 | **1,525** | 82,314 |
| (Accumulated losses)/retained profits | | **(16,063)** | 265,976 |
| | | **(13,873)** | 533,350 |
| **Non-controlling interests** | | **(1,755)** | – |
| **Total equity** | | **(15,628)** | 533,350 |

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

# BALANCE SHEET - COMPANY

As at 31 December 2016

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank balances | 13 | **63** | 474 |
| Other receivables | 14 | **306** | 127,527 |
| | | **369** | 128,001 |
| **Non-current assets** | | | |
| Investments in an associated company | 18 | **–** | – |
| Derivative financial instrument | 20 | **–** | 9,782 |
| Investments in subsidiaries | 21 | **9** | 60,000 |
| | | **9** | 69,782 |
| **Total assets** | | **378** | 197,783 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payables and accrued expenses | 25 | **12,358** | 1,527 |
| **Non-current liabilities** | | | |
| Other payables | 25 | **–** | 9,782 |
| **Total liabilities** | | **12,358** | 11,309 |
| **NET (LIABILITIES)/ASSET** | | **(11,980)** | 186,474 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 28 | **794** | 79,369 |
| Treasury shares | 28 | **(129)** | (12,883) |
| Share premium | 29 | **–** | 118,574 |
| Other reserves | 30 | **1,527** | 1,527 |
| Accumulated losses | | **(14,172)** | (113) |
| **Total equity** | | **(11,980)** | 186,474 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Share premium | Other reserve | Capital reserve | Share based payment reserve | Asset revaluation reserve | Accumulated losses | Foreign currency reserve | Total | Non-controlling interest | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2016** | | | | | | | | | | | | |
| Group | | | | | | | | | | | | |
| **Beginning of financial year** | **79,369** | **(12,883)** | **118,574** | **71,020** | **(10,925)** | **1,527** | **20,692** | **265,976** | **–** | **533,350** | **–** | **533,350** |
| Total comprehensive loss for the year | – | – | – | – | – | – | – | (131,529) | – | (131,529) | (1,486) | (133,015) |
| Capital Reduction (Note 31) | (78,575) | 12,754 | (118,574) | – | – | – | – | 184,395 | – | – | – | – |
| Special dividend (Note 32) | – | – | – | – | – | – | – | (415,692) | – | (415,692) | – | (415,692) |
| Disposal of subsidiaries | – | – | – | (71,020) | 10,925 | – | (20,692) | 80,787 | – | – | – | – |
| Translation of foreign subsidiaries | – | – | – | – | – | – | – | – | (2) | (2) | – | (2) |
| Acquisition of subsidiary | – | – | – | – | – | – | – | – | – | – | (269) | (269) |
| **Total transactions with owners, recognised directly in equity** | **(78,575)** | **12,754** | **(118,574)** | **(71,020)** | **10,925** | **–** | **(20,692)** | **(282,039)** | **(2)** | **(547,223)** | **(1,755)** | **(548,978)** |
| **End of financial year** | **794** | **(129)** | **–** | **–** | **–** | **1,527** | **–** | **(16,063)** | **(2)** | **(13,873)** | **(1,755)** | **(15,628)** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Other reserve RMB'000 | Capital reserve RMB'000 | Share based payment reserve RMB'000 | Asset revaluation reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
| **2015** | | | | | | | | | |
| Group | | | | | | | | | |
| **Beginning of financial year** | **79,369** | **(12,883)** | **118,574** | **66,864** | **(10,925)** | **1,527** | **20,692** | **267,546** | **530,764** |
| Total comprehensive income for the year | – | – | – | – | – | – | – | 8,180 | 8,180 |
| Transfer | – | – | – | 4,156 | – | – | – | (4,156) | – |
| Dividend paid | – | – | – | – | – | – | – | (5,594) | (5,594) |
| **Total transactions with owners, recognised directly in equity** | **–** | **–** | **–** | **4,156** | **–** | **–** | **–** | **(1,570)** | **2,586** |
| **End of financial year** | **79,369** | **(12,883)** | **118,574** | **71,020** | **(10,925)** | **1,527** | **20,692** | **265,976** | **533,350** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

| | Note | Group 2016 RMB'000 | Group 2015 RMB'000 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Total (loss)/profit | | **(133,015)** | 8,180 |
| Adjustment for: | | | |
| Income tax expenses | | **299** | 4,867 |
| Depreciation and amortisation expense | | **98** | 7,767 |
| Finance costs | | **148** | 13,207 |
| Interest income | | **–** | (5,775) |
| Exchange differences | | **(3,315)** | – |
| Gain on fair valuation of investment properties | | **–** | (714) |
| Fair value change of derivative financial instrument | | **10,887** | – |
| Allowance for doubtful trade receivables | | **–** | 2,854 |
| Changes in fair value of other financial assets | | **–** | (486) |
| Loss on disposal of subsidiaries | | **102,575** | – |
| Operating (loss)/profit before working capital changes | | **(22,323)** | 29,900 |
| Trade receivables | | **(56)** | 35,558 |
| Other receivables and prepayments | | **199** | 21,751 |
| Construction contracts | | **–** | (10,760) |
| Inventories | | **–** | 30,937 |
| Properties under development | | **–** | (130,170) |
| Trade payables | | **–** | (42,013) |
| Other payables and accrued expenses | | **4,877** | 2,267 |
| Cash used in operations | | **(17,303)** | (62,530) |
| Interest received | | **–** | 5,775 |
| Interest paid | | **–** | (28,059) |
| Income tax paid | | **(299)** | (5,892) |
| **Net cash used in operating activities** | | **(17,602)** | (90,706) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

| | Note | Group 2016 RMB'000 | Group 2015 RMB'000 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Net cash inflow upon gaining control of an associated company | 18 | **2,086** | – |
| Addition of financial asset at fair value through profit or loss | | **–** | (872) |
| Advances to a related party | | **–** | (14,270) |
| Repayment of advances by a related party | | **–** | 14,270 |
| Proceeds from disposal of plant and equipment | | **–** | 2,479 |
| Proceed from disposal of land use rights | | **–** | 516 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | | 64,827 |
| Disposal of subsidiaries, net of cash disposed of | 13 | **271,949** | – |
| Purchase of property, plant and equipment | | **(384)** | (10,005) |
| **Net cash provided by investing activities** | | **273,651** | 56,945 |
| **Cash flow from financing activities** | | | |
| Repayments of short-term bank borrowings | | **–** | (500,160) |
| Increase in short-term bank borrowings | | **–** | 407,700 |
| Increase in long-term bank loans | | **–** | 124,382 |
| Advances from a related party | | **–** | 61,284 |
| Repayment of advances to a related party | | **–** | (61,284) |
| Dividends paid | 32 | **(415,692)** | (5,594) |
| (Decrease)/Increase in pledged fixed deposits | | **(1,086)** | 61,710 |
| **Net cash (used in)/provided by financing activities** | | **(416,778)** | 88,038 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(160,729)** | 54,277 |
| Cash and cash equivalents at beginning of financial year | | **162,275** | 107,998 |
| Effects of currency translation on cash and cash equivalents | | **(1)** | – |
| **Cash and cash equivalents at end of financial year** | 13 | **1,545** | 162,275 |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

## 1. General information

The Company (Registration No. 34713) is incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is at unit 03-63, 20 Sin Min Lane, Singapore. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited. The financial statements of the Group and of the Company are expressed in Chinese Renminbi ("RMB").

The principal activity of the Company is that of an investment holding company.

During the financial year, the Group gained control of Arete M Pte. Ltd. ("Arete"), incorporated 5NET (HK) Limited, and divested its entire interest in East Jade International Limited and Aim Tech Network Investment Limited (Note 21).

The principal activities of the subsidiaries are disclosed in Note 21 to the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

The Group reported a net loss amounting to RMB133,015,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB16,525,000 and its net liabilities amounted to RMB15,628,000. Furthermore, the Company's current liabilities exceeded its current assets by RMB11,989,000 and its net liabilities amounted to RMB11,980,000 as at that date. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and Company to operate as going concerns.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis as the directors are of the view that it is appropriate to do so having considered the following:

i. Subsequent to the balance sheet date, Arete secured an additional funding of S$1,150,000 (RMB5,600,000) through a shareholder loan to support its working capital requirement in the near term. The shareholder loan is interest free, unsecured and repayment is not expected within 12 months from the date of loan disbursement.

## 2. Significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

ii. On 1 June 2017, Arete signed a term sheet with Edition Limited (the "Investor"), a non-related party, and secured a convertible loan of S$1,500,000 (RMB7,400,000) which is interest free to support its working capital requirement in the near term ("First Tranche Convertible Loan").

The First Tranche Convertible Loan has a term of 12 months and shall be convertible at the sole option of the Investor, into such number of ordinary share of Arete so as to constitute 15.79% of the fully diluted share capital of Arete ("Investor Conversion Right"). The Convertible Loan has not been converted to shares as at the date of audit report.

On and from the date of the Investor being registered as a shareholder of Arete, pursuant to the exercise of the Investor Conversion Right, the Investor shall have the right (but shall not be obliged) to make an additional equity investment of S$1,000,000 ("Second Tranche Investment Amount") in Arete, such that the total shareholding of the Investor upon the completion of the Second Tranche Investment shall constitute 23.81% of the fully diluted share capital of Arete.

iii. On 7 June 2017, the promissory note holders confirmed that they will not call on the promissory note of RMB10,332,000 within the next 12 months. The Group and Company will continue to explore with the promissory note holders on alternative options to settle the promissory note.

iv. Quintestellar Re Capital Inc, a company which a director has an interest in, has agreed to extend the repayment date of its short term loans of RMB6,240,000 to 2 July 2018.

In addition to the above, the Group and Company are in the midst of securing additional funding through shareholder loan/equity injection to support its working capital requirement in the near term. The Group and Company are still in discussion with the shareholders. The Board of Directors is positive about the outcome of the funding arrangement.

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

***Interpretations and amendments to published standards effective in 2016***

On 1 January 2016, the Group adopted the new or amended IFRS and Interpretations of FRS ("INT IFRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and INT IFRS.

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

## 2. Significant accounting policies (continued)

### 2.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services – telecommunication infrastructure solution services

Revenue from telecommunication infrastructure solution services is recognised when the services are rendered.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from construction contracts

Revenue from construction contract is recognised by reference to the stage of completion. See accounting policy on Construction Contracts in Note 2.8.

Revenue from rental of properties

The Group's policy for recognition of revenue from operating leases is described in Note 2.16.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment has been established.

## 2. Significant accounting policies (continued)

### 2.3 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 2.4 Research expenditure

Research expenditure is recognised as an expense when incurred.

### 2.5 Group accounting

*(a) Subsidiaries*

*(i) Consolidation*

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

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

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

*(ii) Acquisitions*

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

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

## 2. Significant accounting policies (continued)

### 2.5 Group accounting (continued)

(a) *Subsidiaries* (continued)

*(ii) Acquisitions* (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

*(iii) Disposals*

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

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

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company in Note 2.6.

*(b) Transactions with non-controlling interests*

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

*(c) Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 2. Significant accounting policies (continued)

### 2.5 Group accounting (continued)

#### *(c) Associated companies* (continued)

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

*(i) Acquisitions*

Investments in associated companies are 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. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

*(ii) Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

*(iii) Disposals*

Investments in associated companies are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company in Note 2.6.

## 2. Significant accounting policies (continued)

### 2.6 Investment in subsidiaries and associated companies

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

### 2.7 Financial assets

*(a) Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 14) and "cash and bank balances" (Note 13) on the balance sheet.

*(b) Recognition and derecognition*

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

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

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

## 2. Significant accounting policies (continued)

### 2.7 Financial assets (continued)

#### *(c) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

#### *(d) Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

#### *(e) Impairment*

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

***Loans and receivables***

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

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

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

### 2.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

## 2. Significant accounting policies (continued)

### 2.8 Construction contracts (continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.10 Properties under development

Properties under development are stated at the lower of cost or estimated net realisable value. Cost comprises the cost of land, together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion. When completed, the units held for sale are classified as completed properties are sale.

### 2.11 Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

In situation whereby a property is transferred from property, plant and equipment to investment property, any revaluation increase arising on the revaluation of a property is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such a property is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Construction-in-progress consists of related construction costs incurred during the period of construction. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than those under construction, over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Buildings | 20 years |
| Machinery | 10 years |
| Motor vehicles | 5 years |
| Fixtures and equipment | 5 years |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

## 2. Significant accounting policies (continued)

### 2.11 Property, plant and equipment (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

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.

### 2.12 Intangible assets

*Acquired computer software licences*

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

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 10 years.

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

### 2.13 Impairment of non-financial assets

*Intangible assets*
*Property, plant and equipment*
*Investments in subsidiaries and associated companies*

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

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

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

## 2. Significant accounting policies (continued)

### 2.13 Impairment of non-financial assets (continued)

*Intangible assets*
*Property, plant and equipment*
*Investments in subsidiaries and associated companies* (continued)

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

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

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

### 2.14 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

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

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

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

### 2.15 Prepayments (land use rights)

This represents land use rights which are measured at cost and amortised on a straight-line basis over their estimated useful lives, which are 48 to 50 years.

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 2. Significant accounting policies (continued)

### 2.16 Leases

*(a) When the Group is the lessee*

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

*(i) Lessee - Finance leases*

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

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

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

*(ii) Lessee - Operating leases*

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

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

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

The Group leases equipment under finance leases and investment properties under operating leases to non-related parties.

*(i) Lessor - Finance leases*

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

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

## 2. Significant accounting policies (continued)

### 2.16 Leases (continued)

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

*(ii) Lessor - Operating leases*

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

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

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

### 2.17 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

### 2.18 Share capital and treasury shares

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

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

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

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

## 2. Significant accounting policies (continued)

### 2.19 Dividends to Company's shareholders

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

### 2.20 Currency translation

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

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

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

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

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

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

## 2. Significant accounting policies (continued)

### 2.20 Currency translation (continued)

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

### 2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and fixed deposits less pledged fixed deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

### 2.22 Trade and other payables

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

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

### 2.23 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. 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.

### 2.24 Income taxes

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

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

## 2. Significant accounting policies (continued)

### 2.24 Income taxes (continued)

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

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

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.25 Provisions

Provisions for warranty, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

## 2. Significant accounting policies (continued)

### 2.26 Employee compensation

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

*(a) Defined contribution plans*

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

*(b) Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

*(c) Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## 2. Significant accounting policies (continued)

### 2.27 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

### 2.28 Segment reporting

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

### 2.29 Offsetting of financial instruments

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

## 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

## 4. Revenue

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Rendering of services - telecommunication infrastructure solution services | **52** | – |

## 5. Expenses by nature

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Depreciation expense (Note 23) | **98** | – |
| Employee compensation (Note 6) | **2,766** | 505 |
| Travelling expenses | **219** | 21 |
| Licence fees | **432** | – |
| Professional fees | **3,121** | 2,492 |
| Allowance for doubtful trade receivables | **–** | 6,849 |
| Others | **742** | 230 |
| Total cost of sales, distribution and marketing costs, and administrative expenses | **7,378** | 10,097 |

## 6. Employee compensation

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Wages and salaries | **2,601** | 505 |
| Employer's contribution to defined contribution plans | **165** | – |
| | **2,766** | 505 |

## 7. Other income

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Government grants | **51** | – |

## 8. Other losses - net

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Changes in fair value of derivative financial instrument (Note 20) | **(10,887)** | – |
| Currency exchange gain – net | **559** | – |
| Loss on disposal of subsidiaries (Note 13) | **(102,575)** | – |
| | **(112,903)** | – |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 9. Finance costs

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Interest on short term loans from a company which a director has an interest in | **148** | – |

## 10. Income taxes

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Tax expense attributable to results is made up of: | | |
| - Profit for the financial year: | | |
| From continuing operations | | |
| Current income tax | | |
| - PRC | **–** | – |
| Deferred income tax | **–** | – |
| | **–** | – |
| From discontinued operations | | |
| Current income tax | | |
| - PRC | **2,024** | 4,365 |
| Deferred income tax (Note 27) | **–** | 351 |
| | **2,024** | 4,716 |
| - (Over)/under provision in prior financial years: | | |
| From discontinued operations | | |
| Current income tax | | |
| - PRC | **(1,725)** | 151 |
| | **299** | 4,867 |
| Tax expense is attributable to: | | |
| - continuing operations | **–** | – |
| - discontinuing operations (Note 11(a)) | **299** | 4,867 |
| | **299** | 4,867 |

## 10. Income taxes (continued)

The tax rate in 2015 of 25% was subject to China tax jurisdiction where the Group's revenue was sourced. Following the disposal of subsidiaries in China in 2016 (Note 21), the revenue of the Group is solely sourced from Singapore with tax rate of 17%.

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the standard rate of income tax as follows.

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| (Loss)/ profit before tax from | | |
| - continuing operations | **(120,326)** | (10,097) |
| - discontinued operations (Note 11) | **(12,390)** | 23,144 |
| (Loss)/ profit before tax | **(132,716)** | 13,047 |
| Tax calculated at tax rate of 17% (2015: 25%) | **(22,562)** | 3,262 |
| Effects of: | | |
| - tax concession | **(979)** | (5,240) |
| - expenses not deductible for tax purpose | **25,038** | 1,347 |
| - (over)/under provision in prior years | **(1,725)** | 151 |
| - deferred tax(credit) and land appreciation tax (credit) on investment properties | **–** | 413 |
| - effect of tax deduction on deferred tax and land appreciation on investment properties | **–** | (62) |
| - effect of tax loss not recognised as deferred tax asset | **527** | 4,861 |
| - others | **–** | 135 |
| Tax charge | **299** | 4,867 |

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT" Law), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT").

Under the EIT law, except for certain qualifying small-scale/small-profit enterprises and hi-tech enterprises (which are subject to EIT rates of 20% and 15%, respectively), the general applicable EIT rate in the PRC is 25%. For the financial year ended 31 December 2015, the Group's wholly-owned subsidiary, Zhejiang 8Telecom Co., Ltd, qualified as a high-tech enterprise and was taxed at a rate of 15%.

The Group has unrecognised tax losses of approximately RMB3,100,000 at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

## 10. Income taxes (continued)

Pursuant to PRC tax regulations, at the end of the prior reporting period, the Group had unutilised tax losses of approximately RMB38,351,000 available for offset against future profits. No deferred tax asset was recognised due to the unpredictability of future profit streams. Tax losses may be carried forward for 5 years from the years after the losses are incurred, subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 11. Discontinued operations

Following the completion of the disposal of 100% interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group") on 21 July 2016 (Note 21), the entire results from Disposal Group are presented separately on the statement of comprehensive income as "discontinued operations".

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue | **222,406** | 548,247 |
| Expenses | **(234,796)** | (525,103) |
| (Loss)/income before tax from discontinued operations | **(12,390)** | 23,144 |
| Tax expense | **(299)** | (4,867) |
| **(Loss)/income after tax from discontinued operations** | **(12,689)** | 18,277 |

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

| | **Group** | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Operating cash inflows | **134,683** | (90,706) |
| Investing cash outflows | **(11,336)** | 56,945 |
| Financing cash outflows | **(177,030)** | 88,038 |
| **Total cash (outflows)/inflows** | **(53,683)** | 54,277 |

## 12. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| Net (loss)/profit attributable to equity holders of the Company (RMB'000) | **(118,840)** | (10,097) | **(12,689)** | 18,277 | **(131,529)** | 8,180 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | **92,630** | 92,630 | **92,630** | 92,630 | **92,630** | 92,630 |
| Basic (loss)/earnings per share (RMB cents per share) | **(128.29)** | (10.90) | **(13.70)** | 19.73 | **(141.99)** | 8.83 |

Fully diluted earnings per ordinary share is the same as basic earnings per ordinary shares as there is no dilutive shares outstanding at the end of the financial years ended 31 December 2016 and 31 December 2015.

## 13. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash at bank | **1,545** | 162,275 | **63** | 474 |
| Short-term fixed deposits | **703** | 49,057 | **–** | – |
| | **2,248** | 211,332 | **63** | 474 |
| Long term fixed deposits | **383** | – | **–** | – |
| | **2,631** | 211,332 | **63** | 474 |

Short term fixed deposits of the Group earn interest at rates ranging from 0.1% to 0.25% (2015: 2.1% to 2.75%) per annum and for tenure of 90 to 365 days (2015: 180 days). Long-term fixed deposits of the Group earn interest at rate 0.55% (2015: nil) per annum and for tenure of 24 months.

For the financial year ended 31 December 2016, the short-term and long-term fixed deposits are pledged as collaterals to Info-communications Media Development Authority of Singapore ("IMDA") in order to secure a facility-based operator license.

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 13. Cash and bank balances (continued)

For the financial year ended 31 December 2015, the short-term fixed deposits are pledged to secure short-term bank loans and discounted notes (Note 24), notes payable (Note 25) and certain performance guarantees provided by banks to the Group's customers.

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

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Cash and bank balances (as above) | **2,631** | 211,332 |
| Less: Fixed deposits pledged | **(1,086)** | (49,057) |
| Cash and cash equivalents per consolidated statement of cash flows | **1,545** | 162,275 |

Disposal of subsidiaries

On 21 July 2016, the Company disposed its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group") for a consideration of RMB418,098,000. The effects of the disposal on the cash flows of the Group were:

| | Group |
|---|---|
| | **2016** |
| | **RMB'000** |
| Carrying amount of assets and liabilities disposed of | |
| Cash and cash equivalents | **146,149** |
| Trade and other receivables | **126,899** |
| Construction contracts | **104,906** |
| Properties under development | **644,140** |
| Investment properties | **195,304** |
| Property, plant and equipment | **87,433** |
| Other assets | **176,003** |
| Total assets | **1,480,834** |
| Short-term bank borrowings | **329,100** |
| Trade payables | **97,175** |
| Other payables and accrued expenses | **398,183** |
| Provision for land appreciation tax | **34,055** |
| Long-term bank loans | **44,000** |
| Deferred tax liabilities | **57,648** |
| Total liabilities | **960,161** |
| Net assets disposed of | **520,673** |

## 13. Cash and bank balances (continued)

Disposal of subsidiaries (continued)

| | Group RMB'000 |
|---|---|
| The aggregate cash flows arising from the disposal were: | |
| Net assets disposed of (per above) | **520,673** |
| Loss on disposal (Note 8) | **(102,575)** |
| Cash proceeds from disposal | **418,098** |
| Less: Cash and cash equivalents | **(146,149)** |
| Net cash inflow on disposal | **271,949** |

## 14. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 | **2016 RMB'000** | 2015 RMB'000 |
| Trade receivables | | | | |
| - Non-related parties | **56** | 120,746 | **–** | – |
| Less: Allowance for impairment of receivables - non-related parties | **–** | (18,659) | **–** | – |
| Trade receivables - net | **56** | 102,087 | **–** | – |
| Advances to staff | **–** | 3,778 | **–** | – |
| Advances to suppliers | **–** | 9,254 | **–** | – |
| Tax recoverable | **–** | 7,747 | **–** | – |
| Prepayments for land use rights (Note 22) | **–** | 516 | **–** | – |
| Deposits and other prepayments | **162** | 14,381 | **64** | 169 |
| Others | **–** | 200 | **–** | 192 |
| Other receivables due from subsidiary | **–** | – | **242** | 127,166 |
| Less: Allowance for impairment of receivables - advances to staff | **–** | (1,329) | **–** | – |
| | **218** | 136,634 | **306** | 127,527 |

The other receivables due from subsidiary are unsecured, interest-free and repayable on demand.

## 15. Inventories

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Raw materials | – | 11,421 |
| Work-in-progress | – | 1,897 |
| Finished goods | – | 1,498 |
| | – | 14,816 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no inventory balances.

## 16. Construction contracts

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Construction contract work-in-progress: | | |
| Contract costs incurred plus recognised profits less losses to date | – | 491,815 |
| Less: Progress billings | – | (410,912) |
| Less: Allowance for construction contracts | – | (607) |
| | – | 80,296 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no construction contracts.

## 17. Properties under development

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Properties under development | – | 545,946 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no properties under development.

As at 31 December 2015, interest capitalised for properties under development amounted to RMB14,852,000 based on a capitalisation rate of 6.2%.

## 18. Investments in an associated company

| | Group and Company | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| ***Unquoted equity shares, at cost*** | | |
| End of financial year | **–** | – |

During the financial year ended 31 December 2015, the Group acquired from unrelated parties 102,000 shares (the "Sale Shares") in Arete, representing 51% of the issued and paid up capital for a total consideration of S$2,150,000 on 29 June 2015. The consideration was satisfied by the issuance of a promissory note to each of the sellers by the Company. Each promissory note shall be free of interest, and shall mature and be redeemed by the Company two years from the date of the promissory note. As at 31 December 2015, these promissory notes totalling S$2,150,000 (approximately to RMB9,782,000) are recorded as other payable (Note 25) due more than 12 months after the reporting period.

As at 31 December 2015, management had assessed based on IFRS 10 Consolidated Financial Statements that Arete is not a subsidiary of the Company based on the following:

(i) The Company does not control the relevant activities of Arete; and

(ii) The Company only has 1 representative on the Board of Directors of Arete while the previous majority shareholders of Arete has 3 members on the Board of Directors. However, the Company is able to exercise influence over the decisions made by the Board of Arete through its directorship in Arete. Accordingly, Arete is an associated company and its results should be equity accounted for in accordance with IAS 28 Investment in Associates and Joint Ventures.

In June 2015, each of sellers has jointly and severally irrevocably granted the Company a put option over all the Sale Shares held by Company (the "Put Option Shares") pursuant to which the Company has the right, at any time where any specified event occurs to require each of the sellers to purchase from the Company the Put Option Shares during the period of twenty months commencing from the date of completion of the acquisition of the Sale Shares, at the aggregate consideration of S$2,150,000.

A specified event means, with respect to Arete, any of the following:-

(a) Net profit after tax of less than S$500,000 for the financial year ending 31 December 2015; and

(b) Net profit after tax of less than S$1,500,000 for the financial year ending 31 December 2016.

With respect to the Put Option Shares granted to the Company, management was of the view that it was probable that the put option would be exercised given Arete's performance to date. Accordingly, the put option was valued at S$2,150,000 (approximately RMB9,782,000) as a derivative financial instruments (Note 20) as at 31 December 2015.

As at 31 December 2015, the Group had no obligation to any loss and not extended any funds to the associated company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

## 18. Investments in an associated company (continued)

On 1 May 2016, with the expiry of certain terms and conditions to the Sales Shares agreement, the director assessed and concluded that the Group has obtained control to direct the relevant activities of Arete through the Group's 51% ownership interest and voting rights in Arete. Accordingly the Group commenced consolidation of Arete with effect from 1 May 2016.

(a) The effect of cash flows of the Group

| | 2016<br>RMB'000 |
|---|---|
| Cash paid | – |
| Add: cash and cash equivalents in subsidiary acquired | 2,086 |
| Cash inflow on acquisition | 2,086 |

(b) Identifiable assets acquired and liabilities assumed

| | 2016<br>RMB'000 |
|---|---|
| Cash and bank balances | 2,086 |
| Trade and other receivables | 66 |
| Property plant and equipment | 256 |
| Total assets | 2,408 |
| Trade and other payables | (2,408) |
| Total liabilities | (2,408) |
| Total identifiable net assets/liabilities acquired/assumed | – |

Further, during the current financial year, the Group decided not to exercise the put option granted. Accordingly, the change in fair value of S$2,150,000 (approximately RMB10,887,000) has been recognised in other losses (Note 8).

## 19. Investment properties

| | Group RMB'000 |
|---|---|
| **2016** | |
| Beginning of financial year | **195,304** |
| Disposals | **(195,304)** |
| End of financial year | **–** |
| **2015** | |
| Beginning of financial year | 194,590 |
| Net fair value gain recognised in profit or loss | 714 |
| End of financial year | 195,304 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no investment properties.

As at 31 December 2015, all investment properties were mortgaged to secure short-term bank loans (Note 24) and long-term bank loans (Note 24).

The fair values of the Group's investment properties as at 31 December 2015 had been determined based on the basis of valuations carried out at the year-end by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair values were determined using a market comparable approach which reflects recent transaction prices for similar properties and the income approach which capitalises income net of expenses at an appropriate discount rate. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There were no changes to the valuation technique during the financial year.

As at 31 December 2015, the details of the Group's investment properties were as follows:

| Location | Description | Existing use | Tenure |
|---|---|---|---|
| 263 South Street, Yuhang, Hangzhou City, Zhejiang Province, People's Republic of China | Properties with mixture of commercial units, office units and car parks | Rented out for rental income | 46 year lease from 1 April 2010 |
| 508 Wensan Road, Hangzhou City, Zhejiang Province, People's Republic of China | Several office units in a 20-storey building | Rented out for rental income | 45 year lease from August 2006, 47 year lease from April 2004 |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 19. Investment properties (continued)

*Fair value hierarchy – Recurring fair value measurements*

| | Fair value measurements using | | |
|---|---|---|---|
| **Description** | **Quoted prices in active markets for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| | **$'000** | **$'000** | **$'000** |
| **31 December 2015** | | | |
| - Commercial properties - China | – | – | 174,198 |
| - Office units - China | – | – | 21,106 |

*Valuation techniques and inputs used in Level 3 fair value measurements*

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

| Description | Fair value at 31 December 2015 (RMB'000) | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Commercial Properties | 174,198 | Direct comparison method | Price per square meter | RMB24,286 to RMB28,000 | The higher the price per square meter, the higher the valuation |
| | | Investment method | Long-term net rental income margin | 75% | The higher the long-term net rental income margin, the higher the valuation |
| | | | Capitalisation rate | 6.0% to 6.5% | The higher the capitalisation rate, the lower the valuation |
| Office units | 21,106 | Direct comparison method | Price per square meter | RMB12,000 to RMB 19,608 | The higher the price per square meter, the higher the valuation |
| | | Investment Method | Long-term net rental income margin | 75% | The higher the long-term net rental income margin, the higher the valuation |
| | | | Capitalisation rate | 4.0% to 4.5% | The higher the capitalisation rate, the lower the valuation |

## 19. Investment properties (continued)

*Valuation techniques and inputs used in Level 3 fair value measurements* (continued)

The rental income earned by the Group from its investment properties under operating leases amounted to approximately RMB8,383,000 for the financial year ended 31 December 2015. Direct operating expenses incurred in connection with the investment properties for the financial year ended 31 December 2015 amounted to RMB419,000,000.

## 20. Derivative financial instrument

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Value of put option | **–** | 9,782 | **–** | 9,782 |

As at 31 December 2015, derivative financial instrument amounting to S$2,150,000 (approximately RMB9,782,000) pertained to fair value of the put option granted to the Company by the previous majority shareholders of the Arete at the point of acquisition of Arete (Note 18). The value was to be recoverable through offset against the liability on promissory notes of the same amount included in 2015 other payable (Note 25).

During the financial year ended 31 December 2016, the Company decided not to exercise the put option granted. Accordingly, the change in fair value of S$2,150,000 (approximately RMB10,887,000) has been recognised in other losses (Note 8).

## 21. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| *Equity investments at cost* | | |
| Beginning of financial year | **60,000** | 60,414 |
| Allowance for impairment loss | **–** | (414) |
| Disposal | **(60,000)** | – |
| Additions | **9** | – |
| End of financial year | **9** | 60,000 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group").

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 21. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2016 and 2015:

| | Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | **2016** % | 2015 % | **2016** % | 2015 % |
| ^ | Arete M Pte. Ltd. | Information -communication services | Singapore | **51** | – | **49** | – |
| + | 5NET (HK) Limited | Dormant entity | Hong Kong | **100** | – | **–** | – |
| * | Aim Tech Network Investment Limited | Investment holding | British Virgin Islands/ People's Republic of China | **–** | 100 | **–** | – |
| * | East Jade International Limited | Investment holding | British Virgin Islands/ People's Republic of China | **–** | 100 | **–** | – |

Subsidiaries of Aim Tech Network Investment Limited

| | Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | **2016** % | 2015 % | **2016** % | 2015 % |
| * | Jiaxin East Jade Information Technology Infrastructure Investment Construction Co, Ltd | Construction of telecommunications pipes network | People's Republic of China | **–** | 100 | **–** | – |
| * | Zhejiang Adison Network Construction Co., Ltd | Construction of telecommunications pipes network | People's Republic of China | **–** | 100 | **–** | – |
| * | Hangzhou Anterson Network Co., Ltd | Construction of telecommunications pipes network | People's Republic of China | **–** | 100 | **–** | – |

## 21. Investments in subsidiaries (continued)

Subsidiaries of East Jade International Limited

| | Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2016 | 2015 | 2016 | 2015 |
| | | | | % | % | % | % |
| * | Zhejiang 8Telecom Technology Co., Ltd | Sales and installation of communications materials, development service and consultation of computer science | People's Republic of China | – | 100 | – | – |
| * | Zhejiang 8Telecom Co., Ltd | Manufacture and sales of underground telecommunications pipes, installation services for telecommunications engineering projects, manufacture and installation of telecommunications towers and other related products. | People's Republic of China | – | 100 | – | – |
| * | Zhejiang Eight Adison Telecommunication Equipment Co., Ltd | Manufacturing and selling of telecommunications equipment | People's Republic of China | – | 100 | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 21. Investments in subsidiaries (continued)

Subsidiaries of Zhejiang 8Telecom Co., Ltd

| | Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2016 | 2015 | 2016 | 2015 |
| | | | | % | % | % | % |
| * | Hangzhou Eight Adison Industrial Co., Ltd | Development and sale of office properties | People's Republic of China | – | 100 | – | – |
| * | Hangzhou 8Telecom H-Tech Co., Ltd | Manufacture, sales and set up of communications materials, plastics and other related products | People's Republic of China | – | 100 | – | – |
| * | Hangzhou Bafang De Zhou Technology Co., Ltd | Manage the Group's technology development and consulting services | People's Republic of China | – | 100 | – | – |
| * | Guangzhou 8Telecom Communication Equipment Co., Ltd | Design and manufacture telecommunication equipment & PVC pipes, and provide telecommunication technology consulting services | People's Republic of China | – | 100 | – | – |
| * | Hangzhou Proud Wish Industry Co., Ltd | Network communications integrated systems design, development and property management | People's Republic of China | – | 100 | – | – |

^ This subsidiary is audited by PricewaterhouseCoopers LLP, Singapore for consolidation purposes.

+ Immaterial to the Group.

* These subsidiaries were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, registered in Shanghai, the People's Republic of China for the financial year ended 31 December 2015 for consolidation purposes.

## 21. Investments in subsidiaries (continued)

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

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 December 2016.

*Summarised balance sheet*

| | **Arete 2016 RMB'000** |
|---|---|
| **Current** | |
| Assets | **2,164** |
| Liabilities | **(6,640)** |
| Total current net liabilities | **(4,476)** |
| **Non-current** | |
| Assets | **897** |
| **Net liabilities** | **(3,579)** |

*Summarised income statement*

| | **Arete 2016 RMB'000** |
|---|---|
| Revenue | **52** |
| **Total comprehensive loss** | **(3,029)** |
| Total comprehensive loss allocated to non-controlling interest | **(1,486)** |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 21. Investments in subsidiaries (continued)

*Summarised cash flows*

| | Arete 2016 RMB'000 |
|---|---|
| **Net cash provided by operating activities** | **637** |
| **Net cash used in investing activities** | **(329)** |
| **Net cash used in financing activities** | **(1,086)** |
| **Net decrease in cash and cash equivalents** | **(778)** |
| Cash and cash equivalents at beginning of financial period | **2,086** |
| **Cash and cash equivalents at end of financial period** | **1,308** |

## 22. Prepayment

| | Group | |
|---|---|---|
| | **2016 RMB'000** | 2015 RMB'000 |
| Cost: | | |
| Beginning of financial year | **25,562** | 23,564 |
| Additions | **–** | 13,472 |
| Disposal | **(25,562)** | (11,474) |
| End of financial year | **–** | 25,562 |
| Accumulated amortisation | | |
| Beginning of financial year | **4,208** | 3,692 |
| Amortisation for the year | **–** | 516 |
| Disposal | **(4,208)** | – |
| End of financial year | **–** | 4,208 |
| Carrying amount: | | |
| End of financial year | | |
| - Current (Note 14) | **–** | 516 |
| - Non-current | **–** | 20,838 |
| | **–** | 21,354 |

## 22. Prepayment (continued)

As at 31 December 2015, the prepayments were land used rights relating to land in PRC for 48 to 50 years. All land used rights were pledged to secure short-term bank loans (Note 24).

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no prepayment balances.

## 23. Property, plant and equipment

| | Buildings | Machinery | Motor vehicles | Fixtures and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Group | | | | | | |
| **2016** | | | | | | |
| *Cost* | | | | | | |
| Beginning of financial year | 70,643 | 32,493 | 7,853 | 15,788 | 4,722 | 131,499 |
| Acquisition of subsidiary (Note 21) | – | – | – | 422 | – | 422 |
| Additions | – | – | – | 384 | – | 384 |
| Disposal of subsidiaries (Note 13) | (70,643) | (32,493) | (7,853) | (15,861) | (4,722) | (131,572) |
| Currency translation differences | – | – | – | 1 | – | 1 |
| End of financial year | – | – | – | 734 | – | 734 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | 18,714 | 15,749 | 5,549 | – | 4,086 | 44,098 |
| Acquisition of subsidiary (Note 21) | – | – | – | 166 | – | 166 |
| Depreciation charge | – | – | – | 98 | – | 98 |
| Disposal of subsidiaries (Note 13) | (18,714) | (15,749) | (5,549) | (41) | (4,086) | (44,139) |
| Currency translation differences | – | – | – | (3) | – | (3) |
| End of financial year | – | – | – | 220 | – | 220 |
| ***Net book value*** | | | | | | |
| **End of financial year** | – | – | – | **514** | – | **514** |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

## 23. Property, plant and equipment (continued)

| | Buildings RMB'000 | Machinery RMB'000 | Motor vehicles RMB'000 | Fixtures and equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Group (Continued) | | | | | | |
| **2015** | | | | | | |
| *Cost* | | | | | | |
| Beginning of financial year | 70,643 | 36,392 | 8,675 | 6,477 | 4,732 | 126,919 |
| Additions | – | 618 | – | 9,311 | 76 | 10,005 |
| Disposals | – | (4,517) | (822) | – | (86) | (5,425) |
| End of financial year | 70,643 | 32,493 | 7,853 | 15,788 | 4,722 | 131,499 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | 15,699 | 15,001 | 5,179 | – | 3,970 | 39,849 |
| Depreciation charge | 3,015 | 2,869 | 1,114 | – | 197 | 7,195 |
| Disposals | – | (2,121) | (744) | – | (81) | (2,946) |
| End of financial year | 18,714 | 15,749 | 5,549 | – | 4,086 | 44,098 |
| ***Net book value*** | | | | | | |
| **End of financial year** | 51,929 | 16,744 | 2,304 | 15,788 | 636 | 87,401 |

## 24. Borrowings

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| *Current* | | |
| Bank loans | – | 239,500 |
| Discounted notes | – | 78,000 |
| Total | – | 317,500 |
| *Non-current* | | |
| Bank borrowings | – | 168,182 |
| Total | – | 168,182 |
| Total borrowings | – | 485,682 |

## 24. Borrowings (continued)

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no bank borrowing balances.

As at 31 December 2015, the bank loans bear market interest rates ranging from 5.35% to 6.61% per annum. Bank loans of RMB25,000,000 were contracted with interest rates which are referenced to the rate quoted by the People's Bank of China and are subject to revision. Interest rates for other bank loans were fixed at the inception of the loans. The bank loans were repayable within a year and secured by charges over certain fixed deposits (Note 13), trade receivables (Note 14), investment properties (Note 19), buildings (Note 23), land use rights (Note 22) and/or covered by guarantees from a director (Note 36) and a related party (Note 36).

As at 31 December 2015, certain bank borrowings relate to notes discounted by banks in connection with trade transactions between related companies within the Group. Discounted notes had a maturity period of 180 days and were secured by fixed deposits (Note 13). The interest rates earned by the pledged deposits range from 2.10% to 2.75% per annum, while the interest rates on the discounted notes range from 4.8% to 5.98% per annum.

As at 31 December 2015, the total amount of notes discounted by banks relating to trade transactions between two related companies were approximately RMB78,000,000.

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

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| *Discounted notes* | | |
| <90 days | **–** | 78,000 |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 25. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| *Current* | | | | |
| Trade payables to: | | | | |
| - non-related parties | **–** | 65,623 | **–** | – |
| - Notes payable | **–** | 7,091 | **–** | – |
| | **–** | 72,714 | **–** | – |
| Amounts due to subsidiary | **–** | – | **8** | 214 |
| Advances from customers | **–** | 3,960 | **–** | – |
| Accrued operating expenses | **2,271** | 20,975 | **2,018** | 1,310 |
| Accrued interest expenses | **148** | – | **–** | – |
| Accrued costs for construction of properties under development | **–** | 46,101 | **–** | – |
| Liability for promissory note to pay for investment in a subsidiary | **10,332** | 9,782 | **10,332** | 9,782 |
| Short term loans from a company which a director has an interest in | **6,240** | – | **–** | – |
| Other tax payable | **–** | 3,801 | **–** | – |
| Deposits from suppliers | **–** | 5,594 | **–** | – |
| Payable to staff | **–** | 2,108 | **–** | 3 |
| Deposits from customers for properties under development | **–** | 11,283 | **–** | – |
| Other payables to non-related parties | **–** | 15,015 | **–** | – |
| Total | **18,991** | 191,333 | **12,358** | 11,309 |
| Less: Amount for settlement for more than 12 months (non-current) | **–** | (9,782) | **–** | (9,782) |
| Trade and other payables (current) | **18,991** | 181,551 | **12,358** | 1,527 |

As at 31 December 2015,

(a) notes payable of RMB7,091,000 were secured by certain fixed deposit (Note 13).

(b) all notes payable were non-interest bearing.

The average credit period on purchases of goods was 3 months. No interest charged on the outstanding trade payables.

As at 31 December 2016, the Group has loans from Quintestellar Re Capital Inc, a company which a director has an interest in, amounting to RMB6,240,000 at interest rate of 5% per annum (2015: nil). The loans are repayable within a year and non-secured. The interest expense has been recognised as finance costs in Note 9.

## 26. Provision for land appreciation tax

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Provision for land appreciation tax | **–** | 34,055 |

During the financial year, the Company disposed of its entire interest in East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group"). As at 31 December 2016, there are no provision for land appreciation tax balances.

For the financial year ended 31 December 2015, all income earned from the sale of state-owned land, buildings and associated structures were subjected to land appreciation tax. Progressive tax rates ranging from 30% to 60% are applicable to the appreciation on land value, calculated as sales value of the completed properties less deductible costs.

## 27. Deferred income tax liabilities

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

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| **Deferred income tax assets** | | |
| - To be recovered after one year | **–** | (9,069) |
| **Deferred income tax liabilities** | | |
| - To be recovered after one year | **–** | 66,717 |

Movement in deferred income tax account is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Beginning of financial year | **57,648** | 57,297 |
| Disposal of subsidiaries (Note 13) | **(57,648)** | – |
| Tax charge to | | |
| - profit or loss (Note 10) | **–** | 351 |
| End of financial year | **–** | 57,648 |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

## 27. Deferred income tax liabilities (continued)

Deferred tax liabilities pertained to temporary differences associated with the undistributed earnings of subsidiaries incorporated in PRC which would be subject to PRC withholding tax if remitted out of PRC and fair value gains on property, plant and equipment prior to reclassifying to investment properties during 2014.

Deferred tax assets pertained to benefits on recognition of land appreciation tax as a tax deductible expense, deductible in future years' taxable income.

## 28. Share capital and treasury shares

| | No. of ordinary shares | | Amount | |
|---|---|---|---|---|
| | Issued share capital | Treasury shares | Share capital RMB'000 | Treasury shares RMB'000 |
| Group and Company | | | | |
| **2016** | | | | |
| Beginning of financial year at US$0.10 each | 95,780,849 | (3,150,000) | 79,369 | (12,883) |
| Capital reduction (Note 31) | – | – | (78,575) | 12,754 |
| End of financial year at US$0.10 each | 95,780,849 | (3,150,000) | 794 | (129) |
| **2015** | | | | |
| Beginning of financial year at US$0.02 each | 478,904,250 | (15,750,000) | 79,369 | (12,883) |
| Effect of share consolidation | (383,123,401) | 12,600,000 | – | – |
| End of financial year at US$0.10 each | 95,780,849 | (3,150,000) | 79,369 | (12,883) |

All issued ordinary shares are fully paid.

The Company has one class of ordinary shares which carry no right to fixed income.

On 24 June 2015, the Company's every five existing shares of US$0.02 each was consolidated into one consolidated share of US$0.10 each. The issued share capital of the Company immediately following the share consolidation comprised 95,780,849 consolidated shares, including 92,630,849 ordinary shares and 3,150,000 treasury shares.

## 29. Share premium

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Movements: | | | | |
| ***Share premium*** | | | | |
| Beginning of financial year | **118,574** | 118,574 | **118,574** | 118,574 |
| Capital reduction (Note 31) | **(118,574)** | – | **(118,574)** | – |
| End of financial year | **–** | 118,574 | **–** | 118,574 |

The share premium reserve relates to the issue of shares at a premium to par value of US$0.02 per share pursuant to the initial public offer during the financial year ended 31 December 2014.

## 30. Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| (a) Composition: | | | | |
| Other reserves | **–** | 71,020 | **–** | – |
| Capital reserve | **–** | (10,925) | **–** | – |
| Share-based payment reserve | **1,527** | 1,527 | **1,527** | 1,527 |
| Asset revaluation reserve | **–** | 20,692 | **–** | – |
| Currency translation reserve | **(2)** | – | **–** | – |
| | **1,525** | 82,314 | **1,527** | 1,527 |
| (b) Movements: | | | | |
| ***(i) Other reserves*** | | | | |
| Beginning of financial year | **71,020** | 71,020 | **–** | – |
| Disposal of subsidiaries | **(71,020)** | – | **–** | – |
| End of financial year | **–** | 71,020 | **–** | – |
| ***(ii) Capital reserve*** | | | | |
| Beginning of financial year | **(10,925)** | (10,925) | **–** | – |
| Disposal of subsidiaries | **10,925** | – | **–** | – |
| End of financial year | **–** | (10,925) | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

## 30. Other reserves (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| (b) Movements: (continued) | | | | |
| ***(iii) Share-based payment reserve*** | | | | |
| Beginning/end of financial year | **1,527** | 1,527 | **1,527** | 1,527 |
| ***(iv) Asset revaluation reserve*** | | | | |
| Beginning of financial year | **20,692** | 20,692 | **–** | – |
| Disposal of subsidiaries | **(20,692)** | – | **–** | – |
| End of financial year | **–** | 20,692 | **–** | – |
| ***(v) Currency translation reserve*** | | | | |
| Beginning of financial year | **–** | – | **–** | – |
| Net currency translation differences of financial statements of foreign subsidiaries, | **(2)** | – | **–** | – |
| Less: Non-controlling interests | **–** | – | **–** | – |
| End of financial year | **(2)** | – | **–** | – |

**(i) Other reserves**

Other reserves pertain to certain subsidiaries of the Group being required by the laws and regulations in the PRC to make appropriation from profit after income tax as reported in the PRC statutory financial statements to statutory surplus reserve at rates determined by the board of directors. The statutory surplus reserve fund may be used to make up losses incurred and, with approval from relevant government authority, to increase capital for expansion of production.

**(ii) Capital reserve**

The capital reserve represents the excess of consideration over the carrying amount of the non-controlling interest eliminated upon assuming the acquisition of the remaining 10% of equity interest in Hangzhou Adison Industry Co., Ltd from the non-controlling shareholder during the financial year ended 31 December 2008.

## 30. Other reserves (continued)

### (iii) Share-based payment reserve

The share-based payments reserve relates to the recognition of 9,700,000 ordinary shares of US$0.02 each contributed by a substantial shareholder to certain directors and employees of the Group in 2009. The fair value of the shares was RMB1,527,000 and was recognised as an expense and as a share-based payment reserve in 2009.

### (iv) Asset revaluation reserve

The asset revaluation reserve arose from upward revaluation of properties, based on the fair valuation of investment properties (Note 19) provided by an independent valuer, DTZ Debenham Tie Leung International Property Advisor. Fair values were determined by making reference to both the comparable sales transactions as available in the relevant market of these properties and the capitalisation of income net of expenses at an appropriate discount rate. The asset revaluation reserve is not available for dividend distribution.

## 31. Capital Reduction

On 25 July 2016, with the completion of the disposal of the 100% interest in East Jade International Limited and Aim Tech Network Investment Limited (Note 21) for consideration amount of RMB418,098,000, the following capital reduction took effect:

(a) reduction of the issued share capital of the Company (the "Capital Reduction"):

- in respect of the issued share capital - cancelling the paid-up capital of the Company to the extent of US$0.099 on each of the issued shares of US$0.100 par value in the capital of the Company (excluding treasury shares) so that each issued share of the Company shall have a par value of US$0.001; and the issued and paid up capital of the Company is reduced from US$9,263,000 (RMB79,369,000) to US$92,631 (RMB794,000) by 99%, reflecting a difference of approximately US$9,170,000 (RMB78,575,000); and

- in respect of the treasury shares - cancelling the issued capital of the Company to the extent of US$0.099 on each of the 3,150,000 treasury shares of US$0.100 par value so that the par value of each treasury share shall be reduced to US$0.001 per treasury share, reflecting a difference of USD312,000 (RMB12,754,000).

(b) in respect of unissued shares of the Company, the sub-division of each unissued share of US$0.100 in the Company's authorised but unissued share capital (which shall include those unissued shares resulting from the capital reduction) into 100 unissued shares of US$0.001 each (the "Sub-division");

(c) The aggregate of the reduction of ordinary shares of US$9,170,000 (RMB78,575,000), treasury shares of US$312,000 (RMB12,754,000), and the Share Premium Cancellation of US$16,553,000 (RMB118,574,000) is the aggregate credit amount of US$25,411,000 (RMB184,395,000) which was utilised for distributions to be made by the Company to its shareholders pursuant to the special dividend (Note 32);

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 31. Capital Reduction (continued)

(d) the reduction of the Company's share premium account by cancellation of the entire sum standing to the credit of the Company's share premium account (the "Share Premium Cancellation") amounting to US$16,553,000 (RMB118,574,000).

## 32. Dividend

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Special dividend paid in respect of the current financial year of S$0.9044 per share | **415,692** | – |
| Final and special dividend paid in respect of the previous financial year of S$0.0013 per share | – | 5,594 |

The final dividend of S$0.0013 per share and special dividend of S$0.0013 per share (amounting to approximately RMB5,594,000) for the financial year ended 31 December 2014 were paid to shareholders during the financial year ended 31 December 2015.

The special dividend was paid to the shareholders at RMB4.487 per ordinary shares of approximately RMB415,692,000 (approximately SGD83,780,000 with S$0.9044 per share) on 25 July 2016. It represented 99% of the net proceeds from the disposal of subsidiaries (Note 21).

## 33. Contingent liabilities

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Potential additional tax relating to transfer pricing | – | 8,097 |

At the end of the prior financial year, there was an exposure to potential additional tax payable if the transfer pricing policy for transactions between entities within the Group was not agreed to by the tax authority. The directors were of the opinion that such tax exposure, if any, and the related liabilities were uncertain. In accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets, such potential obligations were estimated and disclosed as contingent liabilities.

As at 31 December 2016, there are no further contingent liabilities following the disposal of East Jade International Limited and Aim Tech Network Investment Limited ("Disposal Group").

## 34. Commitments

(a) Capital commitments

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Contracted for future capital expenditure but not provided for in the financial statements: | | |
| - contracted cost in relation to properties under development | **–** | 34,000 |
| - contracted cost in relation to construction-in-progress | **–** | 1,155 |
| | **–** | 35,155 |

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

Operating lease payments represent rentals payable by the Group for certain office premises. The leases are negotiated for an average term of two years.

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

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Not later than one year | **508** | 211 |
| Between one and five years | **348** | 17 |
| | **856** | 228 |

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

At the end of the prior reporting period, the Group has no commitments in respect of operating non-cancellable operating leases for its investment properties.

As at 31 December 2015, operating leases related to the investment properties owned by the Group with lease terms of between 2 to 7 years. The lessee did not have an option to purchase the property at the expiry of the lease period.

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Not later than one year | **–** | 7,275 |
| Between one and five years | **–** | 18,162 |
| | **–** | 25,437 |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 35. Financial risk management

*Financial risk factors*

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

(a) Market risk

Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States Dollar ("USD"), Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD"), and therefore is exposed to foreign exchange risk.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Group level

| | SGD | | HKD | | USD | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Assets | **3,062** | 4,144 | **174** | – | **62** | 141,534 |
| Liabilities | **(18,991)** | (14,351) | **–** | – | **–** | (99,852) |
| Net exposure | **(15,929)** | (10,207) | **174** | – | **62** | 41,682 |

Company level

| | SGD | | HKD | | USD | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Assets | **65** | 92 | **252** | – | **62** | 104,552 |
| Liabilities | **(12,349)** | (11,308) | **(9)** | – | **–** | – |
| Net exposure | **(12,284)** | (11,216) | **243** | – | **62** | 104,552 |

## 35. Financial risk management (continued)

(a) Market risk (continued)

Foreign exchange risk management (continued)

*Foreign currency sensitivity*

The following table details the sensitivity to a 6% (2015: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 6% (2015: 10%) is the sensitivity rate used which represents directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 6% (2015: 10%) change in foreign currency rates.

If the relevant foreign currency strengthens by 6% (2015: 10%) against the functional currency of each group entity, results will increase/(decrease) by:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| SGD | **(793)** | (847) | **(612)** | (931) |
| HKD | **9** | – | **12** | – |
| USD | **3** | 3,460 | **3** | 8,678 |

For a weakening of the relevant foreign currency against the functional currency of each group entity, there would be an equal and opposite impact on profit.

## 35. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group has made allowance for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

For the financial year ended 31 December 2015, the average trade credit period on sale of goods and revenue from construction contracts was 360 days. No interest was charged on the overdue trade receivables. The Group made full allowance for all receivables over 3 years because historically receivables that are past due beyond 3 years were deemed not recoverable. Allowance for trade receivables between 7 months to 3 years was made based on estimated irrecoverable amounts determined by reference to past default experience and current assessment of results of collection efforts and collection prospects.

Included in the Group's trade receivable balance for the financial year ended 31 December 2015 were debtors with aggregate carry amount of RMB3,604,000 which were past due at the end of the reporting period for which the Group did not make any allowance as there was not a significant change in credit quality and the amounts were deemed recoverable. The Group did not hold any collateral over these balances. These past due receivables exceeded credit terms by 4 to 7 months.

The Group has no significant exposure to credit risk as at 31 December 2016.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligation associated with its financial liabilities or due to shortage of funds. To ensure the continuity of funding, the Group primarily uses short-term bank facilities that are transaction-linked and self-liquidating in nature.

The financial assets and financial liabilities of the Group and Company have maturity dates of less than 1 year and are non-interest bearing, except for cash and bank balances and long-term borrowings.

## 35. Financial risk management (continued)

(c) Liquidity risk (continued)

***Liquidity and interest risk analyses***

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated future interest attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | More than 1 year to 5 years | Adjustments | Total |
|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Group | | | | | |
| **2016** | | | | | |
| Non-interest bearing | – | 12,751 | – | – | 12,751 |
| Fixed interest rate instruments | 5.00 | 6,552 | – | – | 6,552 |
| Total | | 19,303 | – | – | 19,303 |
| **2015** | | | | | |
| Non-interest bearing | – | 162,507 | 9,782 | – | 172,289 |
| Variable interest rate instruments | 5.18 | 35,328 | 206,228 | (48,374) | 193,182 |
| Fixed interest rate instruments | 6.17 | 301,973 | – | (9,473) | 292,500 |
| Total | | 499,808 | 216,010 | (57,847) | 657,971 |
| Company | | | | | |
| **2016** | | | | | |
| Non-interest bearing | | 12,358 | – | – | 12,358 |
| **2015** | | | | | |
| Non-interest bearing | | 1,527 | 9,782 | – | 11,309 |

## 35. Financial risk management (continued)

(d) Capital risk

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. In order to maintain or achieve an optimal capital structure, the Group may adjust debt and equity ratio of the Group, through methods such as but not limited to payment of dividends, issue new shares, share buy backs, obtain new borrowings, payback existing borrowing or asset disposals.

The current capital structure of the Group consists of debt, which includes the borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits. The Group's overall strategy remains unchanged from 2015.

(e) Fair value measurements

The fair values of the put option held by the Group are derived on the basis set out in Note 20.

During the financial year ended 31 December 2016, no derivative financial instrument is transferred from level 1 and level 2.

Directors have determined that the carrying amounts of cash and bank balances, fixed deposits with banks, trade and other receivables, amounts due from (to) subsidiaries, trade and other payables and interest bearing borrowings approximate their fair values because these are mostly short-term in nature.

As at 31 December 2015, the directors estimate that the carrying amounts of the long-term bank loans approximate their fair values as the director estimated that similar loans that may be made available to the Group at the end of the reporting period would be priced at interest rates which approximates those its existing loans.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 13, Note 14, Note 20, Note 24 and Note 25 to the financial statements, except for the following:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and bank balances) | **2,304** | 410,576 | **305** | 127,832 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | **18,991** | 657,971 | **12,358** | 11,309 |

## 36. Related party transactions

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

### (a) *Sales and purchases of goods and services*

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Recharge of electrical expenses to companies in which a director has interest in | **–** | 2,849 |
| Advances to a company in which a director has equity interest subsequently repaid | **–** | 14,270 |
| Advances from a company in which a director has equity interest subsequently repaid | **–** | 61,284 |
| Guarantees of bank loans by a director | **–** | 328,000 |
| Guarantees of bank credit facilities by a company in which a director has interest in | **–** | 306,000 |
| Sales of property units to related parties | **–** | 1,102 |

Guarantee of bank credit facilities by a company in which a director has interest in related to a maximum guarantee of RMB85.5 million and RMB220.5 million on the short-term bank loans and long-term bank loans respectively of the Group.

Sale of property units to related parties pertains to Property Reservation Transfer Agreements signed with the daughters of the Company's directors for the sale of property units of properties under development (Note 17) at 10% discount (similar to the discount available to staff).

### (b) *Key management personnel compensation*

Key management personnel compensation is as follows:

| | Group | |
|---|---|---|
| | **2016** | 2015 |
| | **RMB'000** | RMB'000 |
| Wages and short-term benefits | **306** | 4,263 |
| Post-employment benefits | **–** | 147 |
| | **306** | 4,410 |

## 37. Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products and services within particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.28. Segment profit represents the profit earned by each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Business segments

Following the disposal of East Jade International Limited and Aim Tech Network Investment Limited ('Disposal Group'), the Group has restructured its business. Currently it primarily engages in two business segment namely, information-communication services and others.

The previous business segments pursuant to the Disposal Group, included telecommunications pipes, telecommunications engineering services, telecommunications and other towers, computer integrated system, property development and others.

Principal activities are as follows:

| | | |
|---|---|---|
| Information-communication services | - | solution provider of Fibre Ready Scheme (FRS) installation services |
| Others | - | investment holding |

Segment revenue and expenses

Segment revenue and expenses are the operating revenue and expenses reported in the Group's consolidated statement of comprehensive income that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

## 37. Segment information (continued)

Segment assets and liabilities (continued)

Segment information about the Group's operations are presented below.

Business segments

| | Information-communication services 2016 RMB'000 | Others 2016 RMB'000 | Total for continuing operations 2016 RMB'000 |
|---|---|---|---|
| Revenue from external customers | 52 | – | 52 |
| **Results:** | | | |
| Segment results - loss | (3,030) | (3,834) | (6,864) |
| Loss on disposal of subsidiaries | | | (102,575) |
| Fair value change of financial derivative instrument | | | (10,887) |
| Loss before income tax | | | (120,326) |
| Income tax expense | | | – |
| Loss for the year | | | (120,326) |
| **Assets:** | | | |
| Segment assets | 3,062 | 301 | 3,363 |
| Consolidated total assets | | | 3,363 |
| **Liabilities:** | | | |
| Segment liabilities | 6,640 | 12,351 | 18,991 |
| Consolidated total liabilities | | | 18,991 |

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

## 37. Segment information (continued)

Segment assets and liabilities (continued)

| | Tele-communications pipes 2015 RMB'000 | Tele-communications engineering services 2015 RMB'000 | Tele-communications and other towers 2015 RMB'000 | Property 2015 RMB'000 | Others 2015 RMB'000 | Total 2015 RMB'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 41,003 | 188,835 | 298,383 | 8,383 | – | 536,604 |
| **Results:** | | | | | | |
| Segment results | (4,431) | 1,422 | 30,891 | 410 | – | 28,292 |
| Unallocated corporate expenses | | | | | | (2,752) |
| Gain on fair valuation of investment properties | – | – | – | 714 | – | 714 |
| Finance costs | | | | | | (13,207) |
| Profit before income tax | | | | | | 13,047 |
| Income tax expense | | | | | | (4,867) |
| Profit for the year | | | | | | 8,180 |
| **Assets:** | | | | | | |
| Segment assets representing consolidated total assets | 107,568 | 137,831 | 547,016 | 486,084 | 24,508 | 1,303,007 |
| **Liabilities:** | | | | | | |
| Segment liabilities representing consolidated total liabilities | 62,789 | 38,707 | 250,353 | 260,140 | 157,668 | 769,657 |

## 37. Segment information (continued)

(a) Reconciliations

*(i) Segment profits*

A reconciliation of (loss)/profit before tax and discontinued operations is as follows:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| (Loss)/profit for reportable segments | **(120,326)** | (10,097) |
| Discontinued operations | **(12,689)** | 18,277 |
| **(Loss)/profit before tax and discontinued operations** | **(133,015)** | 8,180 |

*(ii) Segment assets*

The amounts reported to the Group's chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits, derivative financial instruments and financial assets at fair value through profit or loss.

Segment assets are reconciled to total assets as follows:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Segment assets for reportable segments | **3,363** | 1,303,007 |

*(iii) Segment liabilities*

The amounts provided to the Group's chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, borrowings and derivative financial instruments.

Segment liabilities are reconciled to total liabilities as follows:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Segment liabilities for reportable segments | **18,991** | 769,657 |

## 37. Segment information (continued)

(b) Geographical information

All assets, operations and customers of the Group's continuing operations are substantially located in Singapore.

(c) Revenue from major products and services

There is no single customer which contributes 10% or more of the revenue in 2016 and 2015.

## 38. Events occurring after balance sheet date

(a) On 31 March 2017, there was a change in the substantial shareholder of the Company arising from the sale of 23,892,516 shares by a director to Vok Investment Holdings Pte. Ltd..

(b) The Group has secured funds for the Company and its subsidiary (refer to Note 2.1) to support its working capital requirements subsequent to balance sheet date.

## 39. New or revised accounting standards and interpretations

The Group has not early adapted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 January 2017. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Group in the period of their initial adoption, except the following:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

  IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB856,000 (Note 34(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

## 40. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of 8Telecom International Holdings Co. Ltd. on 8 August 2017.

# STATISTICS OF SHAREHOLDINGS

As at 2 August 2017

| | | |
|---|---|---|
| Authorised share capital | : | US$100,000,000 |
| Issued and fully paid up capital | : | US$9,578,084.90 |
| Class of shares | : | Ordinary shares of US$ 0.001 each |
| Voting rights | : | One vote per ordinary share |
| No. of issued shares | : | 95,780,849 |
| No. of issued shares excluding treasury shares | : | 93,737,249 |
| No. of treasury shares | : | 2,043,600 |
| Percentage of treasury shares | : | 2.18% |

## DISTRIBUTION OF SHAREHOLDERS AS AT 2 AUGUST 2017

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.55 | 220 | 0.00 |
| 100 - 1,000 | 327 | 35.82 | 152,012 | 0.16 |
| 1,001 - 10,000 | 364 | 39.87 | 1,813,480 | 1.93 |
| 10,001 - 1,000,000 | 206 | 22.56 | 14,553,622 | 15.53 |
| 1,000,001 and above | 11 | 1.20 | 77,217,915 | 82.38 |
| | 913 | 100.00 | 93,737,249 | 100.00 |

*** Shareholdings exclusive of 2,043,600 treasury shares**

## TWENTY LARGEST SHAREHOLDERS AS AT 2 AUGUST 2017

| | SHAREHOLDER'S NAME | NO OF SHARES | % |
|---|---|---|---|
| 1 | KGI SECURITIES (SINGAPORE) PTE LTD | 26,221,439 | 27.97 |
| 2 | VOK INVESTMENT HOLDINGS PTE LTD | 23,892,516 | 25.49 |
| 3 | LIM TONG SOON | 4,285,800 | 4.57 |
| 4 | OCBC SECURITIES PRIVATE LTD | 3,973,400 | 4.24 |
| 5 | YE TIANYUN | 3,895,800 | 4.16 |
| 6 | TAN POH GUAN (CHEN BAOYUAN) | 3,705,234 | 3.95 |
| 7 | MAYBANK KIM ENG SECURITIES PTE LTD | 3,682,300 | 3.93 |
| 8 | CHNG GEK CHUNG EDDIE | 2,778,926 | 2.96 |
| 9 | LAU HUAN YEONG | 1,785,750 | 1.91 |
| 10 | RIAZ QAYYUM | 1,785,750 | 1.91 |
| 11 | CHAN KWOK WENG | 1,211,000 | 1.29 |
| 12 | TAN KIA HONG | 880,400 | 0.94 |
| 13 | TAN KOON | 864,200 | 0.92 |
| 14 | KWA CHING TZE | 800,000 | 0.85 |
| 15 | TEO SIEW LIN | 571,428 | 0.61 |
| 16 | RHB SECURITIES SINGAPORE PTE LTD | 529,800 | 0.57 |
| 17 | PHEE CHENG KOON | 496,000 | 0.53 |
| 18 | SHI RU XIN | 446,500 | 0.48 |
| 19 | KOK WEI JIAN ALEX (GUO WEIJIAN ALEX) | 359,200 | 0.38 |
| 20 | TONG KIEN TUCK | 340,300 | 0.36 |
| | | 82,505,743 | 88.02 |

*** Shareholdings exclusive of 2,043,600 treasury shares**

# STATISTICS OF SHAREHOLDINGS
As at 2 August 2017

## List of Substantial Shareholders as at 2 August 2017

| Name of Substantial Shareholders | Direct Interest | % [1] | Deemed Interest | % [1] |
|---|---|---|---|---|
| Vok Investment Holdings Pte. Ltd | 23,892,516 | 25.79 | – | – |
| Ye Tianyun | 3,895,800 | 4.21 | 19,200,720 [2] | 20.73 |
| Manfaith Investments Ltd. | – | – | 19,200,720 [3] | 20.73 |
| Signa Air Limited | 17,552,115 | 19.00 | – | – |
| Chung Fui Leng Shirley @ Mrs. Tan Fui Leng Shirley [4] | 167,807 | 0.18 | 17,552,115 [4] | 19.00 |

Notes:

1. Based on issued Shares of 92,630,849 shares excluding 3,150,000 Treasury Shares.
2. Deemed to have an interest in the 19,200,720 shares held by Manfaith Investments Ltd. Ye Tianyun has an 100% equity interest in Manfaith Investments Ltd.
3. Deemed interest in 19,200,720 shares held by its nominee, KGI Fraser Securities Pte. Ltd.
4. Chung Fui Leng Shirley @ Tan Fui Leng Shirley has an 100% equity interest in Signa Air Limited.

As at 2 August 2017, approximately 30.14% of the Company's total number of issued shares excluding treasury shares are held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of 8Telecom International Holdings Co. Ltd. will be held at Raffles Country Club 450 Jalan Ahmad Ibrahim Singapore 639932 on 29 August 2017 at 9a.m. to transact the following business:-

**AS ORDINARY BUSINESS**

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

2. To re-elect Mr Wilson Lim Tiong How who is retiring by rotation pursuant to Bye-Law 104 of the Company's Bye-Laws. **(Resolution 2)**

   ***Mr Wilson Lim Tiong How will, upon re-election as a director of the Company, remain as a non-independent non-executive director of the Company.***

3. To re-elect Ms Zhang Wen who is retiring pursuant to Bye-Law 107 of the Company's Bye-Laws. **(Resolution 3)**

   ***Ms Zhang Wen will, upon re-election as a director of the Company, remain as an executive director of the Company.***

4. To re-elect Mr Liu Yi who is retiring pursuant to Bye-Law 107 of the Company's Bye-Laws. **(Resolution 4)**

   ***Mr Liu Yi will, upon re-election as a director of the Company, remain as the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees, and will be considered independent.***

5. To re-elect Ms Zhang Yuanyuan who is retiring pursuant to Bye-Law 107 of the Company's Bye-Laws. **(Resolution 5)**

   ***Ms Zhang Yuanyuan will, upon re-election as a director of the Company, remain as the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees, and will be considered independent.***

6. To re-elect Ms Wang Zhejun who is retiring pursuant to Bye-Law 107 of the Company's Bye-Laws. **(Resolution 6)**

   ***Ms Wang Zhejun will, upon re-election as a director of the Company, remain as a non-independent non-executive director of the Company, the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.***

7. To approve the payment of Directors' fees of S$100,000 for the financial year ended 31 December 2016 (2015: S$110,240). **(Resolution 7)**

8. To re-appoint Messrs PricewaterhouseCoopers 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 properly be transacted at Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

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

10. **Authority to issue shares** **(Resolution 9)**

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

(a) (i) issue shares in the Company (**shares**) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(2) notwithstanding paragraph (1) above, the aggregate number of shares to be issued pursuant to a pro-rata renounceable rights issue shall not exceed one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(3) (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-paragraphs (1) and (2) above, the total number of issued shares (excluding treasury shares) shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company as at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

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

# NOTICE OF ANNUAL GENERAL MEETING

(4) 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 Bye-Laws of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

*[See Explanatory Note]*

BY ORDER OF THE BOARD

Wilson Lim Tiong How
Non-Independent Non-Executive Director
14 August 2017

**Explanatory Notes:**

(i) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding fifty per cent (50%) of the issued share capital of the Company (excluding treasury shares), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing shareholders of the Company, save that issues of shares pursuant to a pro-rata renounceable rights issue shall not exceed one hundred per cent (100%) of the issued share capital of the Company (excluding treasury shares) provided that the pro-rata renounceable rights shares must be listed and issued no later than 31 December 2018.

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

**Notes:**

1. With the exception of CDP (which may appoint more than two proxies), a member of the Company who is entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two proxies to attend and vote in his stead. A member who wishes to appoint a proxy to attend and vote on his behalf thereat, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon. A proxy need not be a member of the Company.

2. A Depositor whose name appears in the Depository Register 48 hours as maintained by CDP but is unable to attend the Meeting personally and wishes to appoint a nominee to attend and vote on his behalf thereat as CDP’s proxy, should complete, sign and return the attached Depositor Proxy Form in accordance with the instructions printed thereon. A Depositor that has appointed a nominee to attend and vote at the Meeting on his behalf as CDP’s proxy may attend and vote in person as CDP’s proxy at the Meeting if he so wishes.

3. All proxy forms must be lodged at the office of the Company’s Share Transfer Agent, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time appointed for holding the Meeting in order for the proxy (or the nominee, as the case may be) to be entitled to attend and vote at the Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

**PERSONAL DATA PRIVACY**

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

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ANNUAL REPORT 2016

8TELECOM INTERNATIONAL HOLDINGS CO. LTD.

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