



EXTENDING SECURITY SOLUTIONS

ANNUAL REPORT 2016



MultiChem

The Hole Solution Provider

THE MULTI-CHEM GROUP'S BUSINESS



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

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

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DEFINITIONS

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

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

SUBSIDIARIES

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

OTHER TERMS

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

CORPORATE PROFILE



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

We are currently one of the leading PCB drilling providers, in terms of

management and video conferencing products from industry leading vendors.

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

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

both capacity and technology, in the Huadong area in China (Eastern China, in particular, Shanghai, Suzhou and Kunshan regions).

In May 2002, we diversified into the business of IT distribution where we focus on best-of-breed internet security, WAN optimisation, network

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

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

CORPORATE DATA

Board of Directors

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

Company Secretary

Chan Lai Yin

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Registered Office

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

Share Registrar

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

Share Listing

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

Independent Auditor

BDO LLP
 Public Accountants and
 Chartered Accountants
 600 North Bridge Road
 #23-01 Parkview Square
 Singapore 188778
 Partner-in-charge: Goh Chern Ni
 Appointment since the financial year
 ended 31 December 2013

Internal Auditor

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

Principal Bankers

Citibank N.A.
 DBS Bank Ltd
 HSBC Limited
 United Overseas Bank Limited
 Australia and New Zealand Banking Group
 Limited (ANZ)
 Standard Chartered Bank
 Sumitomo Mitsui Banking Corporation,
 Singapore Branch

IR Contact

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

General

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

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

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

BOARD OF DIRECTORS



Lim Keng Jin

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

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



Foo Suan Sai

Chief Executive Officer and Member of NC

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 20 years of experience in the PCB industry, of which the last 28 years were spent building up the Company. Mr Foo is currently responsible for the overall direction and development of the Group. He holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.



Han Juat Hoon

Chief Operating Officer

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



Wong Meng Yeng

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

Mr Wong was appointed as a Director in January 2000. He has been an advocate and solicitor in Singapore for 33 years, with the past 27 years spent as a corporate lawyer. He holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is currently a director in Alliance LLC, a law corporation he co-founded.

BOARD OF DIRECTORS

Neo Mok Choon

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

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



Foo Maw Shen

Independent Director, Member of AC, NC and RC

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



Foo Fang Yong

Executive Director, General Manager

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



MANAGEMENT TEAM

**Koh Henry***Senior Manager, Operations*

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

**Pui Boon Tiong Eugene***Regional Director*

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

**Lim Kok Soon Rayson***Chief Financial Officer*

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

MANAGEMENT TEAM

Yang Wen Kuai*Senior Manager, Business - China Operations*

Mr Yang has been with the Company since August 2001. He worked with Multi-Chem for 2 months before being posted to Multi-Chem Suzhou as sales manager and he is based there for the last 15 years. He currently oversees the marketing and business development of the Group's operations in China. Before joining the Company, Mr Yang has 8 years of sales experience in the automotive industry in Taiwan.

**Goh Tian Keong Winston***Regional Director of Greater China and Korea*

Mr Goh has been responsible for the IT business development of M.Tech business in Greater China for the past 12 years. He was promoted to Regional Director of Greater China and Korea and is responsible for the IT business development in Greater China, Taiwan and Korea. Prior to joining Multi-Chem Limited in Year 2004, he worked in various IT companies for 6 years. He started as Senior Network Specialist and progressed to Senior Business Development Manager.



LETTER TO SHAREHOLDERS



Revenue
\$361M
in 2016

4% growth
from 2015

As at 31 December
2016, the Group has
21 laser machines
and 132 CNC drilling
machines

Foo Suan Sai
Chief Executive Officer



LETTER TO SHAREHOLDERS

The Group's revenue achieved new heights in year 2016 as we brought in \$361M in revenue as compared to \$347M in year 2015. This boost in the Group's performance was mainly due to the continued expansion of the Group's IT arm, the increase in spending by corporations and governments on internet security products in the year 2016. However, events in the course of the year, such as the UK referendum and USA President election affected the momentum of the economy's growth. As a result, both IT distribution business and PCB business grew by only 4% and overall, the Group's revenue grew by 4%.

The Group

The Group currently has manufacturing facilities in the city of Kunshan in Eastern China, a region known to be one of the fastest growing in terms of PCB production volume. We are one of the leading players in PCB drilling in terms of technology and capacity. As of 31 December 2016, the Group has 129 CNC drilling machines and 15 laser drilling machines in China.

In Singapore, the Group currently operates at its premises at 16H Enterprise Road and several units at Tradehub 21. As at 31 December

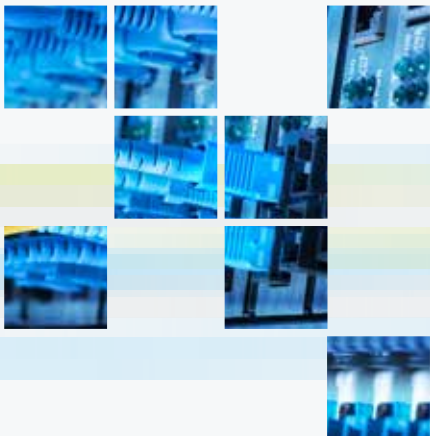
2016, there are 3 CNC drilling machines and 6 laser drilling machines in Singapore. The Group's PCB manufacturing service business is therefore mainly derived from its China operations.

As at 31 December 2016, the Group has 21 laser machines and 132 CNC drilling machines. 35 of the CNC drilling machines are capable of drilling at speeds of up to 200,000 rpm, which can achieve higher accuracy for micro vias, particularly for hole-sizes of 0.2mm and below.

On 21 March 2017, the Group sold off 103 CNC drilling machines in China, therefore contribution from its manufacturing division is expected to reduce in the year 2017.

The Group's main business in 2016 was still its IT business, which accounted for 93% of the Group's revenue. This business commenced in 2002 and is marketed under the M.Tech brand. We expect the IT business to remain as the Group's main business in the near future as corporations and governments increasingly recognize the need to strengthen their internet security infrastructure. An article published on the Cybersecurity Ventures website on 17 February 2017 stated that spending on Cybersecurity will exceed US\$1 trillion cumulatively over the next 5 years, from 2017 to 2021. We believe that this is likely to benefit the Group, given our wide geographical coverage and strategy of promoting cutting edge IT products.

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



LETTER TO SHAREHOLDERS



Net working capital
improved from

\$72M

in 2015 to

\$81M

in 2016

The Group recorded
a profit before tax
of \$14.6M in 2016
compared to \$8.8M
in 2015, an increase
of 66%.

Lim Keng Jin
Group Chairman



LETTER TO SHAREHOLDERS

Financial Performance

The Group recorded revenue of \$361M in 2016, which is 4% more than \$347M achieved in 2015. Comparing the fourth quarter of 2016 to fourth quarter of 2015, revenue increased slightly by 0.4%, from \$96.0M to \$96.4M.

The increase in Group's revenue for the year was mainly due to the positive contributions from both IT business and PCB business. In the fourth quarter of 2016, the PCB business increased by 16% compared to fourth quarter of 2015, while the IT business decreased slightly by 0.6% over the same period. The increase in PCB business was mainly due to higher productivity achieved as a result of changes in PCB specifications from customers.

Revenue from the PCB business accounted for approximately 7% of Group's revenue in 2016. Contribution from the IT business made up about 93% of Group's revenue in 2016.

Comparing revenue by geographical segments, 35% of the Group's revenue in 2016 was derived from Singapore, an increase from 33% in 2015. Of the remaining 65%, China accounted for 20% and the rest of the regions accounted for the remaining 45%.

The Group recorded a profit before tax of \$14.6M in 2016 compared to \$8.8M in 2015, an increase of 66%. On an after-tax basis, the Group recorded a profit of \$10.8M in 2016 as compared to \$6.0M in 2015. On a weighted average basis, the Group's earnings per share increased from 5.30 cents in 2015 to 10.81 cents in 2016.

Financial Position

The Group has kept its balance sheet healthy and improved its financial position in 2016. As of 31 December 2016, the net working capital of the Group stood at \$81M, compared to \$72M as at 31 December 2015. This includes cash and cash equivalents of \$51M. Shareholders' funds and net asset value per share stood at approximately \$105M and 107 cents respectively as at 31 December 2016.

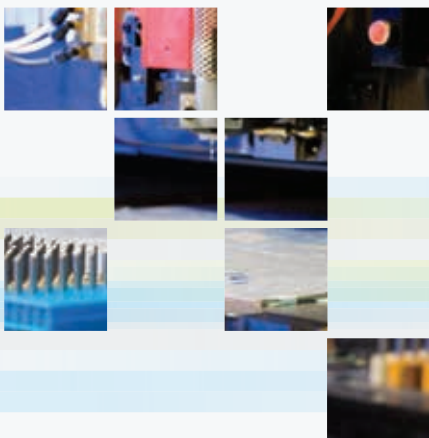
The Directors are pleased to recommend a final dividend of 3.30 cents for 2016.

Business Outlook

The Group will continue to focus on growing the IT business. Economic and political conditions are still key factors in determining the level of IT spending. The IT business contributed \$335M of Group's revenue in 2016 and this business is expected to deliver more in 2017.

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

The Group has a presence in 31 cities in 15 countries in Asia Pacific Region and Europe. The M.Tech regional offices are expected to contribute positively to the Group's business in 2017.



LETTER TO SHAREHOLDERS

The IT business contributed \$335M and this accounted for around 93% of Group's revenue in 2016 and this business is expected to deliver more in 2017.

Appreciation

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

to our shareholders, suppliers, customers and business partners for their invaluable support.

We aspire to the Group achieving greater heights in 2017.

Lim Keng Jin

Group Chairman

Foo Suan Sai

Chief Executive Officer



OPERATIONS REVIEW

Revenue for this
business increased by

4.3%
from **\$25.6M**
in FY2015
to
\$26.7M
in FY2016

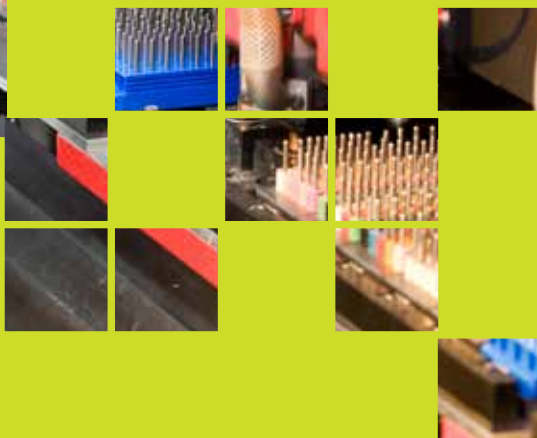
PCB Business

Revenue for PCB Business of the Group increased from \$25.6M in FY2015 to \$26.7M in FY2016. The increase was mainly due to higher productivity achieved as a result of changes in customer requirement.

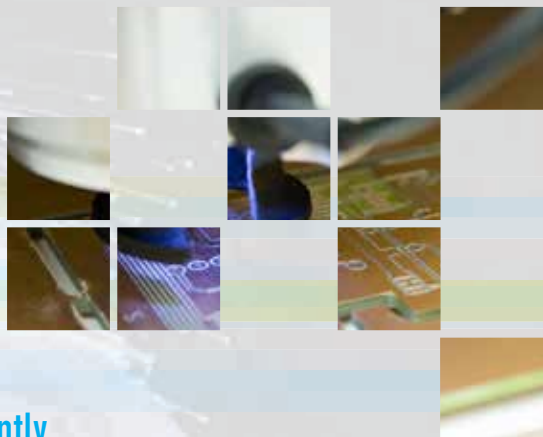
Revenue for mechanical drilling service in China decreased slightly by 1.6% from \$18.8M in FY2015 to \$18.5M in FY2016. The decrease was mainly due to lesser demand from customers.

Laser drilling services increased significantly in FY2016 mainly due to increased demand from customers. Revenue for this business increased by 57.9% from \$3.8M in FY2015 to \$6.0M in FY2016.

As at 31 December 2016, the Group has 21 laser drilling machines and 132 CNC drilling machines, of which 35 are capable of drilling at 200,000 rpm, 81 are capable of drilling at 160,000 rpm and 16 are capable of drilling at 125,000 rpm. The higher drilling speeds allow for higher accuracy for drilling smaller holes.



OPERATIONS REVIEW



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

IT Business

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

In FY2016, the Group added more leading products, including APCON, LookingGlass, Seclore, Synopsys, Tenable and Titus to its product suite during the year. Of the products that it carries, the Group is also the sole distributor for several leading products in selected regions.

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

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



PROSPECTS AND FUTURE PLAN



PCB Business

Comparing 4Q2016 to 4Q2015, the revenue for this quarter increased by 16.1% or \$0.9M from \$5.6M in 4Q2015 to \$6.5M in 4Q2016. On a 12 month basis, revenue increased by \$1.1M from \$25.6M in FY2015 to \$26.7M in FY2016. The increase was mainly due to higher productivity achieved as a result of changes in customer requirements. The Group expects revenue contribution from this sector to be further reduced after it sold off majority of its fixed assets on 21 March 2017.

The Group is currently one of the leading PCB drilling service providers in terms of capacity and technology in Eastern China. As at 31 December 2016, the Group had 132 mechanical drilling machines and 21 laser drilling machines. The Group will continue to be selective to its customers, rationalise operations, manage headcount to cut cost and conserve cash.



PROSPECTS AND FUTURE PLAN

IT Business

The IT business through Singapore and the regional offices reported revenue of \$89.9M in 4Q2016, a slight decrease of 0.6% or \$0.5M from \$90.4M in 4Q2015. On a full year basis, this business grew by 4.2% or \$13.4M, from \$321.4M in FY2015 to \$334.8M in FY2016. The growth was mainly due to continued focus on IT security globally in FY2016.

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

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

As at 31 December 2016, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific Region and in Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. Global economic outlook remains uncertain after the recent



U.K. referendum and US presidential election, and the Group's business could be affected to some extent. With the recent increase in US interest rates, the cost of business is expected to similarly increase. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group as more efforts are put into growing the IT business.

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

PROSPECTS AND FUTURE PLAN

Risk Factors

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

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors.

Additionally, we have to monitor trade receivables closely as collection generally takes longer in China. The Group is tightening the credit assessment on customers for all regions.

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

We are also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Thailand baht, Malaysian ringgit, Indian rupee and to a lesser extent, Euro, Indonesian rupiah, Philippines peso, Hong Kong dollar, Korean won, Japanese yen, Taiwan dollar, Vietnam dong, Australian dollar, New Zealand dollar and British Pound. The Group may, from time to time, enter into borrowing and foreign currency arrangements to reduce its foreign currency exposure. The Group expects to be exposed to a higher foreign exchange risk with the current volatility of the US dollar against some of the local currencies we collect from the customers.

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



SIGNIFICANT EVENTS

1Q2016



- ▶ Mr Wong Yoke Hean resigned as the Regional Director (Business Development) of South East Asia of M.Tech Holdings.
- ▶ Multi-Chem purchased the property located at 18 Boon Lay Way, #04-108 Tradehub 21, Singapore 609966.
- ▶ M.Tech distributes APCON in APAC and South East Asia.
- ▶ M.Tech distributes CyberArk in Singapore.
- ▶ M.Tech distributes Seclore in APAC.
- ▶ E-Secure distributes NetGain in Singapore.

2Q2016



- ▶ Multi-Chem appointed Mr Lim Kok Soon, Rayson as Chief Financial Officer.
- ▶ M.Tech held Security Exchange 2016.
- ▶ M.Tech held M.Showdown Bowling Challenge 2016.



SIGNIFICANT EVENTS

3Q2016

- ▶ M.Tech held M.Pro Golf Challenge 2016.
- ▶ M.Tech distributes LookingGlass in Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- ▶ M.Tech distributes Synopsys in Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam.

4Q2016

- ▶ SGX-ST granted waiver to Multi-Chem from the requirement under Rule 1014 of the SGX-ST Listing Manual to hold a general meeting of its shareholders to approve the Disposal of Fixed Assets.
- ▶ M.Tech held M.Appreciation Night 2016 in Singapore.
- ▶ M.Tech distribute Titus in Hong Kong, Macau, Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- ▶ M.Tech distributes Tenable in Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
- ▶ E-Secure distribute Wedge in Singapore, Malaysia, Indonesia, Vietnam and Philippines.



FINANCIAL CALENDAR

Annual General Meeting
and announcement of
2016 1st quarter results

APRIL

28

Announcement of
2016 half year results

AUGUST

05

Announcement of
2016 3rd quarter results

OCTOBER

28

Announcement of
2016 full year results

FEBRUARY

10

Annual General Meeting
and announcement of
2017 1st quarter results

APRIL

21

Announcement of
2017 half year results

JULY

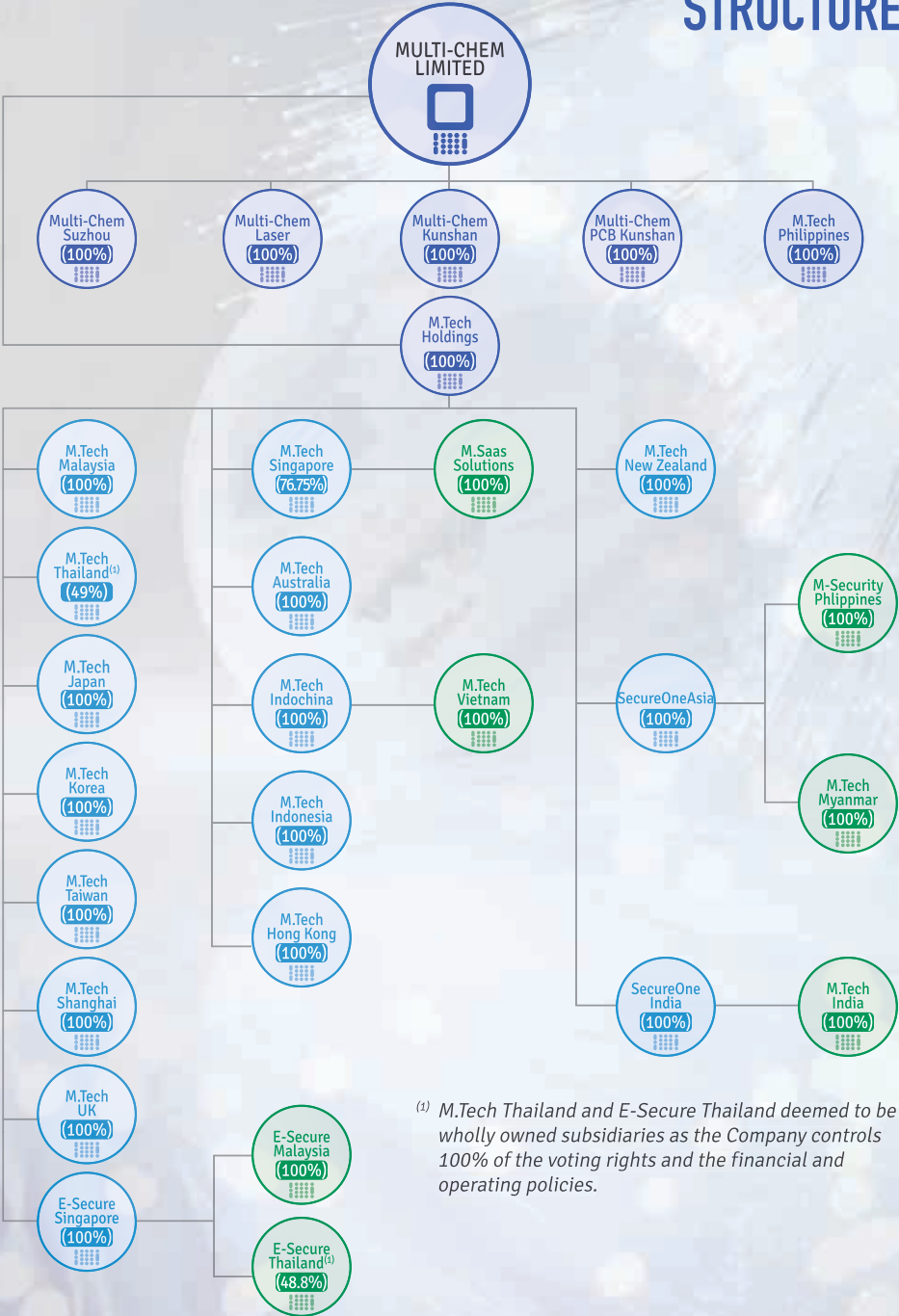
Announcement of
2017 3rd quarter results

OCTOBER

Announcement of
2017 full year results

FEBRUARY

GROUP STRUCTURE



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

FINANCIAL HIGHLIGHTS

GROUP BALANCE SHEET

As At 31 December (\$'000)	2016	2015	2014	2013	2012
Property, plant and equipment	17,431	20,673	23,571	27,375	28,920
Investment in an associate	-	-	224	474	617
Available-for-sale investment	4,290	4,047	3,647	-	-
Other non-current assets	3,934	4,383	3,878	2,481	1,659
Current assets	167,726	157,970	157,328	145,761	127,224
Current liabilities	(86,660)	(86,361)	(93,785)	(87,615)	(71,428)
Net current assets	81,066	71,609	63,543	58,146	55,796
Long term borrowings	(1,956)	(2,789)	(3,498)	(1,600)	(1,273)
Deferred tax liabilities	(4)	-	-	(11)	(29)
Other non-current liability	(195)	(219)	-	-	-
	104,566	97,704	91,365	86,865	85,690
Share capital	37,288	37,288	37,288	37,288	37,288
Foreign currency translation reserve	3,433	4,670	2,249	468	(3,917)
Other reserves	218	75	(67)	(123)	-
Statutory reserve	5,345	5,281	4,919	6,132	5,778
Accumulated profits	50,388	43,699	42,137	39,039	43,261
	96,672	91,013	86,526	82,804	82,410
Non-controlling interest	7,894	6,691	4,839	4,061	3,280
	104,566	97,704	91,365	86,865	85,690

FINANCIAL HIGHLIGHTS

GROUP PROFIT & LOSS

Year Ended (\$'000)	2016	2015	2014	2013	2012
Turnover	361,450	347,057	291,664	262,736	237,404
Gross profit	56,663	52,690	45,750	41,014	41,755
Other income	3,427	2,404	3,098	2,778	3,213
Earnings before interest, tax, depreciation & amortisation (EBITA)	19,262	14,306	13,324	9,080	15,189
Depreciation & amortisation	(4,186)	(4,867)	(5,160)	(5,585)	(5,669)
Interest expense	(443)	(648)	(543)	(541)	(381)
Profit from operations	14,633	8,791	7,621	2,954	9,139
Share of results of an associate	-	(30)	(250)	(143)	(126)
Profit before income tax	14,633	8,761	7,371	2,811	9,013
Income tax expense	(3,836)	(2,739)	(1,976)	(2,200)	(2,989)
Net profit	10,797	6,022	5,395	611	6,024
Non-controlling interests	(1,057)	(1,243)	(555)	(515)	(438)
Equity holders of the Company	9,740	4,779	4,840	96	5,586

ANALYSIS (%)

Year	2016	2015	2014	2013	2012
Gross profit margin	15.7	15.2	15.7	15.6	17.6
PBT margin	4.0	2.5	2.5	1.1	3.8
Turnover increase	4.1	19.0	11.0	10.7	14.8
Operating profit increase/(decrease)	66.5	15.4	158.0	(67.7)	(0.2)
Net profit increase/(decrease)	79.3	11.6	783.0	(89.9)	3.8

FINANCIAL HIGHLIGHTS

PER SHARE DATA

(cents, unless otherwise stated)

	2016	2015	2014	2013	2012
Net earnings (basic) ¹	10.81	5.30	1.34	0.03	1.55
Net earnings (fully diluted) ²	10.81	5.30	1.34	0.03	1.55
Net dividend	4.41	3.31	0.82	1.10	1.10
Net dividend payout (times)	0.41	0.62	0.61	36.67	0.71
Net assets value ³	107.30	101.02	24.01	22.98	22.87
Gross dividend	4.41	3.31	0.82	1.10	1.10
Gross dividend yield (%) ⁴	6.68	6.9	5.66	7.91	8.33

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

90.1

90.1

360.4

360.4

360.4

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

90.1

90.1

360.4

360.4

360.4

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

90.1

90.1

360.4

360.4

360.4

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

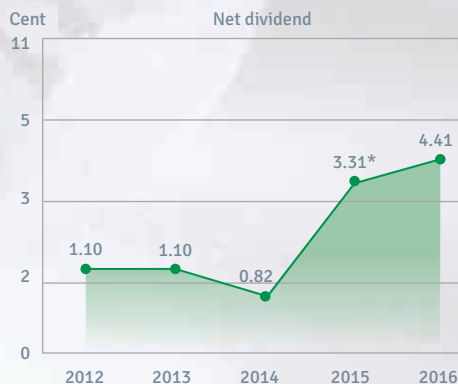
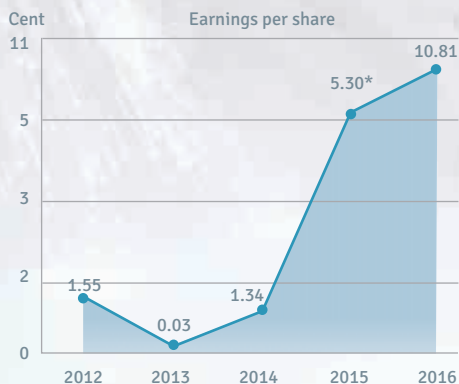
66.0

48.0

14.5

13.9

13.2

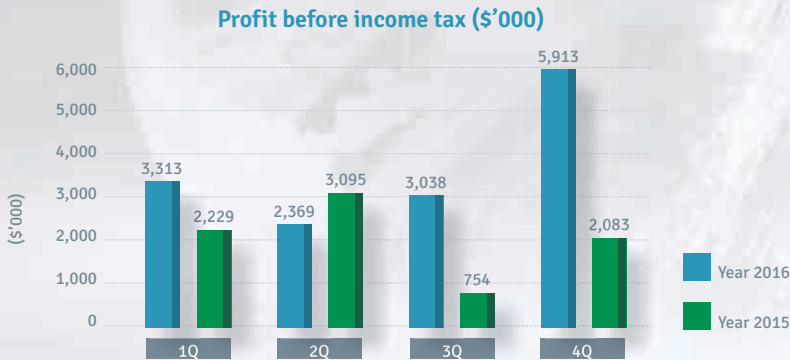
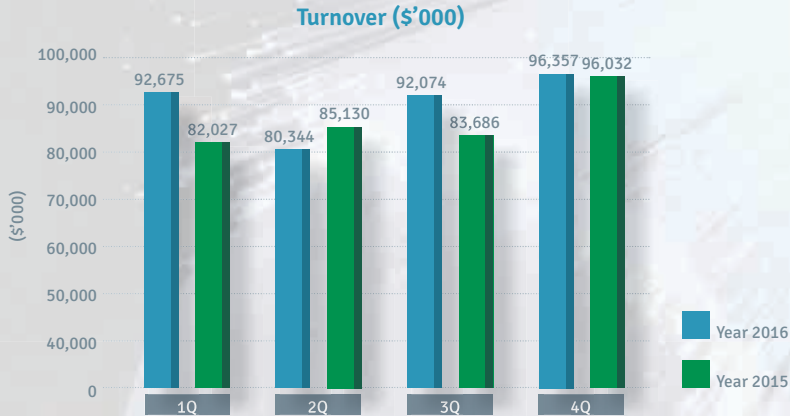


* The figures are after the share consolidation exercise to consolidate every 4 ordinary shares into 1 ordinary share.

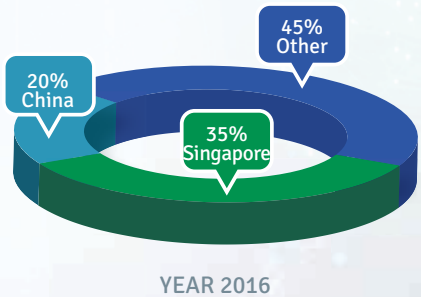
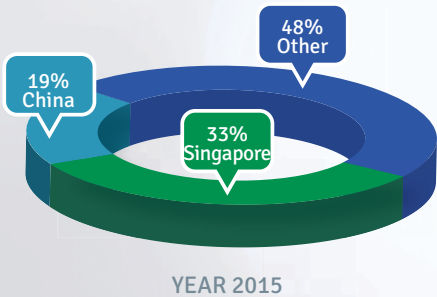
FINANCIAL RATIOS

	2016	2015	2014	2013	2012
Current ratio (times)	1.94	1.83	1.68	1.66	1.78
Return on shareholder's funds (%)	10.08	5.25	5.59	0.12	6.78
Return on assets employed (%)	5.04	2.55	2.57	0.05	3.53
Debt equity ratio	0.11	0.23	0.41	0.36	0.28
Debt interest cover	1.92	0.69	0.38	0.30	0.64

FINANCIAL HIGHLIGHTS



Group Turnover By Geographical Segments



FINANCIAL HIGHLIGHTS

SEGMENTAL INFORMATION

BY BUSINESS SEGMENTS

Year Ended (\$'000)	PCB Business		IT Business		Total	
	2016	2015	2016	2015	2016	2015
Turnover						
1st Quarter	6,661	6,318	86,014	75,709	92,675	82,027
2nd Quarter	6,566	6,846	73,778	78,284	80,344	85,130
3rd Quarter	6,980	6,897	85,094	76,971	92,074	83,868
4th Quarter	6,500	5,560	89,857	90,472	96,357	96,032
	26,707	25,621	334,743	321,436	361,450	347,057
Segment results						
1st Quarter	1,237	637	2,076	1,592	3,313	2,229
2nd Quarter	1,519	1,282	850	1,813	2,369	3,095
3rd Quarter	1,098	835	1,940	(81)	3,038	754
4th Quarter	(60)	(179)	5,973	2,862	5,913	2,683
	3,794	2,575	10,839	6,186	14,633	8,761

BY GEOGRAPHICAL SEGMENTS

Year Ended (\$'000)	Singapore		China		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
1st Quarter	34,159	28,548	17,655	15,387	40,861	38,092	92,675	82,027
2nd Quarter	29,028	26,908	15,987	16,016	35,329	42,206	80,344	85,130
3rd Quarter	32,022	27,669	18,380	17,672	41,672	38,527	92,074	83,868
4th Quarter	32,218	31,847	18,307	17,685	45,832	46,500	96,357	96,032
	127,427	114,972	70,329	66,760	163,694	165,325	361,450	347,057

FINANCIAL REVIEW



REVENUE

The Group achieved revenue of \$96.4M for the three months ended 31 December 2016 (“4Q2016”), a slight increase of 0.4% or \$0.4M compared to the revenue of \$96.0M for the three months ended 31 December 2015 (“4Q2015”). For the twelve months ended 31 December 2016 (“12M2016”), the Group achieved revenue of \$361.5M, a year-on-year increase of 4.2% or \$14.5M, compared to revenue of \$347.0M achieved for the twelve months ended 31 December 2015 (“12M2015”).

In comparison to the three months ended 30 September 2016 (“3Q2016”), the Group revenue for 4Q2016 increased by 4.7% or \$4.3M from \$92.1M in 3Q2016 to \$96.4M in 4Q2016.

For 4Q2016, the IT business accounted for 93.3% of the Group’s revenue, while the PCB business accounted for the remaining 6.7% of the Group’s revenue.

PCB Business

Revenue in this Division increased by 16.1% or \$0.9M, from \$5.6M in 4Q2015 to \$6.5M in 4Q2016 mainly due to higher productivity achieved as a result of changes in customer requirements.

Comparing 4Q2016 to 3Q2016, revenue in this Division decreased by 7.1% or \$0.5M from \$7.0M in 3Q2016 to \$6.5M in 4Q2016 mainly due to the uncertainty in the global economic outlook.

IT Business

The IT distribution business achieved a quarterly revenue of \$89.9M in 4Q2016, a slight decrease of 0.6% or \$0.5M, from \$90.4M in 4Q2015. On a full year basis, this business grew by 4.2% or \$13.4M, from \$321.4M in 12M2015 to \$334.8M in 12M2016.

Comparing 4Q2016 to 3Q2016, revenue increased by 5.6% or \$4.8M, from \$85.1M in 3Q2016 to \$89.9M in 4Q2016.

FINANCIAL REVIEW

PROFIT BEFORE TAX ("PBT")

The Group registered a PBT of \$5.9M in 4Q2016, as compared to \$2.7M in 4Q2015.

The increase in PBT was mainly due to the following:

- (1) An increase of \$0.9M in gross profit mainly due to an increase in gross profit margin by 1.0 percentage point from 13.8% in 4Q2015 to 14.8% in 4Q2016. The increase in gross profit margin was mainly due to:
 - An increase in revenue in the high operating leverage PCB Division. Given the fixed cost of depreciation on laser and mechanical drilling machines, the gross margin is particularly sensitive to changes in production volumes;
 - A decrease in allowance for inventory obsolescence from \$1.0M in 4Q2015 to \$373,000 in 4Q2016 based on the review of inventory obsolescence performed;
- (2) Reversal of allowance for doubtful third parties receivables of \$1.4M in 4Q2016 mainly due to collections received, as compared to allowance for doubtful third parties receivables of \$653,000 in 4Q2015;
- (3) A decrease of \$525,000 in third parties receivables written off from \$527,000 in 4Q2015 to \$2,000 in 4Q2016;
- (4) An impairment loss of plant and equipment of \$502,000 in 4Q2015. There was no such impairment in 4Q2016;
- (5) Gain on disposals of plant and equipment of \$114,000 in 4Q2016, as compared to loss on disposals of plant and equipment of \$1,000 in 4Q2015; and
- (6) An increase in net foreign exchange gain from \$438,000 in 4Q2015 to \$1.1M in 4Q2016 mainly due to appreciation of United States dollar against Singapore dollar. Excluding net foreign exchange

gain, the Group reported a PBT of \$4.8M in 4Q2016 compared to PBT of \$2.2M in 4Q2015.

The increase in PBT was however pared by the following:

- (1) An increase in depreciation charge from \$893,000 in 4Q2015 to \$2.0M in 4Q2016 mainly due to additional depreciation charged as a result of the change in estimate on the residual value of the machineries during the review performed at the end of financial year. The change in estimate is mainly due to plant and machineries recorded under historical exchange rate, and the residual value is not reflective of the current exchange rate.
- (2) Gain on disposal of a subsidiary of \$227,000 in 4Q2015. There is no such disposal in 4Q2016.

Comparing 4Q2016 to 3Q2016, the Group PBT stood at \$5.9M in 4Q2016 as compared to \$3.0M in 3Q2016.

The increase in PBT was mainly due to the following:-

- (1) Reversal of allowance for doubtful third parties receivables of \$1.4M in 4Q2016 mainly due to collections received, as compared to allowance for doubtful third parties receivables of \$1.2M in 3Q2016;
- (2) An increase in net foreign exchange gain from \$918,000 in 3Q2016 to \$1.1M in 4Q2016 mainly due to appreciation of United States dollar against Singapore dollar;
- (3) An increase in other gains from \$118,000 in 3Q2016 to \$711,000 in 4Q2016, mainly due to reclassification of freight income from revenue at the end of financial year; and
- (4) A decrease of \$832,000 in staff costs in 4Q2016 as compared to 3Q2016 mainly due to reversal of accrued staff costs in 4Q2016.

FINANCIAL REVIEW

The increase in PBT was however pared by the following:

- (1) An increase in depreciation charge from \$1.0M in 3Q2016 to \$2.0M in 4Q2016 mainly due to additional depreciation charged as a result of the change in estimate on the residual value of the machineries during the review performed at the end of financial year.

PROFIT AFTER TAX ("PAT")

Group PAT increased from a profit of \$1.8M in 4Q2015 to a profit of \$4.4M in 4Q2016. Comparing 4Q2016 to 3Q2016, Group PAT increased from a profit of \$2.5M in 3Q2016 to profit of \$4.4M in 4Q2016. This was largely in line with the changes in PBT.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Company and its subsidiaries. Income tax expenses increased from \$850,000 in 4Q2015 to \$1.5M in 4Q2016 mainly due to income tax expenses for entities with higher taxable profits generated.

STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items for the financial year ended 31 December 2016.

Cash and cash equivalents at the Group level increased by \$14.1M from \$36.7M to \$50.8M. The increase was mainly due to collections from customers net of payment to suppliers. At the Company level, cash and cash equivalents decreased from \$2.4M to \$1.8M, mainly due to repayment of bank borrowings and advance to a subsidiary.

Trade and other receivables of the Group decreased by \$3.0M from \$87.7M to \$84.7M, due to collections received from customers. At

the Company level, trade and other receivables increased by \$1.3M from \$31.8M to \$33.1M mainly due to advance to a subsidiary.

Inventories at the Group level decreased by \$0.5M from \$29.5M to \$29.0M mainly due to the decrease in IT inventories attributed by better inventory management.

Property, plant and equipment decreased by \$3.3M from \$20.7M to \$17.4M at the Group level mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment. The decrease at the Company level was mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment.

Investment properties increased by \$0.9M from \$1.7M to \$2.6M at the Company level mainly due to the purchase of a new property to support the operations of the subsidiaries, net of depreciation charge. The investment properties are treated as property, plant and equipment at the Group level.

Investments in subsidiaries decreased by \$6.9M from \$31.3M to \$24.4M at the Company level mainly due to capital reduction in one of the subsidiaries.

Trade and other payables increased by \$10.4M from \$65.7M to \$76.1M at the Group level due mainly to higher year-end purchases for certain big deals and advance receipts. At Company level, trade and other payables increased from \$1.7M to \$2.9M mainly due to the increase in accrued expenses.

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

Foreign currency translation reserve at the Group level decreased from \$4.7M to \$3.4M mainly due to depreciating Chinese renminbi against Singapore dollar.

FINANCIAL REVIEW

INDEBTEDNESS

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

Year Ended (\$'000)	2016	2015
Due within 1 year:		
Bank borrowings	9,495	19,808
Finance leases	117	191
	9,612	19,999
Due after 1 year:		
Bank borrowings	1,927	2,643
Finance leases	29	146
	1,956	2,789
Total debt	11,568	22,788
Debt equity ratio	0.11	0.23
Debt interest cover	1.92	0.69

Working capital of the Group stood at \$81.1M and \$71.6M as at 31 December 2016 and 31 December 2015 respectively. The increase was mainly due to the increase in cash and cash equivalents and the decrease in bank borrowings, net of the increase in trade and other payables.

At the Company level, working capital stood at \$31.2M and \$25.9M as at 31 December 2016 and 31 December 2015 respectively. Current assets at the Company level as at 31 December 2016 comprised mainly trade and other

receivables of \$33.1M, and this increased by 4.1% from \$31.8M as at 31 December 2015 mainly due to advance to a subsidiary. Cash and cash equivalents decreased by \$0.6M from \$2.4M as at 31 December 2015 to \$1.8M in 31 December 2016 mainly due to repayment of bank borrowings and advance to a subsidiary. Current liabilities comprised mainly bank borrowings and trade and other payables. Bank borrowings comprised mainly short term loans to finance the working capital expenditure of the Company and its subsidiaries and long term loan to finance the Company's available-for-sale financial assets.

FINANCIAL REVIEW

CASH FLOW ANALYSIS

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

Year Ended (\$'000)	2016	2015
Cash flows provided by operating activities	30,402	13,167
Cash flows used in investing activities	(1,984)	(1,361)
Cash flows used in by financing activities	(13,947)	(10,389)
Net increase in cash and cash equivalents	14,471	1,417
Cash and cash equivalents at beginning of the financial year	35,215	33,718
Effect of exchange rate changes on cash and cash equivalents	304	80
Cash and cash equivalents at end of the financial year	49,990	35,215

Net cash of \$30.4M was generated from operating activities in FY2016, as compared to net cash of \$13.2M in FY2015. This was mainly due to collection from customers and longer credit term given by vendors in support of certain bigger projects.

Net cash of \$2.0M was used in investing activities in FY2016, as compared to \$1.4M used in FY2015. The changes were mainly due to purchase of property, plant and equipment of \$2.5M, cash outflow from derivative financial instruments of \$161,000, net of proceeds from disposals of plant and equipment of \$663,000 in FY2016, as compared to purchase of plant and equipment of \$1.4M, purchase of club membership of \$202,000, net of proceeds from disposals of plant and equipment of \$66,000 and proceeds

from disposals of an associate of \$194,000 in FY2015.

Net cash of \$13.9M was used in financing activities in FY2016 as compared to \$10.4M used in FY2015. This was mainly due to repayment of bank borrowings of \$83.2M, dividend payment of \$3.0M, net of proceeds from bank borrowings of \$72.2M in FY2016, as compared to repayment of bank borrowings of \$87.8M, dividend payment of \$3.0M, net of proceeds from bank borrowings of \$72.7M and a lift in pledged fixed deposits of \$8.4m in FY2015.

Cash and cash equivalents stood at \$50.0M as at end of 31 December 2016, up from \$35.2M as at the end of 31 December 2015.

VALUE ADDED STATEMENT

Year Ended	2016	2015
	\$'000	\$'000
Sales	361,450	347,057
Purchase of goods & services	(311,378)	(302,169)
Gross value added from operations	50,072	44,888
Other operating income	2,849	2,404
Share of results of an associate before tax	-	(30)
Exchange gain/(loss)	578	(252)
Total value added	53,499	47,010
Distribution:		
To employees in salaries & other staff related costs	34,237	32,734
To government in corporate and other taxes	3,836	2,739
To providers of capital		
– Finance costs	443	648
Retained in the business		
– Depreciation and amortisation	4,186	4,867
– Non-controlling interests	1,057	1,243
– Retained earnings	9,740	4,779
Total distribution	53,499	47,010
Productivity Data		
Average numbers of employees	925	926
Sales per employee (\$'000)	391	375
Value added per employee (\$'000)	58	51
Value added per \$ employment cost	1.56	1.44
Value added per \$ net sales	0.15	0.14

INVESTOR RELATIONS



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

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

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

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

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

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

INFORMATION ON EMPLOYEES

As at 31 December 2016



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

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

Promising employees are given the opportunity to work for a period in our overseas subsidiaries

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

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



The Manufacturing Services Division is in a business which is capital intensive and that further requires our employees to have the necessary knowledge in operating the machinery and equipment. Selected employees are sent for training conducted by machine manufacturers to learn about the operations, capability and maintenance of the equipment.

In the IT Business, selected employees are sent for training conducted by our vendors. The employees of the M.Tech group are also given

regular product updates and technical training both in-house and by our vendors.

In 2016 a total of 42 long service awards were given out to employees with five years, ten years and fifteen years continuous employment record.

The amount spent on employees providing them with on-the-job training, in-house and external training amounted to approximately \$148,000 (2015:\$195,000).

INFORMATION ON EMPLOYEES



Breakdown by Job Group

8% 22% 21% 15% 34%

Managerial

Sales

Engineering

Admin

Technical
and Others



Breakdown by Education Qualification

44% 14% 38% 2% 2%

Degree &
above

Diploma &
above

O' & 'A' level
/ equal

Trade Cert /
equal

Below 'O'



Breakdown by Years of Service

6% 15% 24% 29% 26%

10 years and
above

6 - 9 yrs +

3 - 5 yrs +

1 - 2 yrs +

Below 1 yr

Number of Employees as at 31 December 2016

	Singapore	China	ASEAN	Others	Total
PCB Business	30	349	–	–	379
IT Business	154	64	232	92	542
Total	184	413	232	92	921

CORPORATE GOVERNANCE

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

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

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

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

The Company, assisted by the corporate secretarial firm, Tricor Evatthouse Corporate Services, provides the Board with regular updates of the latest governance and listing policies. The Board also receives relevant training, if required, on changes in the business environment, relevant new laws, regulations and changing commercial risk. The Board has approved an annual training budget for each Director to attend relevant training and professional development programs. During the year, the Board was briefed on the latest changes to the Listing Manual requirements, developments in accounting by the external auditor, updates on internal controls from the internal auditor and business development from the Chief Executive Officer. The Directors are encouraged to attend programmes organised by the Accounting and Corporate Regulatory Authority and the Singapore Institute of Directors. In 2016, the courses variously attended included the launch of the Remuneration Committee Guide, the Board Guide, Director Financial Reporting Essentials and the annual Audit Committee seminar.

CORPORATE GOVERNANCE

Any newly appointed Director will be given briefings on the business activities of the Group, its strategic directions, governance practices and Director's duties and obligations. He/she will be given the opportunity to visit the Group's operational facilities to gain a better understanding of the Group's business operations. Upon appointment of a Director, the Company provides a formal letter of appointment to the Director. No new directors were appointed in 2016.

The Board meets at least once on a quarterly basis to coincide with the announcement of the Group's quarterly results. Where circumstances require, the Board will arrange for telephonic and videoconference meetings. Non-executive Directors are encouraged to meet regularly without management present. In 2016, the non-executive Directors have met (without management) on several occasions before quarterly meetings.

Minutes of all Board Committee and Board Meetings are circulated to its members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. Matters arising from each meeting will be followed-up and reported to the Board. The number of board meetings held in 2016 and the attendance of every board member at the Board meetings and respective Board Committees meetings are disclosed as follows:

Name of Director	Board		AC		RC		NC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Keng Jin (Chairman, Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Suan Sai (Chief Executive Officer)	4	4	–	–	–	–	1	1
Han Juat Hoon (Chief Operating Officer)	4	4	–	–	–	–	–	–
Foo Fang Yong (Executive Director)	4	4	–	–	–	–	–	–
Wong Meng Yeng (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Neo Mok Choon (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Maw Shen (Non-executive and Independent Director)	4	4	4	4	1	1	1	1

Principle 2: Board Composition and Guidance

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

CORPORATE GOVERNANCE

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

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

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

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

The independence of each Independent Director is assessed annually by the NC. Particular attention is given to review and assess the independence of any director as at FY2016 who has served beyond 9 years from the date of appointment. Mr Wong Meng Yeng and Mr Lim Keng Jin have served the Board beyond 9 years and they were subject to rigorous review.

The Board, has foremost, considered the need for progressive refreshing of the Board in its rigorous review of the independence of Mr Wong and Mr Lim, Directors who have served the Board beyond 9 years from date of appointment. The Board concurred that the appointment of Mr Foo Fang Yong on 28 May 2015 is a step forward towards progressive refreshing of the Board. However, the Board agreed that progressive Board refreshing should take place without undue disruptions and properly planned. Besides progressive refreshing of the Board, it has also considered the progressive refreshing of Board Committees. In this connection, the Board has approved the change of Chairman of the AC and NC. Mr Neo Mok Choon has been appointed as Chairman of AC in place of Mr Wong Meng Yeng who shall remain as a member of the AC with effect from 1 May 2017. Meanwhile, Mr Wong Meng Yeng has been appointed as Chairman of NC in place of Mr Neo Mok Choon who shall remain as a member of NC with effect from 1 May 2017.

CORPORATE GOVERNANCE

The Board has conducted a review of the performance of each of the two Independent Directors based on a set of criteria. The Board had rigorously reviewed and agreed that the Directors concerned, Mr Wong and Mr Lim, had participated, deliberated and expressed their views independently at all times, presenting objective and constructive challenges to the assumptions and viewpoints by Management. The Board has benefited from valuable insight from the presence of the Directors concerned who have over time gained valuable insight into the Group and its markets. The Board considers that each of the Directors concerned brings invaluable expertise, experience and knowledge to the Board. The Directors concerned, who are familiar with the business, will continue to contribute positively to the deliberation of the Board and Board Committees. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of service. The Board has determined that Mr Wong Meng Yeng and Mr Lim Keng Jin remained independent of character and judgement. The Board is satisfied that Mr Wong Meng Yeng and Mr Lim Keng Jin can continue to discharge their duties objectively. No NC member is involved in the deliberation in respect of his independence.

The Board comprises Directors who are of diverse professions. These include accounting or finance, legal, business or management experience and engineering. The Board is of the view that its size is appropriate for effective decision making taking into account the scope and the nature of the operations of the Company. Apart from the diversity of skills and experiences, the Board is also not uni-gender. While the Board does not have a diversity policy, it practices diversity in the Board and employment practices. Mdm Han Juat Hoon, the Chief Operating Officer, has been a director since 2000.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 4, 5, 42 and 43 of the Annual Report.

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

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

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

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

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

CORPORATE GOVERNANCE

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

BOARD COMMITTEES

Principle 4: Board Membership

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

Mr Neo Mok Choon will step down as Chairman of NC and remain as a member of NC with effect from 1 May 2017. Mr Wong Meng Yeng has been appointed as Chairman of NC with effect from 1 May 2017.

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

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

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

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

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

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

CORPORATE GOVERNANCE

All Directors have to submit themselves for re-nomination/re-election at regular intervals or at least once every three years in accordance with the Company's Constitution. The NC had recommended to the Board that Mr Neo Mok Choon and Mr Foo Maw Shen be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). In reviewing for re-appointment/re-election, NC has considered criteria such as the Director's contribution and performance, attendance, preparedness, participation and candour and if applicable, assessment of the Director's independence. The NC is satisfied that the Director under review has been adequately carrying out his duties as a Director of the Company.

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

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

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

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Foo Suan Sai	30 September 1988	-	Chief Executive Officer	Member of Nominating Committee	None
Han Juat Hoon	16 May 1987	28 April 2016	Chief Operating Officer	None	None
Foo Fang Yong	28 May 2015	28 April 2016	Executive Director	None	None
Wong Meng Yeng	5 January 2000	28 April 2016	Independent Director	Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee	KS Energy Limited Baker Technology Limited Keong Hong Holdings Limited
Lim Keng Jin	29 April 2005	28 April 2016	Independent Director and Chairman	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	G. K. Goh Holdings Limited (Retired on 25 April 2016)

CORPORATE GOVERNANCE

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

Details of other principal commitments of the Directors have been set out in the Directors' Profile of this Annual Report.

Principle 5: Board Performance

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

The NC has established an appraisal process to assess the performance and effectiveness of the Board annually as a whole and its Board Committees and for assessing the contribution of the Chairman and contribution by each individual Director to the effectiveness of the Board. Each Director is required to complete a questionnaire which has been updated during the year so that the Board considered the performance and effectiveness in its entirety. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, and the Board's performance in relation to discharging its principal responsibilities. The assessment of Board Committees reviews the effectiveness of each Board Committee to address matters delegated in the Terms of Reference and guidelines of the 2012 Code. Directors assessed the contribution by the Chairman in terms of leadership and communication to stakeholders. The findings of such evaluations were analysed and discussed with a view to enhance the effectiveness of the Board. The Board was updated on the analysis of such evaluations. The Board concurred and supported the suggestions of the NC to bring about Board effectiveness especially in terms of strategic issues.

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

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

CORPORATE GOVERNANCE

Principle 6: Access to Information

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

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

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

The role of the Company Secretary was clearly defined and reported to the Board. It includes responsibility for ensuring Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary works with the Chairman of the Board and Board Committees in advance for them to suggest items for the agenda and/or review of the relevance of the items in the proposed agenda. The Company Secretary shall attend all Board Meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION COMMITTEE

Principle 7: Remuneration Matters

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

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

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

CORPORATE GOVERNANCE

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

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

Principle 8: Level and Mix of Remuneration

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

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

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

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

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

Principle 9: Disclosure on Remuneration

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

CORPORATE GOVERNANCE

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

Remuneration Bands (in Singapore Dollars)	2016	2015
\$1.5M to below \$1.75M	1	-
\$1.0M to below \$1.25M	1	1
\$500,000 to below \$750,000	1	1
Below \$250,000	4	5
Total	7	7

The annual remuneration bands (in Singapore Dollars) of the Directors and the key management personnel as at 31 December 2016 are set out below:

FY2016	Base Salary%	Variable Bonus%	Profit Sharing %	Benefits %	Fees %	Total %
Directors						
\$1.5M to below \$1.75M						
Foo Suan Sai	50	-	49	1	-	100
\$1.0M to below \$1.25M						
Han Juat Hoon	47	-	51	2	-	100
\$500,000 to below \$750,000						
Foo Fang Yong	42	-	55	3	-	100
Below \$250,000						
Wong Meng Yeng	-	-	-	-	100	100
Lim Keng Jin	-	-	-	-	100	100
Neo Mok Choon	-	-	-	-	100	100
Foo Maw Shen	-	-	-	-	100	100
Key management personnel						
\$250,000 to below \$500,000						
Goh Tian Keong Winston	57	-	-	43	-	100
Lim Kok Soon Rayson	65	35	-	-	-	100
Below \$250,000						
Koh Henry	74	13	-	13	-	100
Pui Boon Tiong Eugene	68	28	-	4	-	100
Yang Wen Kuai	64	9	-	27	-	100
Wong Yoke Hean*	97	-	-	3	-	100

* Resigned on 25 February 2016.

For reasons of competition, the Company is not disclosing each individual Director's remuneration.

CORPORATE GOVERNANCE

Instead, the Company is disclosing the remuneration of each Director in bands of S\$250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel while securing the very best talented personnel especially in the competitive IT distribution and IT training business, the Company is not disclosing the aggregate remuneration paid to the key management personnel of the Group in this report.

Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon are in accordance with their respective service contracts with the Company. Remuneration of Mr Foo Fang Yong is in accordance with his employment contract with the Company's subsidiary, M. Tech Holdings Pte. Ltd.. For the key management personnel, the remuneration is based on their respective employment contract with the Company and fixed based on the above factors as well as negotiation between the parties concerned.

The total remuneration of employees who are related to the substantial shareholders is subject to annual review and approval of the RC. For FY2016, the total remuneration paid to these employees amounted to \$137,981 (2015: \$123,355).

There were no employees who are immediate family members of a Director or the Chief Executive Officer and whose remuneration exceeds \$50,000 during FY2016.

The Company does not have any employee share scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Risk Management and Internal Controls

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

CORPORATE GOVERNANCE

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

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework. To enhance the effectiveness of the ERM framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

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

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

Management presented an annual report to the Audit Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during FY2016 on the adequacy of the Group's risk management and internal controls including financial, operational, compliance and information technology controls. Such assurance activities include controls self-assessment performed by Management, internal and external audits performed by internal and external auditors. For FY2016, controls self-assessment was performed using the Orion ERM system.

Based on the Risk Management Framework and internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's risk management and internal control systems were adequate and effective for the financial year ended 31 December 2016 to address financial, operational, compliance and information technology risks.

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

CORPORATE GOVERNANCE

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

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and
- (b) regarding the adequacy and effectiveness of the Group’s risk management and internal control systems. The CEO, COO and CFO have obtained assurance from the respective risk and control owners.

Principle 12: Audit Committee

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

Mr Wong Meng Yeng will relinquish his position as Chairman of AC with effect from 1 May 2017 and remain as a member of AC. Mr Neo Mok Choon has been appointed as Chairman of AC with effect from 1 May 2017.

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

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

CORPORATE GOVERNANCE

- To review the policy and arrangement by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- To oversee risk governance (refer to detailed disclosure under principle 11).

The AC has full access to Management and the full discretion to invite any Director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

During the review of all audit and non-audit services provided by the external auditors, Messrs BDO LLP during the year, the AC was satisfied that the non-audit services provided by Messrs BDO LLP would not affect the objectivity and independence of the external auditor. The amount of fees paid to external auditors for audit and non-audit services for the financial year ended 31 December 2016 are set out on page 142 of the Annual Report. During the year, the AC also reviewed the scope and quality of the audits and independence and objectivity of the external auditors. The AC is satisfied that the external auditor, Messrs BDO LLP is able to meet the audit requirements and statutory obligation of the Company. The AC shall continue to review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The AC is satisfied with the independence of the external auditors. The AC has recommended to the Board the re-appointment of Messrs BDO LLP as the Company's external auditors at the forthcoming AGM.

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

The AC meets at least four times a year. The AC meetings are attended by external auditors and where required, internal auditors and appropriate members of the executive management are invited to attend its meetings. In FY2016, the AC carried out the activities as set out above. The AC meets the auditors without the presence of management at least once annually. The AC received updates on changes in accounting standards and corporate governance from the external and internal auditors periodically.

The AC is kept abreast of changes to accounting standards and issues which have a direct impact on financial statements by the external auditors.

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

Other information pertaining to the AC is disclosed on page 60 of the Annual Report.

The AC has received the Audit Quality Indicators Disclosure Framework relating to FY2016 from the external auditor. The external auditor has reported to the AC on the Key Audit Matters ("KAM") in respect of FY2016 following completion of the audit of the Company's financial statements. The AC agreed with the rationale and determination of Inventories-In-Transit and recoverability of trade receivables from

CORPORATE GOVERNANCE

third parties as KAM by the external auditors. The AC has considered the approach and methodology used by the external auditor and Management. The AC has reviewed the reasonableness and approach of the Management's assessment of the respective KAM and agreed with the opinion of the external auditors.

Principle 13: Internal Audit

The Group outsources its internal audit function to Messrs Yang Lee & Associates ("YLA or "IA") and the internal auditor reports directly to the Chairman of the AC. The AC approves the appointment, evaluation and fees of the internal audit firm. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC has reviewed and confirmed that YLA is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audits.

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

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

The IA completed two reviews during the financial year ended 31 December 2016 in accordance with the internal audit plan approved by the AC. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

Principle 14: Shareholder Rights

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

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

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

CORPORATE GOVERNANCE

Principle 15: Communication with Shareholders

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

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

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

The Company does not have a policy on payment of dividends. However, declaration of dividend will be published in the financial results and dividend announcements via SGXNET. The Company has paid interim dividend tax exempt (1-tier) of 1.11 cent (Singapore) per ordinary share in November 2016. Subject to approval of members at the forthcoming AGM, the Directors have declared a final dividend tax exempt (1-tier) of 3.3 cents (Singapore) per ordinary share for FY2016.

Principle 16: Conduct of Shareholder Meetings

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

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

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

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

CORPORATE GOVERNANCE

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

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS

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

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2016.

CORPORATE DIRECTORY

Chief Executive Officer

Foo Suan Sai

Chief Operating Officer

Han Juat Hoon

Executive Director

Foo Fang Yong

Finance, HR & Administration

Lim Kok Soon Rayson

Goh Pei Chen Sandra

Zhao Yu

Purchasing & Logistics

Goh Kie Soon Geraldine

Siow Mee Lin

Distribution Division

Goh Tian Keong Winston

Pui Boon Tiong Eugene

Manufacturing Services Division

Koh Henry

Yang Wen Kuai

Lee Thiam Huat Daniel

OFFICES IN SINGAPORE

- **HEAD OFFICE**
MULTI-CHEM LIMITED
- **SECUREONEASIA PTE. LTD.**
16H Enterprise Road
Singapore 627657
Main Line : (65) 6863 1318
Main Fax : (65) 6863 1618
- **M.TECH HOLDINGS PTE. LTD.**
M.TECH PRODUCTS PTE LTD
M.SAAS SOLUTIONS PTE. LTD.
SECUREONE INDIA HOLDING PTE. LTD.
M. TECH SOLUTIONS (INDIA) PVT LTD
SINGAPORE BRANCH
18 Boon Lay Way,
#06-111 TradeHub 21
Singapore 609966
Main Line : (65) 6516 0088
Main Fax : (65) 6779 6553
- **E-SECURE ASIA PTE. LTD.**
18 Boon Lay Way,
#04-108 TradeHub 21
Singapore 609966
Main Line : (65) 6316 2360
Main Fax : (65) 6358 3274

MANUFACTURING SERVICES

BUSINESS IN CHINA

- **MULTI-CHEM ELECTRONICS (KUNSHAN) CO., LTD.**
No. 22 Zhangji Road Kunshan E.T.D.
Zone Kunshan, Jiangsu Province,
PRC 215300
Main Line : (86 512) 8617 6689
Main Fax : (86 512) 8617 8834
- **MULTI-CHEM PCB (KUNSHAN) CO., LTD.**
No. 255 Nan Zi Road Kunshan Free Trade
Zone, Jiangsu Province, PRC 215300
Main Line : (86 512) 8617 6689
Main Fax : (86 512) 8617 8834

IT BUSINESS OVERSEAS

MALAYSIA OFFICE:

- **M-SECURITY TECHNOLOGY SDN. BHD.**
13-1, Menara 1 MK, Kompleks
1 Mont Kiara, No. 1 Jalan Kiara,
Mont Kiara, Kuala Lumpur
50480 Malaysia
Main Line : (60-3) 2788 6868
Main Fax : (60-3) 2788 0080
- **E FORTIFY ASIA SDN. BHD.**
Level 23-1, Premier Suite One Mont Kiara
No. 1 Jalan Kiara, Mont Kiara, Kuala Lumpur
50480 Malaysia
Main Line : (60-3) 2785 6818
Main Fax : (60-3) 2785 6918

INDONESIA OFFICE:

- **PT. M.TECH PRODUCTS**
Ariobimo Central Building, 7th Floor
Jl. HR Rasuna Said X-2 Kav 5,
Jakarta 12950, Indonesia
Main Line : (62-21) 522 6210
Main Fax : (62-21) 522 6211
- **SURABAYA OFFICE**
Graha Virto, Ruko Galaxy Bumi Permai
Blok J1 No. 23A-25, Jalan Raya Sukosemolo
92, Surabaya,
Jawa Timur 60119, Indonesia
Main Line : (62-31) 596 7623
Main Fax : (62-31) 596 7586

CORPORATE DIRECTORY

AUSTRALIA OFFICE:

- **M.TECH PRODUCTS AUST PTY LIMITED**
Level 2, Suite 1, 160 Pacific Highway
North Sydney, NSW 2060, Australia
Main Line : (61) 2 8987 0400
Main Fax : (61) 2 8987 0401
- **MELBOURNE OFFICE**
9-23 Aquavista Building, 401 Dockland Drive
Dockland, Victoria 3008, Australia
Main Line : (61) 3 8615 9300

VIETNAM OFFICE:

- **M-SECURITY TECHNOLOGY VIETNAM COMPANY LIMITED**
M-SECURITY TECHNOLOGY INDOCHINA PTE. LTD.
HANOI REPRESENTATIVE OFFICE
15th Floor, Ladeco Building, 266 Doi Can street, Lieu Giai Ward, Ba Dinh district, Hanoi, Vietnam
Main Line : (844) 3935 0970 / 0971
Main Fax : (844) 3773 8278
- **HO CHI MINH CITY REPRESENTATIVE OFFICE**
Artex Sai Gon Building, 236-238 Nguyen Cong Tru, District 1, 4th floor Unit 4B
Ho Chi Minh City, Vietnam
Main Line : (848) 6290 5418
Main Fax : (848) 6290 5420

THAILAND OFFICE:

- **M-SOLUTIONS TECHNOLOGY (THAILAND) CO., LTD**
E-SECURE ASIA CO., LTD.
25 Bangkok Insurance Building, 21st Floor, South Sathorn Road, Thungmahamek, Sathorn Bangkok 10120
Main Line : (662) 650 6500
Main Fax : (662) 677 4166

PHILIPPINES OFFICE:

- **M.TECH PRODUCTS PHILS., INC**
1100, 88 Corporate Center, Valero corner Sedeno Streets, Salcedo Village, Makati City, 1227 Philippines
Main Line : (632) 908 2583
Main Fax : (632) 908 2555

M-SECURITY TECH PHILIPPINES INC.

Unit 2904, 88 Corporate Center, Valero corner Sedeno Streets, Salcedo Village, Makati City, 1227 Philippines
Main Line : (632) 729 8837/39
Main Fax : (632) 729 8839 loc 105

TAIWAN OFFICE:

- **M.TECH PRODUCTS TW PTE. LTD. TAIWAN BRANCH**
3F., No.10, Lane 360, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C)
Main Line : (886) 2 2659 9128
Fax : (886) 2 2659 9127

CHINA OFFICE:

- **M.TECH (SHANGHAI) CO.,LTD**
Room 602, South Building, China Merchants Plaza No.333, North Chengdu Road Jing'an District, Shanghai, PRC 200041
Main Line : (86-21) 6217 1508
Main Fax : (86-21) 6217 1221
- **BEIJING BRANCH**
Room 907/A, Tianchuang Technology Tower Horizon International Tower, No.08 Caihefang Road, Haidian District Beijing, PRC 100080
Main Line : (86-10) 8280 0190/ 91/ 92/ 93
Main Fax : (86-10) 8280 0180
- **GUANGZHOU BRANCH**
Room 2507, Haihang Building, No. 8 Linhe Zhong Road, Tianhe District, Guangzhou, PRC 510610
Main Line : (86-20) 8550 1455
Main Fax : (86-20) 8550 1461
- **SHENZHEN OFFICE**
Room 1208, Tian An International Building, Renmin Road South, Luohu District, Shenzhen, 518001
Main Line : (86-755) 2151 7458
Main Fax : (86-755) 8370 7800

CORPORATE DIRECTORY

CHINA OFFICE: (Continued)

• HANGZHOU OFFICE

Room 1810, No.388,
Fengtian Road, Gongshu District
Hangzhou, PRC 310011
Main Line : (86-571) 8971 4719

HONG KONG OFFICE:

• M.TECH PRODUCTS (HK) PTE LIMITED

Rm 1401, 14/F, Nanyang Plaza
57 Hung To Rd, Kwun Tong, Hong Kong
Main Line : (852) 2369 2678
Main Fax : (852) 2369 2993

INDIA OFFICE

• M. TECH SOLUTIONS (INDIA) PVT LTD

Sri Narayani, NPSR Plaza, No. 25, 3rd Floor,
7th Cross Road, Vasanthanagara Extn,
Bangalore 560052
Main Line : (91-80) 4097 7238
Main Fax : (91-80) 4097 7238

• CHENNAI OFFICE

New No. 63, Old No. 38,
Second Floor, Raj Towers
First Avenue, Ashok Nagar, Chennai 600083
Main Line : (91-44) 4502 2391
Main Fax : (91-44) 4502 2390

• DELHI OFFICE

Unit No.403, 4th Floor, Tower - B, DLF Towers
No.11, Jasola District Centre
New Delhi 110025
Main Line : (91-11) 4100 2960

• MUMBAI OFFICE

Unit No. 501, 5th Floor, Town Centre -II,
Marol, Sakinaka, Andheri Kurla Road
Andheri (East), Mumbai 400059
Main Line : (91-22) 4015 4354
Main Fax : (91-22) 4015 4354

• AHMEDABAD OFFICE

706, Sakar III, Nr. Income tax office
Ashram Road, Ahmedabad 380014
Main Line : (91-79) 2754 2872/3002 6203
Main Fax : (91-79) 2754 0920

• PUNE OFFICE

Regus Business Centre Pune Pvt Ltd
Level 2, Connaught Place, Bund Garden Road
Pune 411001
Main Line : (91-20) 4014 7575

• HYDERABAD OFFICE

Regus Business Centre Hyderabad Pvt Ltd
Level 1, Mid Town Plaza
Road No 1, Banjara Hills
Hyderabad 500034, Andhra Pradesh, India
Main Line : (91-40) 4433 4433

NEW ZEALAND OFFICE

• M.TECH PRODUCTS NEW ZEALAND LIMITED

Level 7, 53 Fort Street, Auckland 1140
Main Line : (61) 2 8987 0400
Main Fax : (61) 2 8987 0401

JAPAN OFFICE:

• M.TECH PRODUCTS JAPAN KABUSHIKI KAISHA

Yoshikawa Building 6F
1-7-7, Yaesu, Chuo-ku, Tokyo,
Japan 103-0028
Main Line : (65) 6516 0088
Main Fax : (65) 6862 6558

KOREA OFFICE:

• M.TECH PRODUCTS KOREA LLC

93, Gyesansae-ro, Gyeyang-gu,
Incheon 20165, Korea
Main Line : (65) 6516 0088
Main Fax : (65) 6862 6558

UK OFFICE:

• M.TECH PRODUCTS (UK) PTE LTD

65 Compton Street,
London, EC1V 0BH,
United Kingdom
Main Line : (65) 6516 0088
Main Fax : (65) 6862 6558



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DIRECTORS' STATEMENT

The Directors of Multi-Chem Limited (the “Company”) present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the consolidated statement of financial position of the Group and the statement of financial position of the Company, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Financial Reporting Standards in Singapore so as to give a true and fair view of the consolidated statement of financial position of the Group and the financial position of the Company as at 31 December 2016 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

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

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

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

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance as at 1 January 2016	Balance as at 31 December 2016	Balance as at 1 January 2016	Balance as at 31 December 2016
Number of ordinary shares				
Company				
Foo Suan Sai	35,870,925	35,983,025	25,345,125	25,345,125
Han Juat Hoon	25,345,125	25,345,125	35,870,925	35,983,025
Wong Meng Yeng	8,500	8,500	-	-
Foo Fang Yong	50,000	50,000	-	-
Neo Mok Choon	-	-	372,500	372,500

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

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholding, the Directors' interests as at 21 January 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016.

5. Share options

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

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

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

DIRECTORS' STATEMENT

6. Audit committee

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

Wong Meng Yeng (Chairman)

Lim Keng Jin

Neo Mok Choon

Foo Maw Shen

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

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

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

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

7. Independent auditor

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

On behalf of the Board of Directors

Foo Suan Sai

Director

Han Juat Hoon

Director

Singapore

7 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Multi-Chem Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Multi-Chem Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 66 to 171, which comprise:

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

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Multi-Chem Limited

1. Inventories-in-transit

Key Audit Matter

The Group is exposed to varying shipping terms applied by its suppliers. The Group recognises purchases based on the date of goods received notes to ensure inventories are adequately recorded into the accounting system thereby facilitating the tracking of inventories. Consequently, purchases may not be recognised in accordance with the risks and rewards that were transferred based on the relevant shipping terms.

In order to ensure purchases from suppliers are recorded in the appropriate accounting period, the Group appoints an officer to perform reconciliation against major suppliers' statements of account and verify the shipping terms using the relevant delivery documents to ensure risks and rewards have been properly transferred from suppliers to the Group at the end of each reporting period.

We focused on this area as a key audit matter due to the large volume of transactions taking place around the financial year-end under various shipping terms. As the controls in place are not automated, purchase transactions occurring near the financial year-end may not be recorded into the appropriate financial year. The carrying amount of the Group's inventories-in-transit as at 31 December 2016 was \$16,524,000.

Related Disclosures

Refer to Note 13 to the financial statements for the Group's inventories breakdown.

Audit Response

Our procedures included, amongst others:

- We performed tests of controls surrounding purchases cycle on trading of information technology security software and hardware;
- We reviewed management's reconciliation of suppliers' statements of account for adequacy of liabilities recorded against the shipping terms based on the relevant delivery documents; and
- We performed search for unrecorded liabilities pertaining to either inventories received or purchases made where suppliers' invoices have not been received.

2. Recoverability of Trade Receivables

Key Audit Matter

The Group operates in a large number of geographical locations with individual customers in different locations having different profiles and characteristics. Some customers in certain geographical locations like Indonesia, Malaysia and People's Republic of China have longer sales days outstanding and managing the credit risk of outstanding receivables in certain emerging countries can be challenging.

Management establishes allowance for doubtful receivables on a case-by-case basis by reviewing ageing reports and when it believes that payment of amounts owed is unlikely to occur. The impairment assessment process is subjective, which includes reviewing customer profiles and historical trends of payment.

INDEPENDENT AUDITOR'S REPORT

To the Members of Multi-Chem Limited

2. Recoverability of Trade Receivables (Continued)

Key Audit Matter (Continued)

We focused on this area as a key audit matter due to the significant trade receivables that are past due their respective credit period and the significant judgement involved in management's impairment assessment on long outstanding trade receivables. The carrying amount of the Group's third party trade receivables as at 31 December 2016 was \$82,088,000.

Related Disclosures

Refer to Notes 2.10, 3.2, 11 and 35.1 to the financial statements for the accounting policy on impairment of financial assets, key estimation uncertainty of allowance for doubtful receivables, movement in allowance for doubtful third party receivables and credit risk to the Group's financial assets respectively.

Audit Response

Our procedures included, amongst others:

- We performed analysis on the trade receivables ageing report to identify any deterioration in turnover days;
- We discussed and challenged management's credit risk assessment which includes reviewing the historical payment pattern trend, on-going business relationship and geographical profile of significant trade receivables;
- We checked subsequent collections relating to the Group's significant past due trade receivables; and
- We assessed the adequacy of the Group's disclosure in respect of credit risk.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Multi-Chem Limited

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the Members of Multi-Chem Limited

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Goh Chern Ni.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore

7 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	4	17,431	20,673	2,261	3,719
Investment properties	5	-	-	2,637	1,684
Investments in subsidiaries	6	-	-	24,432	31,299
Investment in an associate	7	-	-	-	-
Club memberships	8	563	572	186	186
Deferred tax assets	9	2,056	2,386	-	-
Available-for-sale financial assets	10	4,290	4,047	4,290	4,047
Trade receivables	11	679	705	-	-
Prepayment	12	636	720	636	720
		25,655	29,103	34,442	41,655
Current assets					
Inventories	13	28,976	29,486	297	323
Trade and other receivables	11	84,021	87,012	33,065	31,769
Prepayments	12	1,401	1,707	172	228
Current income tax recoverable		2,553	3,051	199	199
Derivative financial instruments	14	2	17	-	-
Cash and cash equivalents	15	50,773	36,697	1,826	2,361
		167,726	157,970	35,559	34,880
Less:					
Current liabilities					
Trade and other payables	16	76,074	65,664	2,935	1,749
Finance lease payables	17	117	191	117	160
Bank borrowings	18	9,495	19,808	1,295	7,041
Current income tax payable		967	653	-	-
Derivative financial instruments	14	7	45	-	45
		86,660	86,361	4,347	8,995
Net current assets		81,066	71,609	31,212	25,885

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Less:					
Non-current liabilities					
Finance lease payables	17	29	146	29	146
Bank borrowings	18	1,927	2,643	1,927	2,643
Provision for post-employee benefits	19	195	219	-	-
Deferred tax liabilities	9	4	-	-	-
		2,155	3,008	1,956	2,789
		104,566	97,704	63,698	64,751
Equity					
Share capital	20	37,288	37,288	37,288	37,288
Foreign currency translation reserve	21	3,433	4,670	-	-
Available-for-sale reserve	22	341	198	341	198
Other reserves	23	5,222	5,158	-	-
Retained earnings	24	50,388	43,699	26,069	27,265
Equity attributable to owners of the parent		96,672	91,013	63,698	64,751
Non-controlling interests		7,894	6,691	-	-
Total equity		104,566	97,704	63,698	64,751

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Revenue	25	361,450	347,057
Cost of sales		(304,787)	(294,367)
Gross profit		56,663	52,690
Other items of income			
Interest income		386	491
Other income	26	3,041	1,913
Other items of expense			
Selling and distribution costs		(22,994)	(22,403)
Administrative and other expenses		(22,020)	(23,252)
Finance costs	27	(443)	(648)
Share of results of an associate, net of tax		-	(30)
Profit before income tax	28	14,633	8,761
Income tax expense	29	(3,836)	(2,739)
Profit for the financial year		10,797	6,022
Profit attributable to:			
Owners of the parent		9,740	4,779
Non-controlling interests		1,057	1,243
		10,797	6,022
Earnings per share	30	2016	2015
- Basic		10.81 cents	5.30 cents
- Diluted		10.81 cents	5.30 cents

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Profit for the financial year		10,797	6,022
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency differences on translation of foreign operations		(1,032)	2,816
Fair value gain on available-for-sale financial assets	22	143	142
		(889)	2,958
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employee benefits	19	(5)	127
Other comprehensive income for the financial year, net of tax		(894)	3,085
Total comprehensive income for the financial year		9,903	9,107
Total comprehensive income attributable to:			
Owners of the parent		8,641	7,469
Non-controlling interests		1,262	1,638
		9,903	9,107

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

Note	Share capital	Foreign currency translation reserve	Premium on acquisition of non-controlling interests	Available-for-sale reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	37,288	4,670	(123)	198	5,281	43,699	91,013	6,691	97,704
Profit for the financial year	-	-	-	-	-	9,740	9,740	1,057	10,797
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(1,237)	-	-	-	-	(1,237)	205	(1,032)
Remeasurements of post-employee benefits	19	-	-	-	-	(5)	(5)	-	(5)
Fair value gain on available-for-sale financial assets	22	-	-	143	-	-	143	-	143
Total comprehensive income for the financial year	-	(1,237)	-	143	-	9,735	8,641	1,262	9,903
Contributions by and distributions to the owners of the parent									
Dividends	31	-	-	-	-	(2,982)	(2,982)	-	(2,982)
Transfer to statutory reserve		-	-	-	64	(64)	-	-	-
Total transactions with the owners of the parent	-	-	-	-	64	(3,046)	(2,982)	-	(2,982)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary		-	-	-	-	-	-	(59)	(59)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(59)	(59)
Balance at 31 December 2016	37,288	3,433	(123)	341	5,345	50,388	96,672	7,894	104,566

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

Note	Share capital	Premium on Foreign currency translation reserve	acquisition of non-controlling interests	Available-for-sale reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2015	37,288	2,249	(123)	56	4,919	42,137	86,526	4,839	91,365
Profit for the financial year	-	-	-	-	-	4,779	4,779	1,243	6,022
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	2,421	-	-	-	-	2,421	395	2,816
Remeasurements of post-employee benefits	19	-	-	-	-	127	127	-	127
Fair value gain on available-for-sale financial assets	22	-	-	142	-	-	142	-	142
Total comprehensive income for the financial year	-	2,421	-	142	-	4,906	7,469	1,638	9,107
Contributions by and distributions to the owners of the parent									
Dividends	31	-	-	-	-	(2,982)	(2,982)	-	(2,982)
Transfer to statutory reserve		-	-	-	362	(362)	-	-	-
Total transactions with the owners of the parent	-	-	-	-	362	(3,344)	(2,982)	-	(2,982)
Transactions with non-controlling shareholders									
Disposal of non-controlling interests		-	-	-	-	-	-	214	214
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	214	214
Balance at 31 December 2015	37,288	4,670	(123)	198	5,281	43,699	91,013	6,691	97,704

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Operating activities		
Profit before income tax	14,633	8,761
Adjustments for:		
Allowance (reversed)/made for doubtful third party trade receivables	(550)	2,100
Allowance reversed for doubtful third party non-trade receivables	-	(59)
Allowance made for inventory obsolescence	1,267	3,112
Bad third party trade receivables written off	3	544
Fair value change in derivative financial instruments	138	27
Amortisation of club memberships	9	30
Depreciation of property, plant and equipment	4,177	4,837
Gain on disposal of a subsidiary	-	(227)
(Gain)/Loss on disposals of plant and equipment	(97)	22
Impairment loss of plant and equipment	-	502
Interest expense	443	648
Interest income	(386)	(491)
Inventories written off	32	176
Plant and equipment written off	17	34
Share of results of an associate	-	30
Unrealised foreign exchange gain	(417)	(622)
Operating cash flows before working capital changes	19,269	19,424
Working capital changes:		
Inventories	(326)	2,172
Trade and other receivables	5,096	(6,735)
Prepayments	383	(778)
Trade and other payables	8,343	1,291
Provision for post-employee benefits	(33)	127
Cash generated from operations	32,732	15,501
Interest received	386	491
Income tax paid	(2,716)	(2,825)
Net cash generated from operating activities	30,402	13,167

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Investing activities		
Derivative financial instruments	(161)	-
Proceeds from disposal of a subsidiary (Note 6)	-	2
Proceeds from disposal of an associate (Note 7)	-	194
Proceeds from disposal of plant and equipment	663	66
Purchase of property, plant and equipment (Note 4)	(2,486)	(1,421)
Purchase of club memberships	-	(202)
Net cash used in investing activities	(1,984)	(1,361)
Financing activities		
Decrease in fixed deposits pledged	700	8,418
Proceeds from bank borrowings	72,236	72,746
Repayments of bank borrowings	(83,209)	(87,768)
Repayments of finance lease payables	(190)	(155)
Interest paid	(443)	(648)
Dividends paid to owners of the parent	(2,982)	(2,982)
Dividends paid to non-controlling shareholders	(59)	-
Net cash used in financing activities	(13,947)	(10,389)
Net change in cash and cash equivalents	14,471	1,417
Cash and cash equivalents at beginning of financial year	35,215	33,718
Effects of exchange rate changes on cash and cash equivalents	304	80
Cash and cash equivalents at end of financial year (Note 15)	49,990	35,215

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 financial statements.

1. General corporate information

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

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

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

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

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors' resolution dated 7 March 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

Singapore-incorporated companies listed on SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for annual periods beginning on or after 1 January 2018. The Group will adopt the new framework on 1 January 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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

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

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

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	: Classification and Measurement of Share-based Payment Transactions	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 104 (Amendments)	: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to FRSs (December 2016)		
- FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
- FRS 101 (Amendments)	: First-time Adoption of Financial Reporting Standards	1 January 2018
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 Financial Instruments

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

Classification and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Classification and measurement (Continued)

The Group has performed its preliminary assessment on the classification and measurement of its financial assets, and expects that investment in life insurance plan currently classified as available-for-sale financial assets at fair value through other comprehensive income ("AFS") will have to be measured at fair value through profit or loss on adoption of FRS 109. The cumulative fair value changes in the AFS reserve will be reclassified to retained earnings at the date of initial application and subsequent fair value changes will be recognised in profit or loss.

The Group currently accounts for its AFS investment in unquoted equity securities at cost less impairment loss, if any, as disclosed in Note 10 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, with the difference between the previous carrying amount and the fair value recognised in the opening balance of retained earnings at the date of initial application.

The Group anticipates that the financial assets it currently classifies as loan and receivables will be classified into financial assets measured at amortised costs under FRS 109.

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Impairment (Continued)

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from third parties and related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The Group has performed a preliminary assessment of its revenue from sale of information technology ("IT") security software or hardware and revenue from maintenance services for internet and network products. Based on the preliminary assessment, the Group did not identify any potential impact on the timing and pattern of revenue recognition under FRS 115.

Under FRS 115, the Group expects to qualify to continue to recognise revenue from sale of IT security software or hardware at a point in time when the control of an asset has been transferred to its customer. For the Group's revenue from maintenance services for internet and network products, the Group expects to continue to recognise revenue over the term of the service contract as the customer is expected to consume the benefits over the contractual period. When the Group enters into arrangements for multiple deliverables for the sale of IT security hardware or software and maintenance services to customers, revenue is recognised separately for each deliverable based on the current revenue recognition policy. However, the Group is still in the process of making its assessment on the potential impact under FRS 115 in relation to combining contracts with customers, contract modifications, rebates, discounts and the allocation of consideration to separate performance obligations. On adoption of FRS 115, the Group expects to elect and apply the practical expedient on contract modifications.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 116 Leases (Continued)

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as “right-of-use” assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010

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

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

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

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

2.4 Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

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

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

	Years
Leasehold properties	Over the lease terms of 25 to 56
Office plant and equipment	1 to 5
Factory plant and machinery	
- Factory machinery	8 to 10
- Other factory equipment	5

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

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

During the financial year, the Group changed its estimation on the residual values of its factory machinery from 10% to 5% to better reflect the carrying amounts of factory machinery. This change in accounting estimate was applied prospectively in the profit or loss and the effect of change resulted in an increase in depreciation expenses of \$998,000 during the financial year.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.5 Investment properties

The Company has adopted the cost method for measurement of its investment properties. Investment properties which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives over the lease terms of 48 to 52 years. The residual values, useful lives and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

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

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

2.6 Associate

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.6 Associate (Continued)

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

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

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

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

2.7 Club memberships

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

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

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

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

2.8 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

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

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

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

2.9 Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments

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

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

Effective interest method

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

Financial assets

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

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

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

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

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

Impairment of financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Bank borrowings

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

Financial guarantee contracts

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

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

Intra-group transactions are eliminated on consolidation.

Derecognition of financial liabilities

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

Derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Derivative financial instruments (Continued)

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

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

2.11 Cash and cash equivalents

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

2.12 Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition (Continued)

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

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

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

2.13 Grants

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

2.14 Employee benefits

Defined contribution plan

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

Defined benefit plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.14 Employee benefits (Continued)

Defined benefit plans (Continued)

Defined benefit costs comprise the following:

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

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

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

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

Employee leave entitlement

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

2.15 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.15 Leases (Continued)

When the Group and the Company are the lessees of finance leases (Continued)

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

When the Group is the lessee of operating leases

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

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

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

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

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

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

2.16 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.17 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Deferred tax (Continued)

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

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

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

Sales tax

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

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

2.18 Foreign currencies transactions and translation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.18 Foreign currencies transactions and translation (Continued)

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

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

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

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

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

2.19 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.20 Segment reporting

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

2.21 Contingencies

A contingent liability is:

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

3.1 Critical judgements made in applying the accounting policies

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

Investments in Thailand subsidiaries

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

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

The terms of these pledge agreements include, inter alia:

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

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

Impairment of investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty

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

Property, plant and equipment

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

In the previous financial year, certain laser machines included in factory plant and machinery with a carrying amount of \$4,131,000 showed indicators of impairment using machine utilisation rates. Accordingly, the management used value-in-use calculations to determine the recoverable amount of those laser machines as at 31 December 2015. These calculations require the use of judgments and estimates. The value-in-use calculations used cash flow projections based on the machines' remaining life span and pre-tax discount rate of 4.83%. The key assumptions were those regarding the sales volume and discount rate. The sensitivity analysis on the changes in key assumptions are disclosed in Note 4 to the financial statements.

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2016 were \$17,431,000 and \$2,261,000 (2015: \$20,673,000 and \$3,719,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories using the weighted average method for chemicals and other PCB related products and specific identification method for hardware and software relating to internet and network products. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group and the Company to reduce the value of their inventories. The carrying amounts of the Group's and the Company's inventories as at 31 December 2016 were \$28,976,000 and \$297,000 (2015: \$29,486,000 and \$323,000) respectively.

Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience, customer profiles and geographical locations. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2016 were \$84,700,000 and \$33,065,000 (2015: \$87,717,000 and \$31,769,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment

Group	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Cost				
Balance at 1 January 2016	5,729	9,040	64,537	79,306
Additions	1,003	1,333	150	2,486
Disposals	-	(777)	(4,651)	(5,428)
Written off	-	(144)	(3)	(147)
Currency translation adjustment	59	36	(2,791)	(2,696)
Balance at 31 December 2016	6,791	9,488	57,242	73,521
Accumulated depreciation and impairment				
Balance at 1 January 2016	683	6,767	51,183	58,633
Depreciation for the financial year	149	1,011	3,017	4,177
Disposals	-	(770)	(4,092)	(4,862)
Written off	-	(127)	(3)	(130)
Currency translation adjustment	9	30	(1,767)	(1,728)
Balance at 31 December 2016	841	6,911	48,338	56,090
Carrying amount				
Balance at 31 December 2016	5,950	2,577	8,904	17,431
Cost				
Balance at 1 January 2015	5,564	7,887	64,038	77,489
Additions	-	1,259	362	1,621
Disposals	-	(48)	(341)	(389)
Written off	-	(296)	(763)	(1,059)
Currency translation adjustment	165	238	1,241	1,644
Balance at 31 December 2015	5,729	9,040	64,537	79,306
Accumulated depreciation and impairment				
Balance at 1 January 2015	534	5,763	47,621	53,918
Depreciation for the financial year	132	1,184	3,521	4,837
Impairment loss	-	-	502	502
Disposals	-	(52)	(250)	(302)
Written off	-	(292)	(733)	(1,025)
Currency translation adjustment	17	164	522	703
Balance at 31 December 2015	683	6,767	51,183	58,633
Carrying amount				
Balance at 31 December 2015	5,046	2,273	13,354	20,673

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment (Continued)

Company	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Cost				
Balance at 1 January 2016	1,410	2,223	3,005	6,638
Additions	-	33	-	33
Disposals	-	(5)	(970)	(975)
Written off	-	(4)	-	(4)
Balance at 31 December 2016	1,410	2,247	2,035	5,692
Accumulated depreciation				
Balance at 1 January 2016	288	1,343	1,288	2,919
Depreciation for the financial year	53	340	319	712
Disposals	-	(5)	(191)	(196)
Written off	-	(4)	-	(4)
Balance at 31 December 2016	341	1,674	1,416	3,431
Carrying amount				
Balance at 31 December 2016	1,069	573	619	2,261
Cost				
Balance at 1 January 2015	1,410	1,846	3,393	6,649
Additions	-	565	326	891
Written off	-	(188)	(714)	(902)
Balance at 31 December 2015	1,410	2,223	3,005	6,638
Accumulated depreciation				
Balance at 1 January 2015	235	1,163	1,654	3,052
Depreciation for the financial year	53	366	333	752
Written off	-	(186)	(699)	(885)
Balance at 31 December 2015	288	1,343	1,288	2,919
Carrying amount				
Balance at 31 December 2015	1,122	880	1,717	3,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment (Continued)

As at 31 December 2016, the carrying amounts of office plant and equipment of the Group and the Company which were acquired under finance lease arrangement were \$434,000 and \$434,000 (2015: \$651,000 and \$651,000) respectively. Finance leased assets are pledged as security for the related finance lease payables (Note 17).

As at 31 December 2016, the carrying amounts of properties of the Group and the Company which were acquired through bank borrowings were \$1,649,000 and \$Nil (2015: \$2,961,000 and \$Nil) respectively. The properties are pledged as security for the related bank borrowings (Note 18).

Impairment

In the previous financial year, the Group recognised an impairment loss of \$502,000 relating to its factory plant and machinery in “administrative and other expenses” line item of profit or loss and “PCB business” segment.

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

	2015 Year 1 to Year 4 %
Sales volume	(5)
Discount rate	<u>4.83</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment (Continued)

Sensitivity analysis

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

Increase/(Decrease) in recoverable amounts of the property, plant and equipment

2015

\$'000

Change in key assumption

Sales volume

- 10% increase

56

- 10% decrease

(56)

Discount rate

- 10% increase

(34)

- 10% decrease

35

Consolidated Statement of Cash Flows

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

	Group	
	2016	2015
	\$'000	\$'000
Additions of property, plant and equipment	2,486	1,621
Acquired under finance lease	-	(200)
Cash payments to acquire property, plant and equipment	2,486	1,421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment properties

	Company	
	2016	2015
	\$'000	\$'000
Cost		
Balance at beginning and end of financial year	1,788	1,788
Addition	1,003	-
Balance at end of financial year	2,791	1,788
Accumulated depreciation		
Balance at beginning of financial year	104	70
Depreciation for the financial year	50	34
Balance at end of financial year	154	104
Carrying amount		
At end of financial year	2,637	1,684

The following amounts are recognised in profit or loss:

	Company	
	2016	2015
	\$'000	\$'000
Rental income from investment properties	138	106
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	45	16

As at 31 December 2016, the carrying amount of investment properties which were acquired through bank borrowings were \$1,649,000 (2015: \$1,684,000). The investment properties were pledged as security for the related bank borrowings (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment properties (Continued)

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

Location	Description	Tenure
18 Boon Lay Way #04-108 TradeHub 21, General office building Singapore 609966		60 years leasehold from 10 December 2003
18 Boon Lay Way #04-110 TradeHub 21, General office building Singapore 609966		60 years leasehold from 10 December 2003
18 Boon Lay Way #04-111 TradeHub 21, General office building Singapore 609966		60 years leasehold from 10 December 2003

The Company leased out its investment properties to its subsidiaries, M.Tech Holdings Pte. Ltd. and M.Tech Products Pte Ltd, under cancellable operating leases.

6. Investments in subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	34,003	40,870
Allowance for impairment losses	(9,571)	(9,571)
	24,432	31,299

Reduction in share capital of a subsidiary

During the financial year, the Company's wholly-owned subsidiary Multi-Chem (Suzhou) Co. Ltd ("Multi-Chem Suzhou"), had reduced its share capital from US\$6,000,000 to US\$1,000,000. Accordingly, the Company's investment in Multi-Chem Suzhou was reduced by US\$5,000,000 (or \$6,867,000 equivalent).

Disposal of a subsidiary

In the previous financial year, the Company's indirect subsidiary, SecureOneAsia Pte. Ltd. disposed of its entire 51% equity interest in M-Virtual Technology India Private Limited ("MVTI") for a cash consideration of approximately \$5,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

Disposal of a subsidiary (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016 %	2015 %	2016 %	2015 %	
Held by the Company					
Multi-Chem (Suzhou) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Designing, manufacturing panel and microdrill, selling own products and providing relevant service, renting out machines
Multi-Chem Laser Technology (Suzhou) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Designing, producing, processing PCB and related products, selling own products and providing relevant service
M.Tech Products Philippines, Inc. ^(g) (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Multi-Chem Electronics (Kunshan) Co., Ltd ^(c) (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
Multi-Chem PCB (Kunshan) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

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

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Held by the Company (Continued)					
M.Tech Holdings Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Investment holding and distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
Held by M. Tech Holdings Pte. Ltd.					
M.Tech Products Pte Ltd ^(a) (Singapore)	76.75	76.75	23.25	23.25	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Solutions Technology (Thailand) Co., Ltd. ^{(d),(e)} (Thailand)	49	49	51	51	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Security Technology Sdn. Bhd. ^(b) (Malaysia)	100	100	-	-	Distribution of information technology products and related services
SecureOneAsia Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Investment holding and provision of management services of its subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

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

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M-Security Technology Indochina Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech (Shanghai) Co., Ltd. ^(c) (People's Republic of China)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
PT. M.Tech Products ^(f) (Indonesia)	99	99	1	1	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products (HK) Pte Limited ^(h) (Hong Kong)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products TW Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

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

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M. Tech Products Aust Pty Limited ⁽ⁱ⁾ (Australia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
SecureOne India Holding Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Japan Kabushiki Kaisha ^(j) (Japan)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products New Zealand Limited ⁽ⁱ⁾ (New Zealand)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products Korea Limited Liability Company ^(j) (South Korea)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

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

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M.Tech Products (UK) Pte Ltd ⁽ⁱ⁾ (United Kingdom)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
E-Secure Asia Pte. Ltd. ^(a) (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M. Tech Products Pte Ltd					
M.SaaS Solutions Pte. Ltd. ^(a) (Singapore)	76.75	76.75	23.25	23.25	Software consultancy and implementation services
Held by SecureOneAsia Pte. Ltd.					
M-Security Tech Philippines Inc. ^(g) (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Myanmar Ltd. ⁽ⁱ⁾ (Republic of the Union of Myanmar)	100	100	-	-	Provision of installation and maintenance services for internet and network products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

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

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Held by SecureOne India Holding Pte. Ltd.					
M.Tech Solutions (India) Private Limited ^(l) (India)	99.99	99.99	0.01	0.01	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M-Security Technology Indochina Pte. Ltd.					
M-Security Technology Vietnam Company Limited ^(k) (Vietnam)	100	100	-	-	Provision of installation and related technical service of hardware and software relating to internet and network products and distribution of such products
Held by E-Secure Asia Pte. Ltd.					
E Fortify Asia Sdn. Bhd. ^(b) (Malaysia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
E-Secure Asia Co., Ltd. ^{(d),(e)} (Thailand)	48.80	48.80	51.20	51.20	Distribution of IT products and maintenance services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

Non-controlling interests

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

	M.Tech Products Pte Ltd	
	2016	2015
	\$'000	\$'000
Revenue	112,205	98,244
Profit before income tax	5,057	5,085
Income tax expense	(614)	(176)
Profit after income tax	4,443	4,909
Profit allocated to NCI	1,033	1,141
Other comprehensive income allocated to NCI	-	-
Total comprehensive income allocated to NCI	1,033	1,141
Dividends paid to NCI	(59)	-
Cash flows generated from operating activities	13,603	16,514
Cash flows used in investing activities	(410)	(317)
Cash flows used in from financing activities	(3,539)	(15,114)
Net cash inflows	9,654	1,083
Assets:		
Current assets	52,671	51,924
Non-current assets	4,224	4,091
Liabilities:		
Current liabilities	22,593	26,770
Non-current liabilities	-	16
Net assets	34,302	29,229
Accumulated non-controlling interests	7,975	6,796

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

Significant restriction

Cash and bank balances of \$10,217,000 (2015: \$16,493,000), equivalent to RMB48,957,000 (2015: RMB75,485,000) held with subsidiaries in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

7. Investment in an associate

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Equity investment at cost			-	-
Allowance for impairment losses			-	-
			-	-
Balance at beginning of financial year	-	224		
Share of results	-	(30)		
Proceeds from liquidation	-	(194)		
Balance at end of financial year	-	-		

Movement in allowance for impairment losses was as follows:

	Company	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	-	476
Written off upon liquidation	-	(476)
Balance at end of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investment in an associate (Continued)

The details of the associate are as follows:

Name of company (Country of incorporation)	Effective equity interest		Principal activities
	2016 %	2015 %	
Hawera Precision Tec Pte Ltd ^(a) (Singapore)	-	-	Distribution of precision tools and provision of regrinding services

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

As at 31 December 2015, the associate was liquidated and did not have any assets or liabilities. The net loss incurred for the financial ended 31 December 2015 was approximately \$86,000.

8. Club memberships

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cost				
Balance at beginning of financial year	603	380	186	-
Additions	-	202	-	186
Currency translation adjustment	-	21	-	-
Balance at end of financial year	603	603	186	186
Accumulated amortisation				
Balance at beginning of financial year	31	-	-	-
Charge for the financial year	9	30	-	-
Currency translation adjustment	-	1	-	-
Balance at end of financial year	40	31	-	-
Carrying amount				
At end of financial year	563	572	186	186

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Club memberships (Continued)

Club memberships comprise memberships for golf clubs in the People's Republic of China and Singapore. As the club memberships do not have quoted market prices in an active market and there are no other available methods to reasonably estimate the fair values, it is not practicable to determine the fair values of the club memberships with sufficient reliability. A club membership of a subsidiary which is subject to amortisation over its useful life has a remaining amortisation period of 24 (2015: 25) years with a carrying amount of \$243,000 (2015: \$252,000).

As at 31 December 2016, the Group had club memberships held in trust by Directors of the Company with carrying amount of \$429,000 (2015: \$434,000).

9. Deferred tax assets/(liabilities)

	Group	
	2016	2015
	\$'000	\$'000
Deferred tax assets		
Balance at beginning of financial year	2,386	1,986
(Charge)/Credit to profit or loss (Note 29)	(332)	366
Currency translation adjustment	2	34
Balance at end of financial year	2,056	2,386
Deferred tax liabilities		
Balance at beginning of financial year	-	-
Charge to profit or loss (Note 29)	(4)	-
Balance at end of financial year	(4)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Deferred tax assets/(liabilities) (Continued)

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

	Provisions \$'000	Unutilised tax losses \$'000	Other temporary differences \$'000	Total \$'000
Group				
At 1 January 2015	1,209	409	368	1,986
Credit to profit or loss	308	74	(16)	366
Currency translation adjustment	(33)	6	61	34
At 1 January 2016	1,484	489	413	2,386
Charge to profit or loss	(85)	(41)	(206)	(332)
Currency translation adjustment	18	(14)	(2)	2
At 31 December 2016	1,417	434	205	2,056

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

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

	Accelerated tax depreciation \$'000	Provisions \$'000	Others \$'000	Total \$'000
Group				
At 1 January 2016	-	-	-	-
Credit/(Charge) to profit or loss	4	4	(12)	(4)
At 31 December 2016	4	4	(12)	(4)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Available-for-sale financial assets

	Group and Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	50	50
Investment in life insurance plan, at fair value	4,290	4,047
	4,340	4,097
Allowance for impairment losses	(50)	(50)
	4,290	4,047

Investment in unquoted equity shares

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

Investment in life insurance plan

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

	Group and Company	
	2016	2015
	\$'000	\$'000
Balance at beginning of financial year	4,047	3,647
Fair value change recognised in other comprehensive income	143	142
Exchange differences charged to profit or loss	100	258
Balance at end of financial year	4,290	4,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Investment in life insurance plan (Continued)

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

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

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

11. Trade and other receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets				
Trade receivables	679	705	-	-
Current assets				
Trade receivables				
- third parties	83,811	87,739	796	911
Allowance for doubtful trade receivables				
- third parties	(2,402)	(3,153)	-	-
	81,409	84,586	796	911
Non-trade receivables				
- third parties	2,158	1,955	5	54
- subsidiaries	-	-	32,260	30,800
	83,567	86,541	33,061	31,765
Deposits	454	471	4	4
Total current trade and other receivables	84,021	87,012	33,065	31,769
Total trade and other receivables	84,700	87,717	33,065	31,769

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Trade and other receivables (Continued)

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 (2015: 30 to 120) days credit terms.

Non-current trade receivables due from third parties are unsecured, non-interest bearing and expected to be settled within 2 to 5 years (2015: 2 to 6 years).

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand, except for an amount due from a subsidiary of \$32,251,000 (2015: \$30,791,000) which bears an interest rate of 2% (2015: 2.5%) per annum.

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

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

	Group	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	3,153	1,164
Allowance (reversed)/made during the financial year	(550)	2,100
Bad debt receivables written off	(157)	(181)
Currency translation adjustment	(44)	70
Balance at end of financial year	2,402	3,153

The Group recognised an allowance for doubtful trade receivables of \$Nil (2015: \$2,100,000) which was included in “administrative and other expenses” line item in profit or loss subsequent to a debt recovery assessment performed during the financial year.

The Group reversed an allowance for doubtful trade receivables of \$550,000 (2015: \$Nil) which was included in “other income” line item in profit or loss subsequent to the recovery of the related receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Trade and other receivables (Continued)

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

	Group	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	-	57
Allowance reversed during the financial year	-	(59)
Currency translation adjustment	-	2
Balance at end of financial year	-	-

In the previous financial year, the Group reversed an allowance for doubtful third party non-trade receivables no longer required of \$59,000 subsequent to the recovery of the receivables.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	4,290	3,329	18,385	29,350
United States dollar	41,689	48,889	14,675	2,225
Chinese renminbi	12,832	9,074	-	-
Thailand baht	5,179	5,310	5	10
Indian rupee	6,363	6,228	-	-
Ringgit Malaysia	3,532	5,356	-	-
New Taiwan dollar	3,021	1,315	-	-
Australian dollar	4,932	3,455	-	1
Others	2,862	4,761	-	183
	84,700	87,717	33,065	31,769

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Prepayments

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Non-current	636	720	636	720
Current	1,401	1,707	172	228
	2,037	2,427	808	948

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

13. Inventories

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trading goods	12,452	15,861	236	314
Inventories-in-transit	16,524	13,625	61	9
	28,976	29,486	297	323

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to \$279,488,000 (2015: \$269,861,000).

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for inventory obsolescence and inventories written off of \$1,267,000 and \$32,000 (2015: \$3,112,000 and \$176,000) respectively that have been included in "cost of sales" line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Derivative financial instruments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Derivative financial instruments				
Assets				
- Forward currency contracts	2	17	-	-
Liabilities				
- Forward currency contracts	(7)	(45)	-	(45)

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

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

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Foreign currency forward contracts				
Contract/Notional amount				
- United States dollar	1,455	4,482	-	2,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Derivative financial instruments (Continued)

The details of forward currency contracts entered are as follows:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2016	2015	2016 FC\$'000	2015 FC\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Group								
<i>Sell Malaysian ringgit</i>								
Less than 6 months	3	3	1,340	4,900	437	1,633	2	17
<i>Sell Philippine peso</i>								
Less than 7 months	-	33	-	35,320	-	1,044	-	(10)
<i>Sell Indonesian rupiah</i>								
Less than 3 months	9,393	10,048	9,564,500	18,137,200	1,018	1,805	(7)	(35)
					1,455	4,482	(5)	(28)
Company								
<i>Sell Philippine peso</i>								
Less than 7 months	-	33	-	35,320	-	1,044	-	(10)
<i>Sell Indonesian rupiah</i>								
Less than 3 months	-	10,048	-	18,137,200	-	1,805	-	(35)
					-	2,849	-	(45)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Cash and cash equivalents

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and bank balances	34,484	24,530	731	1,001
Fixed deposits with banks	16,289	12,167	1,095	1,360
Cash and cash equivalents as per statements of financial position	50,773	36,697	1,826	2,361
Fixed deposits pledged with banks	(783)	(1,482)		
Cash and cash equivalents as per consolidated statement of cash flows	49,990	35,215		

Fixed deposits mature on varying dates between 5 days to 3 months (2015: 7 days to 4 months) from the end of the financial year. The effective interest rates on the fixed deposits range from 0.75% to 3.00% (2015: 1.00% to 3.00%) per annum.

As at 31 December 2016, the fixed deposits of the Group amounting to \$783,000 (2015: \$1,480,000) were pledged to banks for bankers' guarantees issued on behalf of the Group and as security for banking facilities as disclosed in Note 18 to the financial statements.

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	1,710	1,197	204	267
United States dollar	23,127	7,257	835	631
Chinese renminbi	9,669	15,045	-	-
Ringgit Malaysia	1,505	265	-	-
Thailand baht	2,509	2,836	-	-
Indian rupee	5,595	4,769	-	-
Australian dollar	2,026	1,979	731	1,360
Others	4,632	3,349	56	103
	50,773	36,697	1,826	2,361

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Trade and other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables				
- third parties	52,755	48,282	245	150
Non-trade payables				
- third parties	7,438	4,185	62	114
- subsidiaries	-	-	198	250
Advance billings	2,081	2,075	-	-
Deferred revenue	3,963	3,686	-	-
Accrued operating expenses	9,837	7,436	2,430	1,235
	76,074	65,664	2,935	1,749

Trade and non-trade payables are unsecured, non-interest bearing and are generally on 30 to 90 (2015: 30 to 90) days credit terms.

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

Advanced billings to customers are for products and services to be delivered in future financial periods.

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

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	6,158	2,675	2,593	1,382
United States dollar	52,325	52,356	146	159
Chinese renminbi	5,592	2,171	189	198
Ringgit Malaysia	1,630	1,104	-	-
Thailand baht	2,146	1,743	-	-
Australian dollar	3,317	1,827	-	-
New Taiwan dollar	1,250	686	-	-
Indonesian rupiah	953	326	-	-
Indian rupee	2,033	2,056	-	-
Others	670	720	7	10
	76,074	65,664	2,935	1,749

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Finance lease payables

	Minimum lease payments \$'000	Future finance charges \$'000	Present value of minimum lease payments \$'000
Group			
2016			
Current liabilities			
Within one year	120	(3)	117
Non-current liabilities			
After one year but within five years	30	(1)	29
	150	(4)	146
2015			
Current liabilities			
Within one year	205	(14)	191
Non-current liabilities			
After one year but within five years	150	(4)	146
	355	(18)	337
Company			
2016			
Current liabilities			
Within one year	120	(3)	117
Non-current liabilities			
After one year but within five years	30	(1)	29
	150	(4)	146
2015			
Current liabilities			
Within one year	169	(9)	160
Non-current liabilities			
After one year but within five years	150	(4)	146
	319	(13)	306

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Finance lease payables (Continued)

The finance lease payables are due to financial institutions.

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

The finance lease term is 3 to 5 (2015: 3 to 7) years. The average effective interest rates for finance lease payables range from 3.59% to 4.35% (2015: 3.57% to 5.43%) per annum.

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

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

The finance lease payables are denominated in Singapore dollar.

18. Bank borrowings

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current liabilities				
Secured				
Short term loans	525	1,027	525	1,027
Term loan I	-	114	-	-
Term loan II	284	284	284	284
Term loan III	486	475	486	475
	1,295	1,900	1,295	1,786
Unsecured				
Short term loans	8,200	17,908	-	5,255
	9,495	19,808	1,295	7,041
Non-current liabilities				
Secured				
Term loan II	24	308	24	308
Term loan III	1,903	2,335	1,903	2,335
	1,927	2,643	1,927	2,643
	11,422	22,451	3,222	9,684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Bank borrowings (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Short term loans	1.93	2.16	1.86	2.24
Term loan I	2.54	2.44	-	-
Term loan II	2.37	2.37	2.37	2.37
Term loan III	2.09	1.88	2.09	1.88

Secured

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

Term loan I from a financial institution is repayable over 54 months commencing from 30 January 2012 and is secured by a subsidiary's leasehold property (Note 4). The term loan has been fully settled in May 2016.

Term loan II from a financial institution is repayable over 60 months commencing from 15 February 2013 and is secured by certain investment properties of the Company (Note 5).

Term loan III from a financial institution is repayable over 83 months commencing from 15 January 2015 and is secured by the available-for-sale financial assets of the Company (Note 10).

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Banking facilities granted	121,179	87,255	62,797	56,001
Banking facilities utilised	11,422	22,451	3,222	9,684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Bank borrowings (Continued)

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	9,033	10,488	833	6,874
United States dollar	2,389	11,963	2,389	2,810
	11,422	22,451	3,222	9,684

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

19. Provision for post-employee benefits

The Group recognises provision for post-employment benefits for all its permanent employees in accordance with Indonesian Labour Law No. 13/2003. The program is not funded by the Group. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method".

	Group	
	2016 \$'000	2015 \$'000
Provision for employee service entitlement benefits		
- Post-employment benefit program ("Plan A")	177	199
- Other long-term employee benefit program ("Plan B")	18	20
	195	219
Present value of provision for post-employee benefits	174	214
Currency alignment	20	5
Net benefit liability	195	219

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. Provision for post-employee benefits (Continued)

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

	Group	
	2016 \$'000	2015 \$'000
Current services costs	71	72
Past services costs	(122)	17
Interest costs	18	15
Actuarial gain	(3)	(5)
	(36)	99

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

	Group	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	219	-
Transferred from other payables under current liabilities	-	243
(Credited)/Charged to profit or loss	(36)	99
Net remeasurements of post-employee benefits recognised in other comprehensive income	(5)	(127)
Repayment made during the financial year	(3)	(1)
Currency realignment	20	5
Balance at end of financial year	195	219

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. Provision for post-employee benefits (Continued)

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

	Group	
	2016	2015
Financial assumptions:		
Annual discount rate		
- Plan A	8.75%	9.00%
- Plan B	2.79%	2.25%
Annual salary growth rate	10.00%	10.00%
Demographic assumptions:		
Retirement age	55 years	55 years

The weighted average duration of the post-employee benefits at the end of the financial year is 19.58 years (2015: 12.00 years).

Significant actuarial assumptions for the determination of the defined obligation are annual discount rate and annual salary growth. No sensitivity analysis is disclosed as the effect of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, will not have a significant effect on the defined obligation valuations.

20. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares			
	'000	'000	\$'000	\$'000
Issued and fully-paid:				
Balance at beginning of financial year	90,095	360,381	37,288	37,288
Share consolidation	-	(270,286)	-	-
Balance at end of financial year	90,095	90,095	37,288	37,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Share capital (Continued)

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

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

21. Foreign currency translation reserve

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

22. Available-for-sale reserve

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

	Group and Company	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	198	56
Fair value gain recognised in other comprehensive income	143	142
Balance at end of financial year	341	198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. Other reserves

	Group	
	2016 \$'000	2015 \$'000
Premium on acquisition of non-controlling interests	(123)	(123)
China statutory reserve	5,304	5,240
Thailand statutory reserve	41	41
	5,222	5,158

Premium on acquisition of non-controlling interests

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

China statutory reserve

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

Thailand statutory reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Retained earnings

Movements of retained earnings of the Company are as follows:

	Company	
	2016 \$'000	2015 \$'000
Balance at beginning of financial year	27,265	28,609
Total comprehensive income for the financial year	1,786	1,638
Dividends (Note 31)	(2,982)	(2,982)
Balance at end of financial year	26,069	27,265

25. Revenue

	Group	
	2016 \$'000	2015 \$'000
Rendering of services	146,572	141,208
Sale of goods	214,878	205,849
	361,450	347,057

26. Other income

	Group	
	2016 \$'000	2015 \$'000
Allowance reversed for doubtful third parties trade receivables	550	-
Commission income	221	191
Foreign exchange gain, net	578	-
Freight income	345	195
Gain on disposal of a subsidiary	-	227
Gain on disposal of plant and equipment	97	-
Government grant	400	150
Incentive received	139	395
Sale of drill bits	18	26
Scrap sales	545	481
Others	148	248
	3,041	1,913

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Finance costs

	Group	
	2016	2015
	\$'000	\$'000
Interest expenses		
- bank borrowings	433	632
- finance leases	10	16
	443	648

28. Profit before income tax

The above is arrived at after charging:

	Group	
	2016	2015
	\$'000	\$'000
<i>Cost of sales</i>		
Allowance made for inventory obsolescence	1,267	3,112
Inventories written off	32	176
Depreciation of property, plant and equipment	2,974	3,471
<i>Selling and distribution costs</i>		
Entertainment	1,676	1,707
Sales commission	2,485	2,151
Travelling	1,426	1,355

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Profit before income tax (Continued)

The above is arrived at after charging: (Continued)

	Group	
	2016	2015
	\$'000	\$'000
<i>Administrative and other expenses</i>		
Allowance made for doubtful third party trade receivables	-	2,100
Amortisation of club memberships	9	30
Bad third party trade receivables written off	3	544
Depreciation of property, plant and equipment	1,203	1,366
Directors' fees		
- Directors of the Company	199	199
Fair value change in derivative financial instruments	138	27
Foreign exchange loss, net	-	252
Impairment loss of plant and equipment	-	502
Loss on disposals of plant and equipment	-	22
Audit fees		
- auditors of the Company	146	143
- other auditors	141	137
Non-audit fees		
- other auditors	3	-
Operating lease expenses	1,470	1,440
Plant and equipment written off	17	34

The profit before income tax also includes:

	Group	
	2016	2015
	\$'000	\$'000
Employee benefits		
- salaries and other short term benefits	30,700	29,440
- post-employment benefits	3,537	3,294
	34,237	32,734

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Profit before income tax (Continued)

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

	Group	
	2016	2015
	\$'000	\$'000
Cost of sales	3,970	3,935
Selling and distribution costs	19,191	18,059
Administrative and other expenses	11,076	10,740
	34,237	32,734

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

29. Income tax expense

	Group	
	2016	2015
	\$'000	\$'000
Current income tax		
- current year	3,421	3,033
- under provision in prior years	79	72
	3,500	3,105
Deferred tax		
- current year	149	(203)
- under/(over) provision in prior years	187	(163)
	336	(366)
Total income tax expense recognised in profit or loss	3,836	2,739

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Income tax expense (Continued)

Reconciliation of effective tax rate

	Group	
	2016	2015
	\$'000	\$'000
Profit before income tax	14,633	8,761
Share of results of an associate	-	30
	14,633	8,791
Income tax calculated at Singapore's statutory income tax rate of 17%	2,488	1,495
Effect of different income tax rates in other countries	789	129
Effect of expenses not deductible for income tax purposes	784	451
Effect of partial tax exemption and tax relief	(512)	(396)
Deferred tax assets not recognised	63	1,054
Utilisation of deferred tax assets not recognised previously	(645)	(430)
Under provision of current income tax in prior years	79	72
Under/(Over) provision of deferred tax in prior years	187	(163)
Withholding tax paid overseas	565	485
Others	38	42
	3,836	2,739

Unrecognised deferred tax assets

	Group	
	2016	2015
	\$'000	\$'000
Balance at beginning of financial year	4,478	4,012
Utilised during the financial year	(645)	(430)
Amount not recognised during financial year	63	1,054
Forfeited upon expiration/disposal of subsidiary	(500)	(218)
Currency translation adjustment	(112)	60
Balance at end of financial year	3,284	4,478

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2016	2015
	\$'000	\$'000
Unutilised tax losses	2,460	3,623
Other temporary differences	824	855
	3,284	4,478

As at 31 December 2016, the Group had unutilised tax losses of approximately \$9,944,000 (2015: \$13,435,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates. No deferred tax assets have been recognised in respect of such losses as the management is not confident that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with its accounting policy.

The total unutilised tax losses of the subsidiaries in the jurisdiction of the People's Republic of China and India amounting to approximately \$6,373,000 (2015: \$11,270,000) and \$1,611,000 (2015: \$2,704,000) respectively can only be utilised for set-off against its future taxable profits within five and eight years from the date the tax losses were incurred.

30. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2016	2015
Profit after income tax attributable to owners of the parent (\$'000)	9,740	4,779
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	90,095	90,095
Earnings per share (in cents)		
- Basic	10.81	5.30
- Diluted	10.81	5.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Earnings per share (Continued)

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

31. Dividends

	Group and Company	
	2016 \$'000	2015 \$'000
Interim tax-exempt dividends paid of \$0.0111 per share in respect of financial year ended 31 December 2016	1,000	-
Interim tax-exempt dividends paid of \$0.0111 per share in respect of financial year ended 31 December 2015	-	1,000
Final tax-exempt dividends paid of \$0.022 per share in respect of financial year ended 31 December 2015	1,982	-
Final tax-exempt dividends paid of \$0.022 per share in respect of financial year ended 31 December 2014	-	1,982
	2,982	2,982

The Directors of the Company recommend a final tax-exempt dividend of \$0.033 (2015: \$0.022) per share amounting to approximately \$2,973,000 (2015: \$1,982,000) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Commitments and contingent liabilities

32.1 Operating lease commitments

The Group as a lessee

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

	Group	
	2016 \$'000	2015 \$'000
Within one year	1,498	1,773
After one year but within five years	743	1,488
	2,241	3,261

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

The Group and the Company as lessors

The Group and the Company have entered into operating lease commitment on its machineries. These non-cancellable leases have remaining lease terms of between 1 to 8 (2015: 8 to 17) months.

As at the end of the financial year, future minimum rentals receivable under non-cancellable operating leases for plant and machinery at the end of the financial year are as follows:

	Group and Company	
	2016 \$'000	2015 \$'000
Within one year	424	1,261
After one year but within five years	-	316
	424	1,577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Commitments and contingent liabilities (Continued)

32.2 Contingent liabilities

Corporate guarantees

As at 31 December 2016, the Company had given guarantees amounting to \$8,200,000 (2015: \$12,653,000) to certain banks in respect of banking facilities granted to the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

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

33. Segment information

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

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

Income taxes are managed on a Group basis.

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

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss from 2015.

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

	Singapore		PRC		Others		Elimination and adjustments	Total
	PCB business	IT business	PCB business	IT business	IT business			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2016								
Revenue								
- External sales	3,480	146,431	23,227	51,386	136,926	-	361,450	
- Inter-segment sales	-	35	-	-	5	(40)	-	
Total revenue	3,480	146,466	23,227	51,386	136,931	(40)	361,450	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

	PCB business \$'000	IT business \$'000	Elimination and adjustments \$'000	Total \$'000
2016				
Segment results				
Interest income	147	239	-	386
Interest expense	(9)	(434)	-	(443)
Depreciation of property, plant and equipment	(3,464)	(713)	-	(4,177)
Other material non-cash items:				
- (Loss)/Gain on disposal of plant and equipment	(109)	206	-	97
- Bad third parties trade receivables written off	-	(3)	-	(3)
- Inventories written off	-	(32)	-	(32)
- Plant and equipment written off	-	(17)	-	(17)
- Unrealised foreign exchange gain/ (loss)	800	(383)	-	417
- Allowance made for inventory obsolescence	(7)	(1,260)	-	(1,267)
- Reversal of allowance for doubtful third party trade receivables	-	550	-	550
- Amortisation of club memberships	-	(9)	-	(9)
- Fair value change in derivative financial instruments	(117)	(21)	-	(138)
Segment profit	3,794	10,839	-	14,633

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

	← Singapore →		← PRC →		Others		Elimination and adjustments		Total
	PCB business	IT business	PCB business	IT business	IT business	Unallocated			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016									
Capital expenditure									
Property, plant and equipment	1,036	889	150	3	408	-	-	-	2,486
Assets and liabilities									
Segment assets	13,110	80,602	19,350	19,811	55,899	4,609	-	-	193,381
Segment liabilities	6,106	48,418	4,010	5,364	23,945	972	-	-	88,815

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

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

Geographical information

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

Revenue from external customers

	Singapore \$'000	PRC \$'000	Others \$'000	Group \$'000
2016				
Revenue from external customers	127,427	70,329	163,694	361,450
2015				
Revenue from external customers	114,972	66,760	165,325	347,057

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Segment information (Continued)

Geographical information (Continued)

Location of non-current assets

	Singapore \$'000	PRC \$'000	Others \$'000	Group \$'000
2016				
Non-current assets	9,581	8,529	520	18,630
2015				
Non-current assets	9,659	11,989	317	21,965

Non-current assets consist of property, plant and equipment, club memberships and prepayment as presented in the statement of financial position of the Group.

Major customers

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

34. Significant related party transactions

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
With subsidiaries				
Advances made to subsidiaries	-	-	32,191	15,063
Dividend income	-	-	3,151	1,915
Disposal of plant and equipment	-	-	561	-
Interest on advances made to a subsidiary	-	-	583	695
Payment made by the Company on the subsidiaries' behalf	-	-	95	167
Purchase of goods	-	-	47	233
Rental income	-	-	138	106
Service fee	-	-	2,504	2,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Significant related party transactions (Continued)

Compensation of key management personnel

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term benefits (other than fees)	4,408	3,351	3,445	2,661
Post-employment benefits	124	106	91	75
Directors' fees	199	199	199	199
	4,731	3,656	3,735	2,935

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

	Group	
	2016	2015
	\$'000	\$'000
Salaries and other short-term benefits (other than fees)	3,184	1,691
Post-employment benefits	41	22
Directors' fees	199	199
	3,424	1,912

35. Financial instruments, financial risks and capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

35.1 Credit risk

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

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

	Company	
	2016	2015
	\$'000	\$'000
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	8,200	12,653

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

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top three trade receivables from third parties amounting to approximately \$24,399,000 and \$757,000 (2015: \$22,822,000 and \$882,000) respectively as at the end of financial year.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Bank balances are placed with reputable banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.1 Credit risk (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
By geographical areas				
Singapore	32,839	31,170	730	827
People's Republic of China	12,650	13,112	-	-
Thailand	5,109	5,276	-	7
Other countries	30,811	35,028	66	77
	81,409	84,586	796	911

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. Management will assess for impairment with reference to the creditworthiness and the past collection history of each customer.

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

	Gross receivables		Gross receivables	
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Group				
Past due 0 to 1 month	13,586	-	17,238	-
Past due over 1 to 2 months	6,840	-	10,005	-
Past due over 2 to 5 months	7,244	-	6,295	-
Past due over 5 months	3,948	2,402	3,395	3,153
Company				
Past due 0 to 1 month	261	-	292	-
Past due over 1 to 2 months	152	-	183	-
Past due over 2 to 5 months	98	-	103	-
Past due over 5 months	-	-	3	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.2 Market risk

(i) Foreign exchange risk management

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

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

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

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

	Assets		Liabilities	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Group				
United States dollar	32,514	24,939	54,171	64,182
Singapore dollar	6,048	4,731	30,646	34,807
Others	6,231	4,925	1,261	861
Company				
United States dollar	15,510	2,855	2,535	2,969
Others	792	1,657	196	208

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk are mainly United States dollar and Singapore dollar. The Company's exposure to foreign currency risk is mainly in United States dollar.

The following table details the Group's and Company's sensitivity to a 8% (2015: 6%) change in United States dollar and Singapore dollar against the functional currencies respectively. The sensitivity analysis assumes an instantaneous 8% (2015: 6%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items denominated in United States dollar and Singapore dollar are included in the analysis.

	Profit or loss	
	2016	2015
	\$'000	\$'000
Group		
<i>United States dollar</i>		
Strengthens against functional currencies*	(1,733)	(2,355)
Weakens against functional currencies*	1,733	2,355
<i>Singapore dollar</i>		
Strengthens against functional currencies#	(1,968)	(1,805)
Weakens against functional currencies#	1,968	1,805
Company		
<i>United States dollar</i>		
Strengthens against Singapore dollar	1,038	(7)
Weakens against Singapore dollar	(1,038)	7

* Primarily Singapore dollar and Indian rupee

Primarily United States dollar

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.2 Market risk (Continued)

(ii) *Interest rate risk management*

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 18 to the financial statements.

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

The Group's and Company's borrowings at variable rates are denominated in Singapore dollar and United States dollar. If the Singapore dollar interest rates increase or decrease by 1% (2015: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$90,000 (2015: \$105,000) as a result of higher or lower interest expense on borrowings. If the United States dollar interest rates increase or decrease by 1% (2015: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$24,000 (2015: \$120,000) as a result of higher or lower interest expense on borrowings.

35.3 Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis

	Within one year \$'000	After one year but within five years \$'000	After five years \$'000	Total \$'000
Group				
2016				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	70,030	-	-	70,030
Interest bearing				
- Bank borrowings	9,548	2,007	-	11,555
- Finance lease payables	120	30	-	150
	79,698	2,037	-	81,735
2015				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	59,903	-	-	59,903
Interest bearing				
- Bank borrowings	19,920	2,314	439	22,673
- Finance lease payables	205	150	-	355
	80,028	2,464	439	82,931

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one year \$'000	After one year but within five years \$'000	After five years \$'000	Total \$'000
Company				
2016				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	2,935	-	-	2,935
Interest bearing				
- Bank borrowings	1,344	2,007	-	3,351
- Finance lease payables	120	30	-	150
	4,399	2,037	-	6,436
Financial guarantee contracts	8,200	-	-	8,200
2015				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding deferred revenue and advanced billings)	1,749	-	-	1,749
Interest bearing				
- Bank borrowings	7,105	2,314	439	9,858
- Finance lease payables	169	150	-	319
	9,023	2,464	439	11,926
Financial guarantee contracts	12,653	-	-	12,653

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

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

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

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

	Within one financial year \$'000
Group	
2016	
Gross settled:	
Foreign currency contracts	
- Gross inflows	1,455
- Gross outflows	(1,460)
Net settled:	
Foreign currency contracts	-
Company	
2016	
Net settled:	
Foreign currency contracts	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

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

35.4 Capital management policies and objectives

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

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

35.4 Capital management policies and objectives (Continued)

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade and other payables	76,074	65,664	2,935	1,749
Finance lease payables	146	337	146	306
Bank borrowings	11,422	22,451	3,222	9,684
Less: Cash and cash equivalents	(50,773)	(36,697)	(1,826)	(2,361)
Net debt	36,869	51,755	4,477	9,378
Equity attributable to owners of the parent	96,672	91,013	63,698	64,751
Total capital	133,541	142,768	68,175	74,129
Gearing ratio (%)	28	36	7	13

The Group and the Company are in compliance with all borrowing covenants, including consolidated net worth, current assets to current liabilities ratio and debt service cover, imposed by the financial institutions for the financial year ended 31 December 2016 and 2015.

As disclosed in Note 23 to the financial statements, certain subsidiaries of the Group is required by the People's Republic of China and Civil and Commercial Code of Thailand to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. The Group is in compliance with all statutory reserve fund capital requirement for the financial year ended 31 December 2016 and 2015.

35.5 Fair value of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Financial instruments by category

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
<i>Available-for-sale financial assets</i>				
	4,290	4,047	4,290	4,047
<i>Derivative financial instruments</i>	2	17	-	-
<i>Loans and receivables</i>				
Trade and other receivables	84,700	87,717	33,065	31,769
Cash and cash equivalents	50,773	36,697	1,826	2,361
	135,473	124,414	34,891	34,130
Financial liabilities				
<i>Derivative financial instruments</i>	7	45	-	45
<i>Other financial liabilities</i>				
Trade and other payables (excluding deferred revenue and advance billings)	70,030	59,903	2,935	1,749
Bank borrowings	11,422	22,451	3,222	9,684
Finance lease payables	146	337	146	306
	81,598	82,691	6,303	11,739

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Financial instruments by category (Continued)

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

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

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Financial instruments by category (Continued)

Fair value hierarchy (Continued)

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2016				
Financial assets				
Available-for-sale financial assets	-	-	4,290	4,290
Derivative financial instruments	-	2	-	2
Financial liabilities				
Derivative financial instruments	-	7	-	7
2015				
Financial assets				
Available-for-sale financial assets	-	-	4,047	4,047
Derivative financial instruments	-	17	-	17
Financial liabilities				
Derivative financial instruments	-	45	-	45

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Financial instruments by category (Continued)

Fair value hierarchy (Continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Company				
2016				
Non-financial assets				
Investment properties	-	-	2,637	2,637
Financial assets				
Available-for-sale financial assets	-	-	4,290	4,290
2015				
Non-financial assets				
Investment properties	-	-	1,684	1,684
Financial assets				
Available-for-sale financial assets	-	-	4,047	4,047
Financial liabilities				
Derivative financial instruments	-	45	-	45

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Financial instruments by category (Continued)

Fair value hierarchy (Continued)

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

The fair value of the Company's investment properties as at 31 December 2016 was approximately \$2,674,000 (2015: \$1,789,000). The fair value was determined based on the management's estimation by using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. Management considers that the fair value of the investment properties is sensitive to these unobservable adjustments to the price per square metre.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

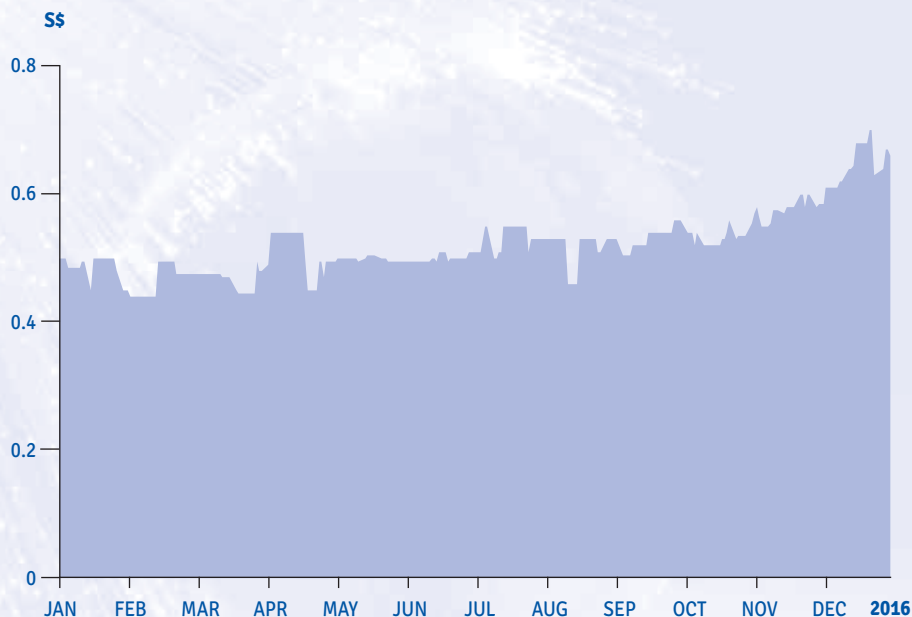
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. Events subsequent to the reporting date

The Group entered into a sale and purchase agreement for the disposal of certain plant and equipment in a wholly-owned subsidiary to an unrelated third party for an estimated consideration of \$8.4 million in cash. The plant and equipment comprising machinery are utilised by the subsidiary for the purposes of providing mechanical drilling services to the buyer, which will cease from March 2017. Thereafter, the machinery would be disposed to the buyer, and the management estimates a net profit of \$2.9 million to be generated from the disposal.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Share Price Chart



	In 2016			As at 6 March 2017
	Highest	Lowest	Average	
Share Price (S\$)	0.700	0.440	0.523	0.870
Share Volume	124,100	100	11,477	38,300

STATISTICS OF SHAREHOLDERS

AS AT 6 MARCH 2017

ANALYSIS OF SHAREHOLDINGS AS AT 6 MARCH 2017

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 99	60	1.12	2,794	0.00
100 – 1,000	3,881	72.43	1,796,051	1.99
1,001 – 10,000	1,159	21.63	3,680,575	4.09
10,001 – 1,000,000	254	4.74	10,761,786	11.95
1,000,001 and above	4	0.08	73,854,062	81.97
TOTAL	5,358	100.00	90,095,268	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 6 MARCH 2017

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	FOO SUAN SAI	35,983,025	39.94
2	HAN JUAT HOON	25,112,625	27.87
3	YAOWALAK PHOOWARACHAI	10,668,000	11.84
4	DBS NOMINEES PTE LTD	2,090,412	2.32
5	DBS VICKERS SECURITIES (S) PTE LTD	547,750	0.61
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	505,775	0.56
7	UOB KAY HIAN PTE LTD	479,250	0.53
8	MAYBANK KIM ENG SECURITIES PTE LTD	421,000	0.47
9	MOH TSER LOONG ALVIN	326,500	0.36
10	IAN HAROLD HOLLAND	310,000	0.34
11	PHILLIP SECURITIES PTE LTD	240,000	0.27
12	NEO THUA TEE	226,250	0.25
13	HSBC (SINGAPORE) NOMINEES PTE LTD	219,078	0.24
14	FOO CHIK HEE	189,500	0.21
15	RAFFLES NOMINEES (PTE) LTD	174,325	0.19
16	EU YEE-KWUN MICHAEL	161,078	0.18
17	HARRY HALIM	144,250	0.16
18	HOO LEN YUH	133,750	0.15
19	OCBC SECURITIES PRIVATE LTD	133,679	0.15
20	YONG WAI CHENG	131,250	0.15
TOTAL		78,197,497	86.79

SUBSTANTIAL SHAREHOLDERS

AS AT 6 MARCH 2017

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Foo Suan Sai	35,983,025	39.94	25,345,125	28.13
2.	Han Juat Hoon	25,345,125	28.13	35,983,025	39.94
3.	Yaowalak Phoowarachai	10,668,000	11.84	-	-

Notes :

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

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 6 March 2017, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 19.57%. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Friday, 21 April 2017 at 11.30 a.m., for the purpose of transacting the following businesses:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors' Statement and the Auditor's Report thereon. **(Resolution 1)**
2. To re-elect Mr Neo Mok Choon who is retiring by rotation pursuant to Article 106 of the Constitution of the Company. *(See Explanatory Note 1)* **(Resolution 2)**

Mr Neo Mok Choon will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To re-elect Mr Foo Maw Shen who is retiring by rotation pursuant to Article 106 of the Constitution of the Company. *(See Explanatory Note 2)* **(Resolution 3)**

Mr Foo Maw Shen will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve a final tax exempt (one-tier) dividend of SGD0.033 per ordinary share for the financial year ended 31 December 2016. **(Resolution 4)**
5. To approve the payment of Directors' fees of SGD199,375 for the financial year ended 31 December 2016. **(Resolution 5)**
6. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

8. Authority to issue shares

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

(Resolution 7)

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

NOTICE OF ANNUAL GENERAL MEETING

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

BY ORDER OF THE BOARD
Chan Lai Yin
Company Secretary
Singapore, 4 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be Transacted

1. The detailed information of Mr Neo Mok Choon can be found under Directors' Profile section of the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Neo Mok Choon and the other Directors and the Company or its 10% shareholders.
2. The detailed information of Mr Foo Maw Shen can be found under Directors' Profile section of the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Foo Maw Shen and the other Directors and the Company or its 10% shareholders.
3. The Ordinary Resolution no. 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

NOTICE OF ANNUAL GENERAL MEETING

Notes

- i. A member is entitled to attend and vote at this meeting and may appoint not more than two proxies to attend and vote in his stead.
- ii. Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- iii. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- iv. A proxy need not be a member of the Company.
 - v. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.
 - vi. The instrument appointing a proxy must be deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not less than 48 hours before the time appointed for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE DATE

Subject to shareholders' approval at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 18 May 2017, for the purpose of determining Members' entitlements to a final tax exempt (one-tier) dividend of 3.30 cents per ordinary share for the financial year ended 31 December 2016, to be proposed at the Annual General Meeting of the Company to be held on 21 April 2017 (the "Proposed Final Dividend").

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 by 5.00 p.m. on 17 May 2017 will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 17 May 2017 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 25 May 2017.

PERSONAL DATA PRIVACY

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

MULTI-CHEM LIMITED

(Company Registration No.: 198500318Z)

(Incorporated in Singapore)

PROXY FORM**IMPORTANT**

1. For investors who have used their CPF monies to buy shares of Multi-Chem Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Personal Data Privacy
By submitting an instrument appointing a proxy (ies) and/ or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2017.

*I/We _____ of

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

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

*and/or

--	--	--	--

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Friday, 21 April 2017 at 11.30 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	To receive and adopt the Audited Financial Statements together with the Directors' Statement and Auditor's Report for the financial year ended 31 December 2016.		
2.	To re-elect Mr Neo Mok Choon as Director.		
3.	To re-elect Mr Foo Maw Shen as Director.		
4.	To approve a final tax exempt (one-tier) dividend.		
5.	To approve the payment of Directors' fees.		
6.	To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares.		

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

Dated this _____ day of _____ 2017

Total Number of Shares Held_____
Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares.

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If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

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

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**AFFIX
STAMP**

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

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Multi-Chem
The Hole Solution Provider

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