ASTI HOLDINGS LIMITED

GROWTH

ANNUAL REPORT 2016

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ABOUT ASTI

Listed on the mainboard of the Singapore Exchange, ASTI Holdings Limited is a company uniquely positioned to serve the needs of the semiconductor industry. Under the umbrella of the ASTI Group of companies, we provide an integrated range of services comprising Backend Equipment Solutions & Technologies ("BEST") and Services. A leader in the manufacture of semiconductor equipment, we research, design, develop and manufacture semiconductor equipment for customers. Further enhancing our manufacturing capabilities are our equipment contract manufacturing services, which manufacture precision parts, modules and standalone equipment assembly. Ranked amongst the world's leading semiconductor manufacturing services providers, we strive to continually deliver world-class services to our customers to help them optimise their resource utilisation. We also design and develop advanced packaging solutions for semiconductors, targeting the mobility and 3C convergent markets.

Globally, ASTI has 4 research and development centres, 14 factories and 29 sales offices. Our operations are located in Southeast Asia, Greater China, Korea, the United States of America and the United Kingdom. We have a library of more than 100 patents in vision systems, semiconductor assembly technologies and electromechanical systems.

Through our extensive geographical network, we are able to provide distribution services across many countries in Asia. In aggregate, the ASTI Group of companies has the ability to offer a suite of integrated and synergistic solutions to our customers.

ASTI also has a controlling equity interests in Dragon Group International Limited ("Dragon Group" or "DGI") and Advanced Systems Automation Limited ("ASA"). The shares of both DGI and ASA are quoted on the Singapore Exchange.

For more information, please visit our website at www.astigp.com

Geographic Reach

The ASTI Group of companies has extensive global footprints. Currently we have 4 research and development centres, 14 factories and 29 sales offices located in Southeast Asia, Greater China, Korea, the United States of America and the United Kingdom.

LETTER TO SHAREHOLDERS AND OPERATIONS REVIEW

"ASTI generic closed the year sitting on a record cash level of $33 million. ASA grew revenue and improved gross margins. DGI's subsidiary EoCell achieved progress in enhancing its battery technologies and IP portfolio."

Dear Shareholders,

We witnessed growth and improvements across the board as we traversed through our strategic inflection point. Our various exercises in the past years have begun to bear fruit. We saw significant improvements in revenue and overall financial performance, lower research & development ("R&D") costs and general administrative ("G&A") costs, resulting in a vastly improved bottom-line. Our ASTI legacy generic businesses, STI and Telford continued to achieve record profitability. ASTI's subsidiary, EoPlex achieved some degree of commercialization of its product and received initial pilot production orders. ASTI generic closed the year sitting on a record cash level of $33 million. ASA grew revenue and improved gross margins. DGI's subsidiary EoCell achieved progress in enhancing its battery technologies and IP portfolio. DGI was unable to exit the Watch-list and had written to SGX requesting for a 12 months extension.

OPERATIONS REVIEW

INCOME STATEMENT

Revenue

The Group reported a 21.7% or $25.4 million increase in revenue from $116.5 million (FY2015) to $141.9 million (FY2016).



Backend Equipment Solutions & Technologies business recorded a 20.8% or $23.6 million increase in revenue from $113.3 million (FY2015) to $136.9 million (FY2016). The increase in revenue was due to higher demand. The revenue from Distribution & Service business increased $1.7 million from $3.2 million (FY2015) to $4.9 million (FY2016) due to increase in sales from the distribution business.

Gross Profit Margin

Gross profit margin in FY2016 remained comparable to that of FY2015.

Operating Expenses

Marketing & distribution, R&D and G&A costs of $50.3 million incurred in FY2016 were $2.2 million lower compared to the expenses reported in FY2015. This was mainly due to the decrease in R&D costs and G&A costs from the Group's costs reduction initiatives. The reduction in G&A costs was offset by an allowance on trade receivables of $2.6 million.

Financing costs was $0.3 million higher in FY2016 compared to FY2015 due to more bank borrowings during the year.

Depreciation charges of property, plant and equipment ("PPE") decreased in FY2016 when compared to FY2015. This was due to the impairment of certain PPE of the Group at the end of the financial year 2015.

Other expenses included S$4.2 million impairment losses on PPE, investment securities, intangible assets and other receivables. Having reviewed the previously mentioned items, the Group decided to make the necessary impairments. Other expenses also included $1.2 million gain on disposal of PPE and $0.7 million foreign exchange gain.

Net Profit/Loss

The Group reported a net profit attributable to shareholders of $1.0 million in FY2016, compared to the net loss of $20.5 million in FY2015.

BALANCE SHEET

As at 31 December 2016, total assets stood at $129.2 million comprising $25.2 million from non-current assets and $104.0 million from current assets. Total liabilities stood at $66.9 million comprising current liabilities of $62.0 million and non-current liabilities of $4.9 million. Shareholders' equity including non-controlling interests stood at $62.3 million.

The following are highlights of the Group's balance sheet as at 31 December 2016.

Intangible assets

The increase in development expenditure relates to the development efforts on battery storage solutions. The increase was offset with the impairment losses on intellectual property and country club memberships after reviews of impairment assessment.

Property, plant and equipment

The increase in PPE was due to the additional purchases during the year. The increase was offset by the impairment losses and depreciation charges during the year. Certain properties of the Group were transferred to investment properties during the year.

LETTER TO SHAREHOLDERS AND OPERATIONS REVIEW

Investment properties
Certain properties of the Group were transferred from PPE to investment properties as they were primarily held to earn rental income.

Investment securities
The decrease in investment securities was due to impairment losses on certain investment securities after reviews of impairment assessments.

Other receivables and prepayment (non-current)
The increase in other receivables was mainly due to amounts to be received from customers more than 12 months after the balance sheet date while the prepayment was due to additional payments in advance for the development project.

Inventories
The inventories decreased due to higher sales in 4Q2016 which helped to deplete the stock.

Other receivables and prepayments
Other receivables decreased mainly due to an impairment loss on a loan to a third party.

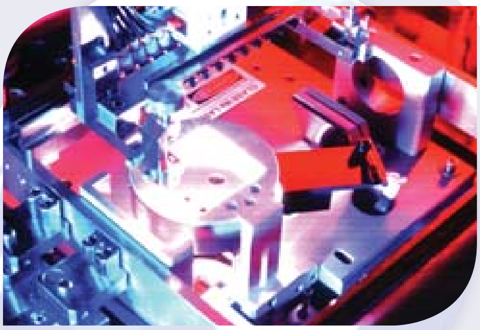
Trade receivables
Trade receivables' balance increased $8.4 million due to higher sales in FY2016.

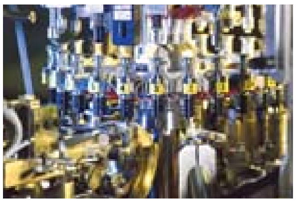
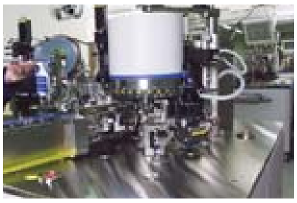
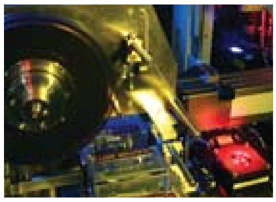
Loans and borrowings
Loans and borrowings increased $11.2 million from $15.5 million (4Q2015) to $26.7 million (4Q2016), due to additional drawdowns to fund working capital requirements.

Payables and accruals
Payables and accruals increased $2.6 million from $34.5 million (4Q2015) to $37.1 million (4Q2016) mainly due to higher business activities.

CASHFLOW STATEMENT

The Group utilised $8.7 million for its operations. An amount of $1.9 million was used for the payment of interest and tax. A net amount of $4.2 million was used for the purchase of PPE. An amount of $1.9 million was received from the disposals of non-current assets held for sale. The Group also utilised $2.3 million for expenditure on research and development project and the Yangtze River development project. The Group borrowed a net amount of $11.2 million from financial institutions and other creditors. An advance of $1.6 million was received as capital injection from a subsidiary's non-controlling interest.



OUTLOOK

China has not returned to its past growth momentum. China's growth fundamentals have structurally changed and are now set on lower annual growth rates in the range of 6-7%. US dollar interest rates have embarked on a rising trend after years of decline. Brexit and the new US administration continue to provide uncertainty to the global trade order. However, we continue to believe in our ability to traverse through our strategic inflection point and to continue grow through these uncertain times. We have lowered many costs and improved operational efficiencies within the group, and will continue our vigilance in these regards. Our various R&D activities will continue to make progress this year and revenue generation may begin, while we continue to explore investment funds interests. DGI will continue to work on several proposals which may enable it to exit the Watch-list. We will continue to explore opportunities and pursue commercial decisions that serve our stakeholders' best interests as we move forward.

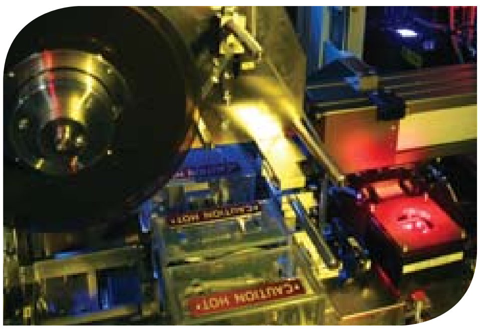
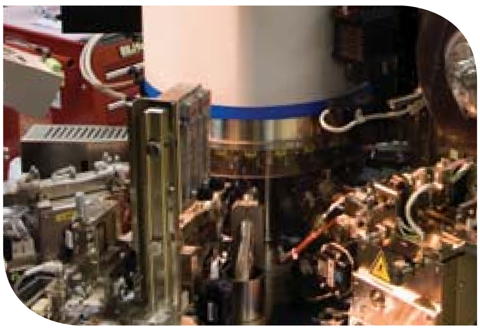
It is important to note that our business is prone to economic uncertainties and the cyclical nature of the electronics and semiconductor industries. Unforeseeable factors include but are not limited to foreign exchange volatility, intellectual property litigations, product and technology obsolescence, and inventory adjustments. In view of these factors, we will remain prudent and cautious in the management of our businesses.

IN APPRECIATION

In closing, I would like to thank all our customers, shareholders, business associates, and bankers for your trust and confidence in us, and I look forward to your support in the new financial year. To all our employees, I appreciate your perseverance and dedication, and I have confidence in your commitment to make our Group financially, commercially and technologically strong to ride the opportunities ahead of us.

Yours Sincerely,

DATO' MICHAEL LOH
Executive Chairman and Chief Executive Officer


BOARD OF DIRECTORS

Dato' Michael Loh Soon Gnee, 61
Executive Chairman and Chief Executive Officer

Bachelor of Science
Double Major in Business Economics & Chemical Engineering
State University of New York, Buffalo, USA

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him close to 40 years of knowledge and experience in wafer fabrication, research and development and assembly, testing and distribution of semiconductor products. Having spent 20 years in Silicon Valley, USA, Dato' Loh has abundant practical business experiences and a vast network of contacts in the semiconductor industry. Dato' Loh is also the Executive Chairman and Chief Executive Officer of the SGX-Mainboard-listed Dragon Group International Limited and SGX-Catalist-listed Advanced Systems Automation Limited.

Current Listed Companies' Directorships
- ASTI Holdings Limited
- Advanced Systems Automation Limited
- Dragon Group International Limited

Past 3 Years Listed Companies' Directorships
- None

Mr Timothy Lim Boon Liat, 52
Group Administrative Officer and Executive Director

Diploma in Sales and Marketing, CIMUK

Mr Lim brings with him close to 30 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Admin, HR and Legal operations of the Group including that of the SGX-Mainboard-listed Dragon Group International Limited and SGX-Catalist-listed Advanced Systems Automation Limited. Prior to this, Mr Lim has held various positions during his career including sales and management.

Current Listed Companies' Directorships
- ASTI Holdings Limited
- Dragon Group International Limited

Past 3 Years Listed Companies' Directorships
- None

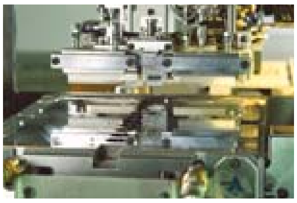
Mr Fong Wai Leong, 47
Lead Independent Director
Audit Committee Chairman

Chartered Accountant, Member of Malaysian Institute of Certified Public Accountants

Mr Fong is currently the CEO of PanPages Berhad. Mr Fong is responsible for PanPages Berhad's day-to-day operation. He has more than 23 years of corporate and finance experience which includes managing a listed company in Southeast Asia, advising on a number of successful public listings as well as mergers and acquisitions in various countries, including Malaysia, China, South Africa and parts of South America. Prior to joining PanPages Berhad, he was a partner in Devonshire Capital Group and the General Manager of Kuala Lumpur City Securities Sdn. Bhd., where he headed the firm's Corporate Finance Division. He also worked at CIMB Corporate Finance Division and KPMG.

Current Listed Companies' Directorships
- ASTI Holdings Limited
- CBSA Berhad

Past 3 Years Listed Companies' Directorships
- Cepatwawasan Group Berhad


Professor Dr Kriengsak Chareonwongsak, 62
Independent Director
Nominating Committee Chairman

PhD Economics, Monash University, Australia
D.Phil Management, University of Oxford, UK
Master of Public Administration, Harvard University, USA
Master of Studies,Cambridge University, UK
Bachelor of Economics (First Class Honours), Monash University, Australia

Dr Kriengsak is the Chairman of the Success Group of Companies, a conglomerate of businesses involved in the media and knowledge industry, biotechnology, finance and securities, leisure and travel and many other industries. In addition to his vast business interests, Dr Kriengsak is well recognized in the academia where he holds various positions in globally renowned universities both in Thailand and overseas. Politically and socially active in Thailand, Dr Kriengsak is the Chairman of a number of foundations and holds positions on the governing/advisory boards of various Asian and international and educational organisations.

Current Listed Companies' Directorships
- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships
- None

Mr Mandie Chong Man Sui, 59
Non-Executive and Non-Independent Director

Bachelor of Science in Engineering, National Taiwan University

Mr Chong is a veteran with more 30 years of experience in the semiconductor industry. He is knowledgeable and well acquainted with the Hong Kong and China markets. He is the Director of FE Global Shanghai Limited and Nanjing Dragon Treasure Boat Development Co., Ltd.

Current Listed Companies' Directorships
- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships
- None

Dr Kenneth Yu Keung Yum, 69
Independent Director
Remuneration Committee Chairman

PhD Electrical Engineering and Applied Physics, Stanford University

Dr Yu brings with him over 35 years of experience from the areas of technology, product design and management. He had spent 16 years with Lattice Semiconductor Corp during which he started and managed a subsidiary company in Shanghai, China. An expert in all facets of semiconductor equipment and technologies, Dr Yu has done memory and ASIC designs and is familiar with applications ranging from PLDs, processors, telephony ICs to CCD imagers. He is the co-author of 25 technical articles and owner of 8 patents. Dr Yu's present interest is developing the technology to operate a generalised IoT network seamlessly, and to apply Big Data Analytic to sensor data collected by IoT networks. Dr Yu is also a director of Sky1 Technology Limited.

Current Listed Companies' Directorships
- ASTI Holdings Limited
- Dragon Group International Limited
- Advanced Systems Automation Limited

Past 3 Years Listed Companies' Directorships
- None

KEY MANAGEMENT

Mr Chee Kim Huei
Vice President, Finance

Mr Chee joined the Group in 2000 and has more than 20 years of experience. He is overall in-charge of the Group's Finance Department, and is currently also the Vice President, Finance of Dragon Group International Limited and Advanced Systems Automation Limited. Mr Chee was from Ernst and Young prior to joining the Group. He holds a Bachelor of Accountancy from the Nanyang Technological University, Singapore. He is also a member of the Institute of Singapore Chartered Accountants.

Ms Junny Foong
Vice President, Admin/HR/IT

Ms Foong graduated from National University of Singapore with a Bachelor Degree in Mechanical & Production Engineering. She started her career with Texas Instruments Singapore in 1987 before joining the Group in 1997. Ms Foong holds several key responsibilities within the ASTI Group of companies, including Administrations, Human Resource and Information Technologies.

Mr Lau Hoo Shoon
President, STI

Mr Lau joined the Group in 1997 and has close to 30 years' experience in managing Semiconductor Equipment operations. Prior to joining the Group, he worked in the Process Automation Centre of Texas Instruments Singapore. Mr Lau holds a Bachelor Degree in Mechanical & Production Engineering from the National University of Singapore.

Mr Vincent Lew
Senior Vice President, STI

Mr Lew started his career with Texas Instruments Singapore before joining the group in 1997. He has been involved in the semiconductor equipment design and manufacturing business for almost 30 years. During that span, he has been appointed to key positions in project management, engineering and operations. He holds a Bachelor of Engineering with First-Class Honours from the University of Strathclyde, UK.

Mr Han Chin Fong
Vice President, STI

Mr Han joined the Group in 1994 and has close to 30 years of experience in the automation and semiconductor industry. He was instrumental in the start-up of the Group's Semiconductor Equipment business and saw it grow from modest beginnings to become a global player today. He holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

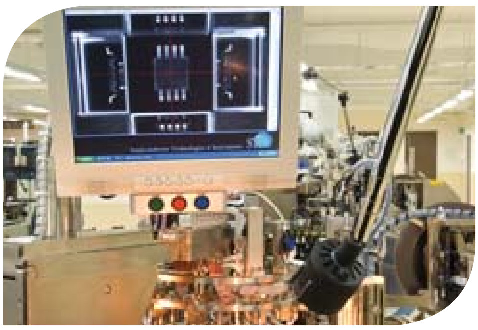
Mr Ajhar Amanullah
Vice President, STI

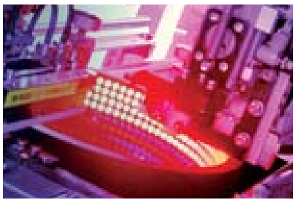
Mr Ajhar joined the group in 2000 and has close to 20 years of experience in semiconductor inspection equipment development. Ajhar was formerly a Research Engineer at the Singapore Institute of Manufacturing Technology. Ajhar holds a Master Degree in Electrical Engineering from National University of Singapore.

Mr Teng Choon Hwee
Vice President, STI

Mr Teng started his career with Texas Instruments Singapore and subsequently with a few semiconductor equipment companies before joining the group in 1999. He has been involved in semiconductor equipment business for more than 20 years. He holds a Bachelor of Engineering from Loughborough University, UK.







Mr Larry Lim
President, Telford Group

Mr Lim joined the Group in 1993 and currently manages eight of the Group's subsidiaries in Asia and Europe, which total workforce of more than 2,000 provides tape and reel, and programming services for both the semiconductor and contract manufacturing industries. Prior to joining Telford Group, Mr Lim was the Operations Manager of Trio-Tech International Pte Ltd from 1978 to 1992. He holds a Diploma in Electronic Engineering from the Singapore Polytechnic.

Mr Ong Yu Huat
Senior Vice President, Telford Group

Since beginning his career with Texas Instruments Singapore in 1986, Mr Ong has held various key positions in manufacturing, purchasing, engineering and sales and marketing. Mr Ong joined the Group in 1999. He holds a Bachelor of Science in Physics from the National University of Singapore.

Mr Gary Smith
Managing Director, Reel Service Ltd, Scotland

Mr Smith originally joined Reel Service in 1988 as Engineering Manager, then became Director of the Engineering for the Reel Service Group where he helped set up subsidiaries in Germany, Singapore, USA, Philippines and Israel. Prior to joining Reel Service, he spent 5 years working with Hughes Microelectronics (Now Raytheon) where he gained extensive knowledge and experience in Quality, Project and Process Engineering. In 2002 Mr Smith set up his own company in Property Development & Project Management. Prior to starting back with Reel Service in August 2015, Mr Smith was working with charity based Housing Associations dealing with Property Development & Maintenance.

Mr Michael Pak
Chief Operating Officer, EoCell Inc.

Mr. Pak joined EoCell in 2015 and brings with him 19 years of experience in the Lithium-ion battery and Catalyst related industry where he gained extensive knowledge and experience in engineering, product management and sales. Mr Pak holds a Bachelor of Science in Engineering Science, Harvard University.

Mr Roslan Bin Affandi
Vice President, Operations of EoPlex Group

Mr Roslan joined the Group in 2012 and is responsible for the Engineering and Manufacturing operations in EoPlex. Mr Roslan has over 32 years of experience in substrates and lead frame manufacturing industry. Prior to joining the Group, he was the Vice President of a substrate manufacturing company in Singapore. Mr Roslan holds a Diploma in Marine Communications from Singapore Polytechnic.

Mr Loh Choon Piew
Vice President and General Manager, Operations, ECMS of ASA

Mr Loh graduated from the University of East Anglia, Norwich, UK in Mathematics with Computing in 1983. Prior to joining ASA in 2014, he served in various industries and was the Operations Director at Coraza Systems, a company specializing in precision metal fabrication. Mr Loh brings with him vast experience in operational, trade and industry, metal and precision industry and business development.

Dato' Ben Loh Choon Khiang
Vice President, Business Development, ECMS of ASA

Dato' Ben Loh brings with him over 20 years of experience in various industries such as paper packaging, metal fabrication and sheets metal. Prior to joining Microfits, Dato' Ben Loh was a businessman and served as Director of various Malaysian companies such as R-Plus Technology, Megatouch, CSH-Prime Packaging, Coraza Systems as well as a former Executive Director of a Malaysian public listed company, KBB Berhad, now known as EKA Berhad.

Mr Rurando Steven Tan
Vice President, Engineering & Operations of Microfits

Mr R. Steven Tan has accumulated 37 years of experience in the semiconductor and electronics industry spanning across a wide range of industries including engineering developments, automation system, developing IC manufacturing process engineering & implementation of system maintenance, engineering research & developments and design configuration. Prior to joining Microfits, Mr Steven Tan was the managing director of Euro Technology Pte Ltd, a company he founded which focused on conceptualized design, research & development by applying the German technology engineering and instrumental the state of art technology for the front of lines machinery to support the semiconductor, electronics and the LED industry.

Mr Sunny Tan
Chief Executive Officer, ASA Multiplate

Mr Tan joined the Group in 2011 and is now the Chief Executive Officer of ASA Multiplate. He is responsible for the business development, sales, finance and operations of ASA Multiplate. Prior to joining ASA Multiplate, Mr Tan was the business development manager and general manager of two other technology companies.

FINANCIAL HIGHLIGHTS

RESULT OF OPERATIONS	2014	2015	2016
	S$'000	S$'000	S$'000
STATEMENT OF THE GROUP RESULTS			
Turnover	135,160	116,539	141,883
Adjusted EBITDA*	9,716	(1,140)	3,765
Profit/(loss) before income tax	538	(46,054)	(7,326)
Income tax	(878)	(836)	(37)
Loss for the year	(340)	(46,890)	(7,363)
Attributable to:			
Owners of the Company	2,857	(20,478)	1,038
Non-controlling interests	(3,197)	(26,412)	(8,401)
	(340)	(46,890)	(7,363)
Earnings/(loss) per share (cents)	0.4	(3.1)	0.2
FINANCIAL POSITION OF THE GROUP			
Intangible assets	15,114	839	2,407
Property, plant & equipment	37,412	20,666	20,845
Investment properties	-	-	350
Investment in associates	-	11	-
Investment securities and deferred tax assets	367	1,172	203
Other receivables and prepayments (non-current)	-	693	1,382
Current assets	121,100	99,320	103,983
Non-current assets held for sale	11,100	1,904	-
Total Assets	185,093	124,605	129,170
Equity attributable to owners of the Company	86,227	62,460	62,823
Non-controlling interests	31,001	7,847	(555)
	117,228	70,307	62,268
Long term & deferred liabilities	3,493	2,702	4,872
Current liabilities	64,372	51,596	62,030
Total Equity and Liabilities	185,093	124,605	129,170
NAV per share (cents)	13.2	9.5	9.6
Weighted average number of shares in the year	654,731,486	654,731,486	654,731,486
Number of shares (excluding treasury shares) as at end of year	654,731,486	654,731,486	654,731,486
TURNOVER AND PROFITABILITY			
Analysis by Activities			
Turnover			
Back-End Equipment Solutions and Technologies	132,973	113,318	136,938
Distribution and Services	2,187	3,221	4,945
	135,160	116,539	141,883
Group profit/(loss) before tax			
Back-End Equipment Solutions and Technologies	3,697	(26,394)	1,932
Distribution and Services	(3,159)	(19,660)	(9,258)
	538	(46,054)	(7,326)

* Adjusted EBITDA = earnings before interest , taxes, depreciation, amortisation, impairment losses and realisation of reserves.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Dato' Michael Loh Soon Gnee
Executive Chairman and
Chief Executive Officer

Timothy Lim Boon Liat
Group Administrative Officer and
Executive Director

Non-Executive:

Fong Wai Leong
Lead Independent Director

Professor Dr Kriengsak Chareonwongsak
Independent Director

Dr Kenneth Yu Keung Yum
Independent Director

Mandie Chong Man Sui
Independent Director

AUDIT COMMITTEE

Fong Wai Leong
Chairman

Professor Dr Kriengsak Chareonwongsak
Dr Kenneth Yu Keung Yum

NOMINATING COMMITTEE

Professor Dr Kriengsak Chareonwongsak
Chairman

Fong Wai Leong
Dr Kenneth Yu Keung Yum

REMUNERATION COMMITTEE

Dr Kenneth Yu Keung Yum
Chairman

Fong Wai Leong
Professor Dr Kriengsak Chareonwongsak

COMPANY SECRETARY

Dayne Ho Chung Wei

EXECUTIVE OFFICERS

Mr Chee Kim Huei
Vice President, Finance

Ms Junny Foong
Vice President, Admin/HR/IT

Mr Lau Hoo Shoon
President, STI

Mr Vincent Lew
Senior Vice President, STI

Mr Han Chin Fong
Vice President, STI

Mr Ajhar Amanullah
Vice President, STI

Mr Teng Choon Hwee
Vice President, STI

Mr Larry Lim
President, Telford Group

Mr Ong Yu Huat
Senior Vice President, Telford Group

Mr Gary Smith
Managing Director,
Reel Service, Scotland

Mr Roslan Bin Affandi
Vice President,
Operations, EoPlex Group

Mr Michael Pak
Chief Operating Officer, EoCell Inc.

Mr Loh Choon Piew
Vice President and General Manager,
Operations, ECMS of ASA

Dato' Ben Loh Choon Khiang
Vice President,
Business Development, ECMS of ASA

Mr Rurando Steven Tan
Vice President,
Engineering & Operations of Microfits

Mr Sunny Tan
Chief Executive Officer, ASA Multiplate

REGISTERED OFFICE

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Kallang Basin Industrial Estate,
Singapore 339416
Tel: (65) 6392 6922
Fax: (65) 6392 5522

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

INDEPENDENT AUDITOR

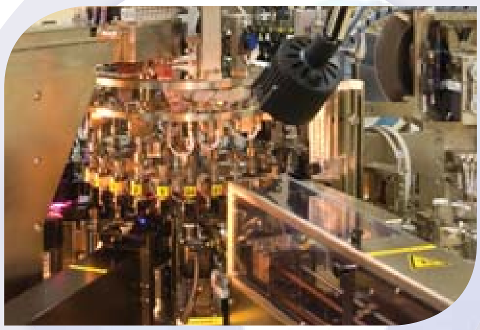
Ernst & Young LLP
Public Accountants and Chartered
Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:

Simon Yeo
(Since the financial year ended
31 December 2016)

PRINCIPAL BANKERS

Malayan Banking Berhad
Oversea-Chinese Banking Corporation
Limited
United Overseas Bank Limited



CORPORATE SOCIAL RESPONSIBILITIES

SINGAPORE: Helping The Less Privileged Through Willing Hearts

On the morning of 25 November 2016, 42 staff from ASTI Group participated in a volunteering activity at the Willing Hearts' soup kitchen. We helped to prepare food for distribution to the elderly, the disabled, low-income families, children from single-parent, poverty-stricken families and migrant workers in Singapore.

The team helped out in the kitchen which included the washing & cutting of vegetables, cooking rice, wrapping popiah, preparation of satay sticks and many other food preparation activities. The team also helped in the packaging of cooked food - scooped and packed rice with accompanying dishes for delivery. Finally, the day ended with a kitchen cleanup.

It was a great and satisfying experience to learn that our teamwork contributed towards the meals for many who are in need. Most importantly, it is indeed humbling to know that the availability of food, which many of us took for granted, is not a norm for many. Furthermore, to help sustain this programme, it will require sheer dedication, willing hearts and even more willing hands to help!

Telford Philippines

This year, the Group, in partnership with Red Cross Philippines, participated in a blood donation campaign. With the support from our employees, we were able to accomplish our mission and it was a fulfilling experience for all of us.

To equip our employees and enable them to assist in the event of emergencies, they were trained to recognize several life threatening emergencies, provide CPR, use an AED and relieve choking in a timely and effective manner. We are now able to ensure our readiness to help others whenever the situation arises.

APPENDIX 1

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2016

ASTI Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are committed to maintaining a high standard of corporate governance and to comply with the Singapore Code of Corporate Governance 2012 ("**CCG**" or the "**Code**"). The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate. The Board of Directors (the "**Board**") of the Company views the adherence of such corporate governance practices as key to discharging its duties to protect and enhance shareholder value and the financial performance of the Group.

This report describes the corporate governance practices of the Group that were in place throughout the financial year ended 31 December 2016 ("**FY2016**") with specific references to the principles and guidelines set out in the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Company has an effective board that is able to lead and control the Company. The Board is responsible for the success of the Company and is accountable to the shareholders while the management of the Company (the "**Management**") is accountable to the Board.

The Board endeavours to provide shareholders with balanced and understandable assessments of the Group's performance, financial position and prospects on a quarterly basis. This responsibility extends to the provision of interim and other price sensitive public reports including those to regulators (if and whenever required).

The principal functions of the Board are to:

- set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders are understood;
- provide entrepreneurial leadership, set and approve the strategic and financial objectives of the Group, and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls;
- review the performance of Management, approve the nominations to the Board of Directors and the appointments of key personnel, as may be recommended by the Nominating Committee (the "**NC**");
- identifying the key stakeholder groups and recognising that their perceptions affect the Group's reputation;
- approve annual budgets, major funding proposals, investment and divestment proposals of the Company;
- appoint the Group Chief Executive Officer and review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee (the "**RC**");
- consider sustainability issues, e.g., environmental and social factors, as part of the strategic formulation; and
- assume responsibility for the corporate governance framework of the Company.

The Group has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- Strategies and objectives of the Group;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment and divestments;
- Commitments to terms loans and lines of credits from banks and financial institutions;
- Interested person transactions (including, inter alia, conflict of interest issues relating to substantial shareholders of the Company and/or Directors);

- Approval of corporate strategies;
- Corporate or financial restructuring; and
- Authorisation or approval of merger and acquisition transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Management so as to optimise operational efficiency.

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

The Board has delegated certain functions to various board committees, namely the Audit Committee (the "**AC**"), NC and RC. Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Regular meetings of the Board and of the other committees are convened, and the number of meetings and attendance by the respective Board members are set out in the table on page 4 of this report. The Company's Constitution allows for telephone, videoconference and other forms of electronic or instantaneous communication by Board members for such meetings if they cannot be personally present.

Whenever a new Director is appointed on the Board, the Company will provide a formal letter to the Director, setting out, amongst other things, his duties and obligations. The Company will also put all new Directors through an orientation programme to update them with all information necessary or desirable for the Director to understand its businesses and governance practices. Depending on the need, new Directors may be put through house sessions to acquaint them on Directors' duties and compliance with the relevant bodies of law in the performance of their duties. On an on-going basis, the Company will provide further information and updates on the Group and its business to the Board members, including any changes in legislation or regulations that may impact the Company's conduct of its business or affect the Directors in discharging their duties to the Company. Additional trainings will be arranged and funded, as and when necessary, for the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board.

Principle 2: Board Composition and Balance

The Company has an effective Board that is able to lead, steer and control the Company. The Board presently comprises six (6) Directors, four (4) of whom are Independent Directors and two (2) are Executive Directors. There is therefore a strong independent element on the Board whereby more than half of the Board comprises of Independent Directors and no individual or group of individuals is able to dominate the Board's decision-making process.

The Board examines its size and composition of the Board and board committees on an annual basis. It takes great pride in the composition of its Board, who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as core competencies including that of accounting, finance, business development, management, relevant industry knowledge, strategic planning and customer-based experience and knowledge. The Board is therefore well placed to lead, providing entrepreneurial and strategic leadership, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Independent Directors are encouraged to constructively challenge and help to develop business proposals tabled by Management. They also monitor and review the reporting of the performance of Management in meeting agreed goals and objectives of the Group. To facilitate a more effective check on Management, the Independent Directors meet regularly without the presence of Management and the other Directors.

Taking into account the nature and scope of the Company's operations, and the requirements of its near-term business plans, the Board is of the view that its current size and composition are appropriate and believes that it provides sufficient diversity without affecting the effectiveness and efficiency of decision-makings.

Presently, Mr Fong Wai Leong has served as an Independent Director of the Company for 13 years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review. Taking into account the views of the NC as disclosed in Principle 4, the Board concurs that Mr Fong Wai Leong has continued to demonstrate strong independence in discharging his responsibilities as a Director of the Company, notwithstanding that he has served on the Board for more than nine years from the date of his appointment.

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

The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company’s business are separated to ensure a balance of power and authority. No one individual Director represents a considerable concentration of power.

In the interim, the Executive Chairman has assumed additional responsibilities as the Group CEO until a suitable CEO is found. The Board is confident that given the Executive Chairman’s vast experience and past contributions, he will be able to bring great value to the Group.

The Executive Chairman and Group CEO provides input on broad strategic directions for the Company and bears responsibility for the workings of the Board ensuring its effectiveness in all aspects of his role.

The Executive Chairman and Group CEO manages the business of the Board and the Board committees and ensures that procedures are introduced from time to time in accordance with the Code. He ensures that Board meetings are held as and when it is necessary and sets the Board meeting agenda in consultation with Management. The Executive Chairman and Group CEO reviews the board papers before they are presented at Board meetings and ensures that Board members are provided with complete, adequate and timely information from Management including access to quality legal advice. As a general rule, board papers are sent to Directors well in advance for Directors to review and be adequately prepared for the meeting. Management staff who have prepared the information, or who can provide additional insight into the matters to be discussed are invited to carry out presentations or attend the Board meeting as appropriate at the relevant time. In order to promote a culture of openness and debate at the Board, both Management and the Independent Directors are encouraged to contribute at the Board meetings.

In view of the fact that the Executive Chairman and the Group CEO is the same person, half of the Board comprises of Independent Directors. In addition, the Board has a Lead Independent Director, in accordance with recommendations under the Code, to provide a channel for shareholders to raise any issues of concern for which communication through the Executive Chairman and Group CEO, or the Vice President, Finance may not be appropriate in some circumstances.

To facilitate a more efficient check on Management and the Executive Chairman and Group CEO, the Independent Directors have been encouraged to meet without the presence of Management and the Executive Chairman and Group CEO at separate occasions. The Lead Independent Director then provides feedback to the Executive Chairman and Group CEO after such meetings.

Principle 4: Board Membership

The nature of the Directors’ appointments on the Board and details of their membership on the Board Committees as at the date of this report are set out below:

Board and Committee Membership

Directors	Board Membership	Committee Membership		
		Audit	Remuneration	Nominating
Dato’ Michael Loh Soon Gnee	Executive	N.A.	N.A.	N.A.
Timothy Lim Boon Liat	Executive	N.A.	N.A.	N.A.
Fong Wai Leong	Lead Independent	Chairman	Member	Member
Dr Kenneth Yu Keung Yum	Independent	Member	Chairman	Member
Dr Kriengsak Chareonwongsak	Independent	Member	Member	Chairman
Mandie Chong Man Sui*	Independent	N.A.	N.A.	N.A.

*Mr. Mandie Chong Man Sui was redesignated as an Independent Director from 1 January 2017.

The academic and professional qualifications of the Directors are set out in the Directors’ profile on pages 6 and 7 of the annual report. The shareholding of each Director is set out in the Directors’ Statement under the Section “Directors of the Company” on page 1 in the Directors’ Statement in Appendix 2 of this annual report.

Attendance at Board and Committee Meetings

The Board meets at least 4 times each year and as and when warranted by particular circumstances, as deemed appropriate by the Board. The Company's Constitution provide for teleconference and videoconference meetings. As a general rule, materials for Board meetings are sent to the Directors in advance in order for the Directors to be adequately prepared for the meetings.

The frequency of the meetings of the Board and its various Committees and the attendance by the Directors are set out as follows below:

	Board Meeting	Audit Committee	Remuneration Committee	Nominating Committee
Number of Meetings	4	4	1	1
Directors				
Dato' Michael Loh Soon Gnee	4	4*	1*	1*
Mandie Chong Man Sui	4	4*	1*	1*
Timothy Lim Boon Liat	4	4*	1*	1*
Fong Wai Leong	4	4	1	1
Dr Kriengsak Chareonwongsak	4	4	1	1
Peter Lai Hock Meng^	2	2	1	1
Dr Kenneth Yu Keung Yum#	1	1	-	-

*** By Invitation**
^Mr Peter Lai Hock Meng resigned on 18 July 2016
 # Dr Kenneth Yu Keung Yum was appointed as director of the Company on 20 October 2016.

Board Appointments

The NC makes recommendations to the Board on all Board appointments and re-appointments. All of the members of the NC, made up of Dr Kriengsak Chareonwongsak (NC Chairman), Mr Fong Wai Leong and Dr Kenneth Yu Keung Yum (who replaced Mr Peter Lai Hock Meng), are Independent Directors. The Lead Independent Director is a member of the NC.

The key terms of reference of the NC include the following:

- Review board succession plans for Directors, in particular, the Executive Chairman and Group CEO;
- Development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- Review of training and professional development programs for the Board;
- Appointment and re-appointment of Directors;
- Evaluate and determine the independence of the Independent Directors; and
- Evaluate whether a Director, with multiple board representations, is able to and has been adequately carrying out his duties as Director of the Company.

Process for Selection and Appointment of New Directors

When required, the search and nomination process for new Directors will be through search companies, contacts or recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidate. The NC assesses the suitability of the candidate based on his skills, knowledge and experience and ensures that he is aware of the expectations and the level of commitment required, before recommending the potential candidate to the Board for appointment as Director. The Company's Constitution provides that a newly appointed Director during the financial year must retire and submit himself for re-appointment at the annual general meeting ("**AGM**") following his appointment. Thereafter, he is subject to re-appointment at least once every three years. In relation to Dr. Kenneth Yu Keung Yum's appointment as a Director in FY 2016, the NC had assessed the suitability of Dr. Kenneth Yu Keung Yum before recommending him to the Board for his appointment. In accordance with the Company's Constitution, Dr. Kenneth Yu Keung Yum will submit himself for re-appointment at the AGM for FY 2016.

Retirement and Re-election of Directors

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the Director's contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contribution.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company's Annual General Meeting (the "**AGM**"). As part of the process for the selection, appointment and re-appointment of Directors, the NC will consider the composition and progressive renewal of the Board.

The dates of initial appointments and last re-election of the Directors as at the date of this report are set out below:

Directors	Designation	Date of Initial Appointment	Date of Last Re-election
Dato' Michael Loh Soon Gnee	Executive Chairman	23 October 2003	29 April 2014
Timothy Lim Boon Liat	Executive Director	16 January 2004	30 April 2015
Fong Wai Leong	Lead Independent Director	16 January 2004	29 April 2016
Dr Kenneth Yu Keung Yum	Independent Director	20 October 2016	Not Applicable
Dr Kriengsak Chareonwongsak	Independent Director	12 August 2011	30 April 2015
Mandie Chong Man Sui*	Independent Director	16 January 2004	29 April 2016

*Mr. Mandie Chong Man Sui was redesignated as an Independent Director from 1 January 2017.

Having considered the effectiveness and contributions of each of the Director, the NC nominates and recommends the following Directors to retire by rotation and to stand for re-election at the Company's forthcoming AGM:

Dato' Michael Loh Soon Gnee	Executive Chairman
Dr Kriengsak Chareonwongsak	Independent Director
Dr Kenneth Yu Keung Yum	Independent Director

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his performance or re-nomination as Director.

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually and as and when the circumstances require, bearing in mind the Guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. A director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent. For the purpose of determining directors' independence, every Independent Director has provided a declaration of their independence which is deliberated upon by the NC and the Board.

For good corporate governance, the Board carries out rigorous review of the contribution and independence of Directors who has served on the Board beyond nine years from the date of their appointment and if necessary, may exercise its discretion to extend the tenures of these directors. Presently, Mr Fong Wai Leong has served as an Independent Director of the Company for more than nine years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr Fong Wai Leong continued to demonstrate independence in discharging his responsibilities as a Director of the Company by objectively expressing his opinions and seeking relevant explanations and clarifications on matters concerning the Group from Management. Moreover, he has gained knowledge and an understanding of the Group's business and operations that enable him to provide valuable contributions to the Company. Based on the declaration of independence received from Mr Fong Wai Leong, he has no association with Management or any substantial shareholder that could affect his independence.

After taking into account all these factors, and the need for progressive refreshing of the Board, the Board is of the opinion that Mr Fong Wai Leong continues to be independent, notwithstanding he has served on the Board for more than nine years from the date of his appointment.

In its annual review for FY2016, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the independence of the following Directors:

Fong Wai Leong	Lead Independent
Dr Kriengsak Chareonwongsak	Independent
Dr Kenneth Yu Keung Yum	Independent
Mandie Chong Man Sui	Independent

Directors' Time Commitment and Multiple Directorships

Although some of the Directors have multiple Board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The internal guideline provides that, as a general rule, each Director should hold no more than ten listed company board representations. The guideline includes the following:

- Directors must consult the Chairman of the Board and the NC Chairperson prior to accepting any new appointments as a director and other principal commitments; and
- In support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2016, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and the Board is of the view that the Directors have discharged their duties adequately.

Principle 5: Board Performance

In accordance with the terms of reference of the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

All the Directors have made an assessment of the effectiveness of the Board as a whole. There is also a system of peer assessment of each Director by their fellow Directors at least once annually. These peer assessments are collated by the NC and are taken into account when the NC assesses and makes recommendations to the Board as to whether the retiring Directors are suitable for re-election/re-appointment in consultation with the Executive Chairman and Group CEO. In making this assessment the NC also takes into account the level of participation and contribution of each Director towards the Board's effectiveness and competencies.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, and the peer assessment of each Director, is of the view that the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board has been satisfactory.

Principle 6: Access to Information

The Board oversees the management of the business affairs and operations of the Group and establishes from time to time, strategies and financial initiatives implemented by Management. Management has provided the Board with adequate information in a timely manner for the Board to discharge their obligations. Such information includes background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. The Board also duly monitors Management's performance.

To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

To facilitate direct access to the senior management, Directors are also provided with the names and contact details of the Management.

The Executive Chairman and Group CEO updates the Board during the quarterly Board meetings on the Group's strategies and business environment to keep the members of the Board abreast of the Group businesses and activities.

The appointment of the Company Secretary and any change thereof is a matter for the Board's decision. The Directors have separate and independent access to the Company Secretary. Duties of the Company Secretary include ensuring that Board procedures are followed and compliance with applicable rules and regulations including the Companies Act (Cap 50) of Singapore (the "**Companies Act**") and the SGX-ST's Listing Manual. The Company Secretary under the direction of the Executive Chairman and Group CEO also ensures good information flows within the Board and its Committees and between senior management and non-executive. The Company Secretary is also invited to attend all Board meetings.

In carrying out their obligations as Directors of the Company, access to independent professional advice is, if necessary, available to all Directors, either individually or as a group, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises of three members, Dr. Kenneth Yu Keung Yum (who replaced Mr Peter Lai Hock Meng) (RC Chairman), Mr Fong Wai Leong and Dr Kriengsak Chareonwongsak who are all Independent Directors. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration.

The RC's principal responsibilities are to:

- recommend to the Board base salary levels, benefits and incentive programs, and also to identify components of salary which can best be used to focus management staff on achieving corporate objectives;
- approve the structure of the compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- review, on an annual basis, the specific compensation packages of the Company's Directors and the Group CEO; and
- review and submit to the Board proposals for the setting-up of share option schemes or long term incentive schemes.

The members of the RC carry out their duties in accordance with the terms of reference which includes the following:

- Review and recommend to the Board for endorsement, a general framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each Director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits, policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's share option plan, if any.
- Review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- Review the development of senior staff and assess their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC from time to time and where necessary seeks advice from an external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel. The RC will ensure that the consultant does not have any connection with the Group or any of its Directors which could affect their independence and objectivity. No remuneration consultants were engaged by the Company during FY2016.

There are appropriate and meaningful measures in place for the purpose of assessing the performances of Executive Directors and senior management staff.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate Executive Directors, and to align their interests with those of shareholders, by linking rewards to corporate and individual performance and therefore promoting the long-term success of the Group.

In this regard, the RC:

- takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the group's relative performance and the performance of individual Directors;
- considers whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive schemes);
- reviews the terms, conditions and remuneration of the Executive Directors, and ensures that his total remuneration package has a significant portion of performance-related elements.

The Independent Directors have no service contracts with the Company and their terms are specified in the Company's Constitution. Non-executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The fee payment takes into account factors such as effort and time spent, and responsibilities undertaken and their contributions to the Board. The fees paid to the Company's Independent Directors are also benchmarked against Independent Directors' fees paid by companies in the same industry and with similar scale of operation. The RC is of the view that the Company's Independent Directors are not over-compensated to the extent that their independence may be compromised. Such fees are subject to the approval of the shareholders as a lump sum at the AGM.

The Executive Directors do not have fixed-term service contracts with the Company, and their service contracts do not contain onerous removal clauses. Notice periods in service contract are typically set at period of six months or less. There are incentive components in the remuneration package for the Group's Executive Chairman and Group CEO which are linked to his performance which is assessed based on the Group's financial performance. This remuneration package has been designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance in order to promote the long-term sustainability of the Group. There are currently no incentive components in the service contracts with other Executive Director and key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives except in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The RC has established a suitable remuneration framework to incentivise, compensate and reward the key management and executives. The remuneration policy for staff adopted by the Company, where appropriate, comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is determined at the discretion of the Company, taking into consideration the performances of the Group businesses and respective employees.

A share option scheme, which would be administered by the RC, may when appropriate, form another element in the variable component of the pay packages of all employees. Subject to such adjustment as may be made pursuant to the employee share option scheme, the total number of shares in respect of which the Company may grant options would at no time exceed fifteen per cent. (15%) of the total issued share capital of the Company for the time being. The amount of share options, which may be granted to each employee, would be dependent on the grade of the employee, subject to the approval of the RC.

The RC and the Board have collectively endorsed the Company's remuneration policy.

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the Year Ended 31 December 2016

Directors	Remuneration (S$'000)	Fees* (%)	Fixed Salary (%)	Bonus & Management Incentive (%)	Share-Based Compensation (%)	Benefits & Allowance (%)	Total (%)
Dato' Michael Loh Soon Gnee	2,875	5%	91%	N.A.	N.A.	4%	100%
Timothy Lim Boon Liat	393	10%	60%	14%	N.A.	16%	100%
Fong Wai Leong	41	100%	N.A.	N.A.	N.A.	N.A.	100%
Peter Lai Hock Meng#	22	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Kriengsak Chareonwongsak	40	100%	N.A.	N.A.	N.A.	N.A.	100%
Mandie Chong Man Sui	20	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Kenneth Yu Keung Yum^	8	100%	N.A.	N.A.	N.A.	N.A.	100%

* *The directors' fees refer to the proposed fees for FY2016 which are subject to shareholders' approval in the forthcoming AGM.*
\# *Mr Peter Lai Hock Meng resigned on 18 July 2016*
^ *Dr Kenneth Yu Keung Yum was appointed as director of the Company on 20 October 2016.*

Top 5 executives within each band of remuneration are as follows:

Remuneration Band	2016
Below S$250,000	None
S$250,000 to below S$500,000	5
S$500,000 to below S$750,000	None

There are no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors, CEO or top five key management personnel.

The total remuneration paid to the top five key management personnel (who are not directors or CEO) was approximately S$1,897,000. Taking into consideration the competitive industry in which the Group operates, the Company believes that it is not in the best interests of the Company to disclose the names, remunerations, or the breakdown of the remunerations (in percentage or dollar terms) of the top five key management personnel (who are not directors or CEO).

There are no employees who are immediate family members of a Director or the Group CEO, and whose remuneration exceeds S$50,000 during FY 2016.

Shareholders' approval was previously obtained for the implementation of the employee share option scheme in 2001 and the employee share option scheme has expired on 22 May 2011. There are no outstanding share options granted under the expired employee share option scheme.

Directors' fees are also approved by shareholders at every AGM of the Company. The remuneration of the Executive Directors are reviewed by the RC and recommended to the Board for endorsement.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability and Audit

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects. Such responsibility extends to interim and other price sensitive public reports, and reports to regulators. Management provides members of the Board with monthly management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board also reviews legislation and regulatory compliance reports from Management to ensure that the Group complies with the relevant regulatory requirements, including requirements under the Rules of the Listing Manual, with the assistance of the Group's legal counsel.

Financial reports and other price sensitive information, all news releases and analyst presentations are disseminated to shareholders through SGXNet and posted on the Company's website at www.astigp.com.

The Annual Report is disseminated to all shareholders and is available on the Company's website.

Principle 11: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for determining the level of risk tolerance of the Group and the governance of risk by ensuring that the Group has put in place adequate risk management and internal controls systems to manage its significant business risks, so as to safeguard shareholders' investments and the Company's assets.

A crucial function served by the AC is overseeing the Group's risk management framework and policies, as well as the regulation of risks undertaken or faced by the Group. The AC may examine whichever aspects it deems appropriate of the Group's financial affairs, audits and its exposure to risks of a regulatory or legal nature.

The AC keeps under review the efficacy of the Group's system of accounting and internal financial controls. Also kept under constant review is the Group's system of ensuring compliance with legal, operational and regulatory matters, including risk management, amongst others.

In relation to assisting the Board with the risk management function, the AC is guided by the following terms of reference:

- Determine the Group's levels of risk tolerance and risk policies.
- Oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Make the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance to the SGX-ST's Listing Manual and the Code.
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board has received assurance from the Executive Chairman and Group CEO, and the Vice President, Finance of the Company that:

- The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and
- The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and the review performed by Management and the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's framework of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, is adequate to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value. Nevertheless, the AC and the Board recognise that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

Risk Management and Interested Person Transactions

An assessment of the significant risk areas relevant to the Company's businesses, operations and compliance requirements have been carried out and are identified as follows:

Reliance on the Semiconductor Industry

The Group's products and services are employed in the production of semiconductors. A significant portion of the Company's revenues is directly or indirectly related to the capital expenditures of manufacturers in the semiconductor and electronic assembly industries. These industries may be subject to significant fluctuations as a consequence of general economic conditions and industry cycles. Capital expenditures for producers such as the Group are directly affected as a result of these fluctuations. The Group operates in a cyclical industry and its fluctuations are likely to have an adverse effect on the Group's business, financial condition and results of operations.

Technological Changes

The market for the Group is characterised by rapidly changing technology. The Group's future success will depend upon its ability to develop and introduce new products on a timely and cost-effective basis to meet customers' requirements and address technological developments. Successful product development and introduction include identification of new product requirements and opportunities, the retention and hiring of appropriate research and development personnel, the definition of a product's technical specifications, the successful completion of the development process and the successful marketing of a product.

Foreign Exchange Risk

The Group is exposed to various common financial risks arising in the normal course of business. A significant portion of the Group's revenue is denominated in the United States dollar. Operating expenses and wages are made mainly in local currency. Hence, exchange rate movements in the United States dollar and the Singapore dollar (the Company's reporting currency), amongst others, expose the Group to foreign currency risk. The Group mitigate its foreign exchange exposure risk by utilising its facilities from banks.

Principle 12: Audit Committee

The AC comprises three members, Mr Fong Wai Leong (AC Chairman), Dr Kriengsak Chareonwongsak and Dr. Kenneth Yu Keung Yum (who replaced Mr Peter Lai Hock Meng), all of whom are Independent Directors.

The members of the AC have experience in managerial positions across the accounting, banking, audit and finance industries (see Directors' profile on pages 6 and 7 of the annual report). The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions.

During the year, the AC obtained updates from the Company's auditors on changes in accounting standards, corporate governance and other relevant regulations that might have a direct impact on the Group's financial statements.

The AC has the explicit power to conduct or authorise investigations into any matters within its terms of reference, has full access to and co-operation by Management. It has full discretion and the prerogative to invite any Director or executive officer to attend its meetings. All resources that would enable the AC to discharge its duties effectively and expeditiously are made available to the AC.

The AC performs the following functions in accordance with the terms of reference which include the following:

- reviews with the external auditors, their scope and results of the external audit work, the audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
- reviews with the internal auditors at least annually, checks on the adequacy of the internal audit procedures and an evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls and risk management;
- reviews the internal audit function to ensure that it is adequately resourced and has appropriate standing within the Group;
- reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Group and that of any formal announcement made quarterly or annually relating to the Group's financial performance including announcements to shareholders and the SGX-ST prior to the submission to the Board;
- reviews any significant findings of internal investigations;

- makes recommendations to the Board on the appointment of external auditors, the audit fee, terms of engagement and any questions of their resignation or dismissal;
- reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditor;
- reviews the assistance given by the Company's officers to the external and internal auditors;
- reviews and monitors interested person transactions, if any, arising and to ensure that the SGX-ST Listing Manual internal control procedures approved by shareholders are adhered to in relation to such transaction;
- reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate; and
- conducts an annual review of the independence and objectivity of the Company's external auditors, including the volume of non-audit services supplied by the external auditors, to satisfy itself that the nature and extent of such services have not prejudiced the independence and objectivity of the external auditors before confirming their re-nomination.

The AC held four (4) meetings during the year at the Company's principal place of business, attendance of which is detailed on page 4 of this report. The Executive Chairman and Group CEO, Vice President, Finance, Group Administrative Officer (Mr Timothy Lim Boon Liat), legal counsels, internal auditors and external auditors were invited to these meetings. Other members of senior management were also invited to attend as appropriate to present reports.

The AC met with the Company's external auditors, Ernst & Young LLP ("**E&Y**") two times in FY2016. Parts of the meetings were conducted without the presence of Management. Reports of the findings and recommendations by external auditors are done independently and presented to the AC.

The principal activities of the AC during FY2016 are summarised below:

Financial reporting

The AC met on a quarterly basis and reviewed the quarterly and full year results announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the full year financial statements and also discussed with management, Vice President, Finance and the external auditors the significant issues and adjustments resulting from the audit, and any significant deficiencies in internal controls over financial reporting matters that came to the external auditor's attention during their audit together with their recommendations.

External audit processes

The AC manages the relationship with the Group's external auditors, E&Y, on behalf of the Board. During FY2016, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that E&Y be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of E&Y.

The AC has reviewed the independence of E&Y taking into account the volume of non-audit services supplied by them and is satisfied that the provision of such services did not affect their objective position as independent external auditor. The fees related to the audit and non-audit services provided by E&Y for FY 2016 are S$421,000 and S$67,000 respectively. These fees are also disclosed in the notes to the financial statements.

Pursuant to the requirement in the SGX-ST Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current audit partner from E&Y for the Company took over from the previous audit partner from FY 2016. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal controls

During the year, the AC reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with management, the internal auditors and external auditors.

The AC considered and reviewed with management and the internal auditors the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group; and
- Significant internal audit observations and management's response thereto.

The AC has reviewed the adequacy of the internal audit function and is satisfied that KPMG Services Pte. Ltd. (the "**Internal Auditor**") has adequate resources to carry out the internal audit function.

Each member of the AC abstains from voting on any resolution and making any recommendations and/or participating in any deliberations in respect of matters in which he is interested.

The Company's external auditors, E&Y, carried out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address the same were reported to the AC. Management, with the assistance of the Internal Auditor, follows up on the external auditor's recommendations as part of its role in the review of the Company's internal control systems. The Board is satisfied that the Company's internal controls are at present adequate.

Whistle-blowing policy

The Company has implemented a whistle blowing policy since September 2007 that provides well-defined and accessible channels through which any employee may raise any concerns they may have about improper conduct or malpractices within the Group. Any concerns may be raised, either anonymously or otherwise, directly to the Lead Independent Director and the identity of the person raising the concern is strictly protected to the extent practicable in law. The Lead Independent Director has direct oversight in the administering of the policy with the assistance of the Group Administrative Officer. The AC has reviewed and is satisfied with the adequacy of the whistle blowing policy.

There were no complaints received up to the date of this annual report.

Principle 13: Internal Audit

The internal audit function was outsourced to the Internal Auditor in FY2016. The Internal Auditor is independent of the activities it audits. The methodology adopted by the Internal Auditor is in conformity to the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC approves the engagement, termination, evaluation and fees of the Internal Auditors. The Internal Auditor, who reports directly on audit matters to the Chairman of the AC, has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The Internal Auditor assists the AC in monitoring and assessing the effectiveness of the Group's material internal controls. The Internal Auditor also assists Management in identifying operational and business risks and provides recommendations to address those risks.

The AC ensures that the internal audit function is adequately resourced and has the capabilities to adequately perform its functions. In this regard, the AC reviews on an annual basis the effectiveness of the Internal Auditor by examining the scope of the Internal Auditor's work, quality of its reports, reporting structure within the Group, qualifications and training, relationship with the external auditor, and its independence of the areas reviewed. The AC is of the view that the Internal Auditor is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company is mindful of the obligation to provide regular, effective and fair communication with shareholders and ensures that all the Company's shareholders are treated equitably and the rights of all shareholders are protected. The Company conducts dialogue sessions with investors, securities analysts, fund managers and the press as and when necessary.

On a regular and timely basis, the Company disseminates material information simultaneously through news and press releases via SGXNet and electronic mail to securities analysts, shareholders, and the media. The Company also posts these press releases on its public website, www.astigp.com, to ensure that all shareholders and the public gain fair and sufficient access to information, changes, updates and the archives of the Company or its businesses which would be likely to materially affect the price or value of the company's shares. The website also provides a channel for shareholders to raise any concerns or issues, if any.

Information is always communicated to shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a select group, the Company has made the same disclosure publicly to all others as soon as practicable.

The Company invites the media, securities analysts, fund managers or shareholders to its general meetings, or briefings that follow major announcements and events, such as earnings releases and trade exhibitions.

Shareholders are informed of shareholders' meetings through timely and formal notices published in the newspapers. All relevant reports and/or circulars sent in advance to all shareholders so that they can familiarise themselves with the issues that will be raised at general meetings. Shareholders are also given opportunities to raise questions, and to communicate their views on issues which affect the Company, at general meetings and to vote in absentia. Every shareholder is entitled to appoint not more than two proxies to attend the general meeting and vote in his stead, provided the member name is certified by the Depository (Nominee Company) to the Company as appearing on the Depository Register not earlier than 72 hours before the AGM as a Depositor on whose behalf the Depository holds shares in the Company. The Companies Act allows certain members who are relevant intermediaries such as corporations holding licences in providing nominee and custodial services and the central provident fund ("**CPF**") Board which purchases shares on behalf of CPF investors, to appoint multiple proxies to attend and participate in general meetings.

The Company's external auditor, chairpersons of the AC and the RC are present at AGMs to assist the Board and Management to address any questions shareholders may have regarding the Company's conduct of its businesses.

At general meetings, each substantially separate issue is dealt with in separate resolutions and bundling of resolutions are avoided unless the resolutions are interdependent and linked so as to form one significant proposal.

Whenever possible and appropriate, the Company fulfils requests from securities analysts, stockbrokers, dealers, fund managers and journalists for telephone and face-to-face interviews and meetings with Management.

The Company currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of the Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the Shareholders. The Directors may also declare an interim dividend without the approval of the Shareholders. No dividend was declared in respect of FY2016 as the Group had incurred losses in the year.

Minutes of general meetings that include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from the Board and Management are available upon request.

The Company allows all resolutions to be voted by poll and makes announcement of the detailed results, including number of votes cast for and against each resolution. The Board will adhere to the requirements of the SGX-ST Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "**Internal Code**") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times. The adoption of this Internal Code has been notified to all Directors, officers and employees of the Group.

The Internal Code provides that the Company, its officers and employees of the Group should not deal in securities of the Company when they are in possession of any unpublished material price-sensitive information in relation to those securities as this is an offence.

The Company's Internal Code also provides that the Company, its officers and employees of the Group should not trade in the Company's securities during the period commencing two weeks before the date of announcement of the Company's quarterly and half-year financial results and the period commencing one month before the date of announcement of the Company's full-year financial results, ending on the date of announcement of the relevant results.

In addition, the Company's officers and employees should not deal in the Company's securities for short-term considerations.

The Internal Code complies with, and the Board confirms that for FY 2016, the Company has complied with, Rule 1207(19) of the SGX-ST Listing Manual.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and Group CEO, directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Interested Person Transactions

The risks associated with interested person transactions relates not only to compliance issues but also the prevention of transactions being carried out on terms that are less than favourable and not at arm's length.

There are no interested person transactions during FY2016.

The AC will continue to review and monitor any interested person transactions that may arise and ensures that the Company seeks appropriate approvals, makes appropriate announcements or disclosures on these transactions in accordance with Chapter 9 of the SGX-ST Listing Manual.

APPENDIX 2

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2016

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

1 Directors' Statement

3 Independent Auditor's Report

8 Balance Sheets

9 Consolidated Income Statement

10 Consolidated Statement of Comprehensive Income

11 Consolidated Statement of Changes in Equity

13 Consolidated Cash Flow Statement

15 Notes to the Financial Statements

DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of ASTI Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Dato' Michael Loh Soon Gnee
Fong Wai Leong
Timothy Lim Boon Liat
Mandie Chong Man Sui
Dr Kriengsak Chareonwongsak
Dr Kenneth Yu Keung Yum (appointed on 20 October 2016)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Directors	At the beginning of the year	At the end of the year	At 21 January 2017
Ordinary shares of the Company			
Dato' Michael Loh Soon Gnee			
- held in name of Director	65,209,600	65,209,600	65,209,600
- deemed interest	65,000,000	65,000,000	65,000,000
Mandie Chong Man Sui			
- deemed interest	136,800	136,800	136,800
Timothy Lim Boon Liat			
- held in name of spouse	99,000	99,000	99,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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

OPTIONS

During the financial year, there were:

(a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(b) no other shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board:

Dato' Michael Loh Soon Gnee
Director

Timothy Lim Boon Liat
Director

13 April 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ASTI Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the 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, the balance sheet 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 of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of property, plant and equipment

As at 31 December 2016, the carrying amount of property, plant and equipment amounted to S$20,845,000. In 2016, indicators of impairment of property, plant and equipment were present due to weak operating performance of certain subsidiaries. In particular, due to delays and continuing losses, management performed an impairment test with respect to its construction-in-progress and plant and machinery amounting to S$13,785,000 as at 31 December 2016. In determining the recoverable amount, several key assumptions with significant estimates were made by management in the cash flow forecast used to compute the value-in-use, including, discount rate, terminal growth rate, projected sales growth rate and expected revenue streams. Management's assessment had resulted in the recognition of an impairment charge for FY2016 of S$1,509,000.

Our audit procedures included, amongst others, evaluating and assessing the key assumptions and methodology used by management in the cash flow forecast. We have tested management's assumptions such as the projected sales growth rate, the expected revenue streams and costs against available industry trends and statistics. We have also evaluated management's assumptions by comparing the discount rate and terminal growth rate used against available third party data. We have engaged our internal valuation specialist to assist us with the assessment of these assumptions. We have evaluated the adequacy of the disclosures in Note 5.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key Audit Matters (cont'd)

Impairment assessment of intangible assets

As at 31 December 2016, the carrying amount of intangible assets amounted to S$2,407,000. The intangible assets relate mainly to capitalised development costs arising from the development of battery and storage solutions unit, and intellectual property comprising the know-hows in developing the advanced packaging technology. Management reviews the recoverability of the carrying amounts of the intangible assets annually or more frequently if impairment indicators are present. The annual impairment test is significant to our audit due to the materiality of the carrying amount of the intangible assets and because the assessment process is complex and requires significant management judgment and estimate. Estimating the recoverable amount of these assets requires critical management judgment including estimates of future sales, revenue growth rate, gross margins, operating costs, discount rates and terminal growth rates and the assumptions inherent in those estimates.

Our audit procedures included, amongst others, assessing the appropriateness of the valuation methods used and evaluating the key assumptions used by management such as revenue growth rate, gross margins, sustainability of the working capital and the discount rates. We also engaged our internal valuation specialist to assist us in the assessment of the discount rates and long term growth rates. We also considered the adequacy of the disclosures in respect of impairment assessment of intangible assets in Note 4.

Impairment of available-for-sale assets

As at 31 December 2016, the carrying amount of available-for-sale assets, net of impairment, amounted to S$22,000. The investments are in companies that operate in the heat dissipation and renewable energy sectors. However, due to delays in launching the new anticipated products by these companies, the Group evaluated its investments in these companies and determined that these investments were impaired. Impairment losses of S$1,610,000 were recognised for the year ended 31 December 2016. As the impairment recognised is significant to the Group's statement of comprehensive income and the determination of whether the investment is impaired requires significant management judgement and estimates, we determined this to be a key audit matter.

Our audit procedures included, amongst others, assessing the appropriateness of the valuation methods used and evaluating the key assumptions used by management such as revenue growth rate, gross margins, operating costs, discount rates and terminal growth rates. We tested the cash flow forecast by assessing management's assumptions such as the discount rates and long-term growth rates against external benchmarks. We also performed sensitivity analysis on key assumptions, particularly revenue growth, to determine that reasonably possible changes to the assumptions would not result in a material difference. We also considered the adequacy of the disclosures in respect of the available-for-sale assets in Note 8.

Allowance for doubtful debts

As at 31 December 2016, the carrying amount of trade receivable and the related allowance for doubtful debts amounted to S$34,542,000 and S$3,043,000, representing 2.3% of the total assets of consolidated balance sheet. Allowance was also made for other receivables which mainly comprised loans amounting to S$467,000 provided to external parties that the Group had plans to potentially invest in, representing 0.3% of the Group's total assets as at 31 December 2016.

The determination of whether the receivables are collectable requires significant management judgment. In determining whether there is objective evidence that an allowance for doubtful debts is required, management considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payments. The collectability of trade and other receivables is a key element of the Group's working capital management, which is managed on an ongoing basis. As such, we determined that this is a key audit matter.

We assessed the Group's processes and controls relating to the monitoring of trade and other receivables and reviewed the trade receivables aging to identify collection risks. Our audit procedures included, amongst others, requesting trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of receipts from the trade and other debtors subsequent to year end. We reviewed management's assumptions used to calculate the allowance established for doubtful debts, notably through analyses of ageing of receivables, assessment of significant overdue individual trade and other receivables and specific local risks and inquiry of management of any disputes with debtors.

Where an allowance for other receivables are made, we obtained an understanding of the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we obtained corroborative evidence including correspondences supporting any disputes between the parties involved, attempts by management to recover the amount outstanding and on the credit status of significant debtors. We also assessed the adequacy of the disclosures on the trade and other receivables and the related risks such as credit risk and liquidity risk in Notes 12 and 13, and 40 respectively.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key Audit Matters (cont'd)

Allowance for stock obsolescence

As of 31 December 2016, total inventory and the related allowances for stock obsolescence amounted to S$24,974,000 and S$7,693,000 respectively. The allowance for stock obsolescence relate mainly to work-in-progress due to the long lead time for production, resulting in a high work-in-progress balance. We focused on this area as the gross inventory and the allowance for stock obsolescence carrying amounts are material to the financial statements, and the determination of stock obsolescence involves a high level of management judgment.

As part of our audit procedures, we attended and observed management's inventory counts at all material inventory locations. We tested, on a sample basis, the carrying value of the inventory by performing testing on the accuracy of the standard costing, ageing of inventories, and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to obsolete inventories, and the expected demand and selling price. We also assessed the adequacy of the disclosures related to inventories in Note 9.

De-facto control over Dragon Group International ("DGI) and Advanced Systems Automation Limited ("ASA")

As at 31 December 2016, the Group has an equity interest of 41% and 37% in DGI and ASA respectively. Notwithstanding that its shareholdings are less than 50%, management has determined that it has the current ability to direct the relevant activities of DGI and ASA. Given that the Group is also exposed to variable returns from DGI and ASA, management has concluded that the Group has control over these companies. The assessment is based on the fact that the Group remains the dominant shareholder as evident in the historical voting records at DGI and ASA's general meetings. Further, the Executive Chairman and Group Administrative Officer of the Group are also the Executive Chairman and Group Administrative Officer of DGI and ASA respectively, both of whom, are responsible for the vision, strategic direction and operational management of both DGI and ASA. The determination of the whether the Group has control on these companies is a key audit matter due to significant judgement involved.

As part of our audit procedures, we reviewed the evidence of management's assessment of control by inspecting the historical voting records of DGI and ASA's general meetings and reviewing minutes of meetings and Board of Directors' resolutions. We also assessed the adequacy of the disclosures on the basis of accounting of the Group's interests in these companies in Note 3.3.

Other Information

Management is responsible for 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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 Simon Yeo.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

13 April 2017

BALANCE SHEETS
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Assets					
Non-current assets					
Intangible assets	4	2,407	839	–	–
Property, plant and equipment	5	20,845	20,666	19	34
Investment properties	6	350	–	–	–
Investments in subsidiaries	7	–	–	20,433	25,282
Investments in associate		–	11	–	–
Investment securities	8	22	897	–	–
Deferred tax assets	23	181	275	–	–
Prepayments and advances	10	953	693	–	–
Amounts due from subsidiaries	11	–	–	2,843	1,350
Other receivables	13	429	–	–	–
		25,187	23,381	23,295	26,666
Current assets					
Inventories	9	24,974	26,223	–	–
Prepayments and advances	10	1,606	2,448	138	55
Amounts due from subsidiaries	11	–	–	8,372	8,525
Trade receivables	12	34,542	26,156	–	–
Other receivables	13	3,687	3,246	–	–
Cash and cash equivalents	14	39,174	41,247	1,402	1,671
		103,983	99,320	9,912	10,251
Non-current assets held for sale	15	–	1,904	–	–
		103,983	101,224	9,912	10,251
Total assets		**129,170**	**124,605**	**33,207**	**36,917**
Equity and liabilities					
Current liabilities					
Provisions	16	526	467	–	–
Income tax payable		1,102	1,919	–	–
Loans and borrowings	17	23,309	14,743	5,000	5,000
Trade payables and accruals	18	29,980	30,959	1,286	1,370
Other payables	19	7,113	3,508	279	221
Amounts due to subsidiaries	20	–	–	1,767	1,740
		62,030	51,596	8,332	8,331
Non-current liabilities					
Deferred tax liabilities	23	143	329	–	–
Lease creditors	21	191	538	–	–
Long term payables	22	1,112	1,084	–	–
Loans and borrowings	17	3,426	751	–	–
Amounts due to subsidiaries	20	–	–	34,901	27,324
		4,872	2,702	34,901	27,324
Total liabilities		66,902	54,298	43,233	35,655
Net assets/(liabilities)		**62,268**	**70,307**	**(10,026)**	**1,262**
Equity attributable to owners of the Company					
Share capital	30	132,617	132,617	132,617	132,617
Treasury shares	31	(4,772)	(4,772)	(4,772)	(4,772)
Foreign currency translation reserve	32	(1,894)	(1,135)	–	–
Capital reserves	33	(7,936)	(8,038)	(2,960)	(2,960)
Fair value reserve	34	–	18	–	–
Accumulated losses	43	(55,192)	(56,230)	(134,911)	(123,623)
		62,823	62,460	(10,026)	1,262
Non-controlling interests		(555)	7,847	–	–
Total equity		62,268	70,307	(10,026)	1,262
Total equity and liabilities		**129,170**	**124,605**	**33,207**	**36,917**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
		2016	**2015**
	Note	S$'000	S$'000
Revenue	24	141,883	116,539
Cost of sales		(96,105)	(78,092)
Gross profit		45,778	38,447
Other income	25	775	661
Other expense			
Marketing and distribution		(12,356)	(12,014)
Research and development		(12,525)	(14,100)
Administrative expenses		(25,404)	(26,416)
Other expenses, net	26	(2,278)	(31,571)
Finance costs, net	27	(1,309)	(1,058)
Share of results of associate, net of tax		(7)	(3)
Loss before tax	28	(7,326)	(46,054)
Income tax expense	23	(37)	(836)
Loss for the year		**(7,363)**	**(46,890)**
Attributable to:			
Owners of the Company		1,038	(20,478)
Non-controlling interests		(8,401)	(26,412)
Loss for the year		**(7,363)**	**(46,890)**
Earnings/(loss) per share (cents per share)			
Basic	29	0.16	(3.13)
Diluted	29	0.16	(3.13)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
	Note	2016 S$'000	2015 S$'000
Loss for the year		(7,363)	(46,890)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(632)	1,094
Realisation of fair value changes on available-for-sale assets		(30)	–
Fair value changes on available-for-sale financial assets reclassified to profit or loss		–	(3,587)
Fair value changes on available-for-sale assets		(14)	(6)
Other comprehensive income for the year, net of tax		(676)	(2,499)
Total comprehensive income for the year		(8,039)	(49,389)
Attributable to:			
Owners of the Company		261	(23,730)
Non-controlling interests		(8,300)	(25,659)
Total comprehensive income for the year		(8,039)	(49,389)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2016 Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserves	Fair value reserve	Foreign currency translation reserve	Accumulated losses	Equity attributable to owners of the Company, Total	Non-controlling interests	Equity Total
		(Non-distributable)				(Distributable)			
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 Jan 2016	132,617	(4,772)	(8,038)	18	(1,135)	(56,230)	**62,460**	7,847	**70,307**
Profit/(loss) for the year	–	–	–	–	–	1,038	**1,038**	(8,401)	**(7,363)**
Other comprehensive income									
Foreign currency translation adjustment	–	–	–	–	(759)	–	**(759)**	127	**(632)**
Realisation of fair value changes on available-for-sale assets	–	–	–	(12)	–	–	**(12)**	(18)	**(30)**
Fair value changes on available-for-sale assets	–	–	–	(6)	–	–	**(6)**	(8)	**(14)**
Other comprehensive income for the year, net of tax	–	–	–	(18)	(759)	–	**(777)**	101	**(676)**
Total comprehensive income for the year	–	–	–	(18)	(759)	1,038	**261**	(8,300)	**(8,039)**
Changes in ownership interests in subsidiaries without a change in control									
Dilution of interests in a subsidiary without a change in control (Note 7(i))	–	–	102	–	–	–	**102**	(102)	–
Total changes in ownership interests in subsidiaries	–	–	102	–	–	–	**102**	(102)	–
Closing balance at 31 Dec 2016	132,617	(4,772)	(7,936)	–	(1,894)	(55,192)	**62,823**	(555)	**62,268**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2015 Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserves	Fair value reserve	Foreign currency translation reserve	Accumulated losses	Equity attributable to owners of the Company, Total	Non-controlling interests	Equity Total
		(Non-distributable)				(Distributable)			
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 Jan 2015	132,617	(4,772)	(8,056)	3,608	(1,418)	(35,752)	**86,227**	31,001	**117,228**
Loss for the year	–	–	–	–	–	(20,478)	**(20,478)**	(26,412)	**(46,890)**
Other comprehensive income									
Foreign currency translation adjustment	–	–	–	–	338	–	**338**	756	**1,094**
Fair value changes on available-for-sale financial assets reclassified to profit or loss	–	–	–	(3,587)	–	–	**(3,587)**	–	**(3,587)**
Fair value changes on available-for-sale assets	–	–	–	(3)	–	–	**(3)**	(3)	**(6)**
Other comprehensive income for the year, net of tax	–	–	–	(3,590)	338	–	**(3,252)**	753	**(2,499)**
Total comprehensive income for the year	–	–	–	(3,590)	338	(20,478)	**(23,730)**	(25,659)	**(49,389)**
Changes in ownership interests in subsidiaries without a change in control									
Share placements to non-controlling interests (Note 7(ii))	–	–	18	–	(55)	–	**(37)**	2,505	**2,468**
Total changes in ownership interests in subsidiaries	–	–	18	–	(55)	–	**(37)**	2,505	**2,468**
Closing balance at 31 Dec 2015	132,617	(4,772)	(8,038)	18	(1,135)	(56,230)	**62,460**	7,847	**70,307**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	**2015**
	S$'000	S$'000
Operating activities		
Loss before tax	(7,326)	(46,054)
Adjustments for:		
Depreciation of property, plant and equipment	5,823	7,603
Depreciation of investment properties	4	–
Amortisation of intangible assets	113	301
Gain on disposal of property, plant and equipment	(1,244)	(36)
Impairment loss on property, plant and equipment	1,509	20,311
Impairment loss on club memberships	53	50
Impairment loss on intellectual property	492	–
Impairment loss on goodwill	–	13,717
Impairment loss on investment securities	1,684	–
Property, plant and equipment written off	8	59
Allowance on trade receivables	2,643	73
Write back of allowance on other receivables	(286)	–
Allowance on other receivables	467	2,149
Allowance for stock obsolescence	784	511
Provisions for warranty	321	138
Gain on disposal of investment securities	–	(3,599)
Loss on disposal of club membership	1	–
Realisation of fair value changes on available-for-sale assets	(30)	–
Net fair value loss/(gain) on derivatives	68	(181)
Share of results of associate	7	3
Interest income	(129)	(95)
Interest expense	1,128	928
Effects of exchange gain	(1,082)	(270)
Total adjustments	12,334	41,662
Operating cash flows before reinvestment in working capital	5,008	(4,392)
Changes in working capital		
Receivables	(12,190)	5,861
Inventories	255	(1,963)
Payables	(1,490)	(222)
Provisions	(262)	(258)
Total changes in working capital	(13,687)	3,418
Cash flow (used in)/generated from operations	(8,679)	(974)
Interest paid	(1,043)	(843)
Interest received	129	70
Income tax paid	(1,458)	(1,208)
Income tax refund	511	1
Net cash used in operating activities	(10,540)	(2,954)
Investing activities		
Proceeds from disposal of property, plant and equipment	3,842	254
Proceeds from disposal of club membership	1	–
Purchase of property, plant and equipment (Note (i))	(8,014)	(8,273)
Purchase of investment security	–	(689)
Partial consideration paid for purchase of investment security	–	(950)
Expenditure on development project	(233)	(676)
Proceeds from disposal of discontinued operations	–	2,537
Proceeds from disposal of investment securities, net	80	8,897
Proceeds from disposal of non-current assets held for sale	1,934	–
Expenditure on research and development project	(2,115)	–
Acquisition of an associate	–	(18)
Net cash (used in)/generated from investing activities	(4,505)	1,082
Financing activities		
Proceeds from share placement by subsidiaries and disposal of share in subsidiary	–	2,500
Share issuance expenses	–	(32)
Payment to finance lease creditors	(715)	(875)
Proceeds from bank borrowings	12,251	–

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	**2015**
	S$'000	S$'000
Repayments of bank borrowings	(887)	(13,069)
Proceeds from other borrowings, net	555	–
Advances for capital injection from non-controlling interest	1,629	435
Decrease in restricted cash	–	2
Net cash flows from/(used in) financing activities	12,833	(11,039)
Net decrease in cash and cash equivalents	(2,212)	(12,911)
Cash and cash equivalents at 1 January	41,166	52,580
Effects of exchange rate changes on cash and cash equivalents	220	1,497
Cash and cash equivalents at 31 December	39,174	41,166

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	Group	
	2016	**2015**
	S$'000	S$'000
Cash and bank balances (Note 14)	39,174	41,247
Bank overdrafts (Note 17)	–	(81)
	39,174	41,166

(i) Purchase of property, plant and equipment

Property, plant and equipment were acquired by means of:

	Group	
	2016	**2015**
	S$'000	S$'000
Cash payments	8,014	8,273
Finance leases and other payables	2,136	844
	10,150	9,117

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATION INFORMATION

ASTI Holdings Limited (the "Company") was incorporated in the Republic of Singapore on 27 March 1999 as a public company limited by shares. The Company is domiciled in the Republic of Singapore and was admitted to the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System ("SGX-SESDAQ") on 8 July 1999. Effective 28 April 2005, the listing and quotation of the Company's shares was transferred to the official list of the SGX Mainboard.

The registered office of the Company is located at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542. The principal place of the Company's business is located at Block 25 Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416.

The principal activities of the Company are those of investment holdings and acting as corporate manager and advisor in connection with the administration and organisation of the businesses of its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 7.

There have been no significant changes in the nature of these activities during the financial year.

2. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of ASTI Holdings Limited for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 13 April 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or S$) and all values in the tables are rounded to the nearest thousand (S$'000) as indicated, except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

As at 31 December 2016, the Company was in a net liabilities position of S$10,026,000 (2015: net assets position of $1,262,000). The financial statements of the Company have been prepared on a going concern basis as the subsidiaries have the ability to declare dividends to the Company as and when needed without any restrictions.

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annuals periods beginning on or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of mainly providing sale of semiconductor equipment, provision of service of semiconductor manufacturing services, provision of fabrication and assembly services and distribution of electrical components.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements. The Group does not expect significant impact to arise from these changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

3.3 *Significant accounting estimates and judgments*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of Dragon Group International Limited ("DGI") and Advanced Systems Automation Limited ("ASA")

As at 31 December 2016, the Company has an equity interest of 41% and 37% in DGI and ASA respectively. Management has considered the size of the Company's shareholding relative to the size and dispersion of shareholdings held by other shareholders and determined that it has the current ability to direct the relevant activities of DGI and ASA notwithstanding its shareholdings are less than 50%. The Company remains the dominant shareholder based on historical voting records at DGI and ASA's general meetings and the Executive Chairman and Group Administrative Officer of the Company are also the Executive Chairman and Group Administrative Officer of DGI and ASA respectively, both of whom, are responsible for the vision, strategic direction and operational management of both DGI and ASA.

3.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) Impairment of property, plant and equipment

The Group determines the recoverable amount of property, plant and equipment based on the higher of its fair values less costs to sell and its value-in-use. When value-in-use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 is disclosed in Note 5.

(ii) Impairment of intangible assets

The recoverable amounts of the intangible assets are determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow models. Critical estimates include estimates of future sales, revenue growth rate, gross margins, discount rates and terminal growth rates. The carrying amount of the Group's intangible assets as at 31 December 2016 is disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(iii) Impairment of available-for-sale assets

The fair value of unquoted available-for-sale assets are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The carrying amount of the Group's available-for-sale assets as at 31 December 2016 is disclosed in Note 8.

(iv) Impairment of loan and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. In determining whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables and the related allowance for doubtful debts as at 31 December 2016 are disclosed in Note 12 and 13 respectively.

(v) Allowance for stock obsolescence

The Group assesses at the end of each reporting period whether there is any objective evidence that its stocks is impaired. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the net realisable value of the asset. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amount of the Group's inventories and related allowance for stock obsolescence as at 31 December 2016 are disclosed in Note 9.

3.4 *Basis of consolidation and business combinations*

(i) <u>Basis of consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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(ii) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 3.9 (i). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

3.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.6 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. On disposal of a foreign operation, the cumulative amount of exchange differences recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price, the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment, and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Any revaluation surplus arising from re-measurement of carrying value of the property, plant and equipment at fair value is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Freehold buildings are measured at cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of the property, plant and equipment other than freehold land over their estimated useful lives as follows:

Freehold buildings	-	50 years
Leasehold properties	-	20 to 50 years or shorter of remaining leases terms and economic useful lives
Furniture and fittings	-	3 - 10 years
Plant and machinery	-	3 - 10 years
Office equipment	-	3 - 10 years
Motor vehicles	-	4 - 5 years

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Assets under construction-in-progress are not depreciated as these assets are not yet available for use.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

3.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment property begins when it is available for use and is computed on a straight-line basis over the estimated useful life as follows:

Freehold buildings - 50 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

3.9 *Intangible assets*

Intangible assets include goodwill, project development expenditure, intellectual property, club memberships and customer relationship.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the Group's operating segments.

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A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6 above.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss when the asset is derecognised.

Project development expenditure relating to raw materials, salaries and other fixed costs incurred in specific development projects are recognised as intangible assets when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the project development expenditure as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

Customer relationships relate to long-running smooth cooperation for sustained support from customers and principals in addition to price consideration.

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Club memberships with infinite useful lives are stated at cost less impairment losses. Club memberships with finite useful lives are amortised on a straight-line basis over 30 years.

Intangible assets are capitalised and will be amortised on the following basis:

Development expenditure	-	3 - 5 years in line with sales from the related project
Intellectual property	-	5 - 10 years over its estimated useful economic lives
Customer relationships	-	4 years over the expected economic useful lives

3.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

3.11 Associates

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

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment.

Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3.12 Financial assets

(i) Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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(ii) **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivative, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(2) **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(3) **Available-for-sale financial assets**

Available-for-sale financial assets include equity and debt securities. Equity instruments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses from changes in fair value of the financial assets being recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. When the investment is derecognised or when the investment is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques.

Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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

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(iii) De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(iv) Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

3.13 Impairment

Impairment of financial assets

The Group assesses at each end of reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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(iii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

(iv) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss as 'impairment losses' in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal of an impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Costs of materials are determined on a first-in-first-out or weighted average basis according to the nature of the subsidiaries' operations.

- Costs for work-in-progress and finished products are determined on a specific identification basis and include direct materials, direct labour and attributable overheads.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

3.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants which relate to purchase of property, plant and equipment and intangible assets are credited against the respective accounts and are amortised on a straight-line basis over the estimated useful life of the assets.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

3.17 Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision are reviewed at each end of reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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(ii) Warranty provisions

Provision for warranty-related costs represents the best estimate of the Group's contractual obligations at the end of the reporting period. The provision is based on past experience and industry averages for defective products. The majority of the costs are expected to be incurred over the applicable warranty periods. Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

3.18 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities include trade payables, which are normally 30-90 days terms, other amounts of payables, payables to subsidiaries, bills payables, lease creditors and interest bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(2) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss if incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the differences charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.21 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore, Malaysia, Philippines and People's Republic of China ("PRC") companies in the Group make contributions to the Central Provident Fund scheme in Singapore, or Employees Provident Fund in Malaysia, or Social Security System in Philippines, or Social Security Bureau in PRC respectively. These are defined contribution pension schemes. Contributions to these schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

3.22 Leases

(i) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.24(vi). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3.23 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical are of operations.

Non-current assets once classified as held for sale are not depreciated.

3.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of machineries, and manufactured products and distribution sales of components is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Provision of services

Revenue from provision of manufacturing services is recognised upon the completion, delivery and acceptance of the services rendered. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible rejection by customer.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Dividend income

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

(v) Royalty income

Royalty income is recognised when the Group's right to receive royalty is established.

(vi) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3.25 Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the end of reporting period, in the countries where the Group operates and generates taxable income.

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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and , associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(iii) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3.26 Segment reporting

The Group manages its business based on the Group's nature of business which are independently managed by the respective segment managers responsible for the performance of the respective segments. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.27 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

3.29 Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 3.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

The carrying amount of trade and other receivables impaired by credit losses is reduced through the use of an allowance for doubtful debts account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade and other receivables are ascertained to be uncollectible, they are written off against the allowance for doubtful debts account.

Significant financial difficulties of the debtor, debtors' dispute on satisfactory performance of our products and services, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

3.30 Amounts due from/to subsidiaries/related parties

Amounts due from subsidiaries/related parties are recognised and carried at cost less an allowance for any uncollectible amounts. Amounts due to subsidiaries/related parties are recognised and carried at cost.

3.31 Derivative financial instruments

The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge its risks associated primarily with foreign currency fluctuations.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of foreign exchange forward contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in fair value on derivative financial instruments are recognised in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3.32 Contingencies

A contingent liability is:

(i) 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

(ii) a present obligation that arises from past events but is not recognised because:

(1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(2) 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 uncertain future events not wholly within the control of the Group.

Contingent assets and liabilities are not recognised on the balance sheets of the Group and Company except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

4. INTANGIBLE ASSETS

Group	Development expenditure S$'000	Intellectual property S$'000	Goodwill S$'000	Club memberships S$'000	Customer relationships S$'000	Total S$'000
Cost						
At 1 January 2015	8,733	899	15,324	462	459	25,877
Currency realignment	–	60	(257)	16	–	(181)
At 31 December 2015 and 1 January 2016	8,733	959	15,067	478	459	25,696
Additions	2,115	–	–	–	–	2,115
Disposals	–	–	–	(2)	–	(2)
Currency realignment	100	24	–	6	–	130
At 31 December 2016	10,948	983	15,067	482	459	27,939
Accumulated amortisation and impairment loss						
At 1 January 2015	8,733	270	1,350	170	240	10,763
Charge for the year	–	93	–	4	204	301
Impairment loss	–	–	13,717	50	–	13,767
Currency realignment	–	20	–	6	–	26
At 31 December 2015 and 1 January 2016	8,733	383	15,067	230	444	24,857
Charge for the year	–	94	–	4	15	113
Impairment loss	–	492	–	53	–	545
Currency realignment	–	14	–	3	–	17
At 31 December 2016	8,733	983	15,067	290	459	25,532
Net book value						
At 31 December 2016	2,215	–	–	192	–	2,407
At 31 December 2015	–	576	–	248	15	839

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Development expenditure

Included in development expenditure were costs incurred in 2016 for the development of the Group's battery and storage solutions unit, and has an amortisation period of five years. As at 31 December 2016, the development costs capitalised as intangible assets belonging to this CGU amounted to S$2,215,000 (2015: S$Nil). No amortisation has been recovered as the asset is not available for use. All research and development costs not eligible for capitalisation have been expensed and are recognised in the "research and development" line item in the consolidated income statement.

Amortisation expense

The amortisation charges of intellectual property are included in "research and development" costs in the consolidated income statement. The amortisation charges of club memberships are included in "administrative expense" costs in the consolidated income statement. The amortisation charges of customer relationships are included in "marketing and distribution" costs in the consolidated income statement.

Impairment testing of intellectual property

Intellectual property belong to EoPlex Limited and its subsidiaries ("EoPlex Group") relating to patents for the development of advanced chip packaging and related technology.

The recoverable amount of the intellectual property has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five year period are as follows:

	Intellectual property	
	2016	**2015**
Growth rates beyond five-year period	1.0%	NA
Pre-tax discount rates	25.0%	NA

Key assumptions used in the value-in-use calculations

The calculations of value-in-use for the intellectual property are most sensitive to the following assumptions:

Budgeted revenues – Revenue is forecasted to grow significantly as the EoPlex Group is operating as a start-up, and expect significant increase in sales volume once qualifications from customers have been obtained after the first year.

Budgeted gross margins – Gross margins are forecasted at 42.0% based on internal analysis of the product's cost structure.

Growth rates – The forecasted growth rates were based on published industry research and did not exceed the long-term average growth rate for the relevant industries.

Pre-tax discount rates – The discount rate calculation was based on the specific circumstances of the EoPlex Group and derived from its weighted average cost of capital ("WACC"). The WACC took into account both debt and equity. The cost of equity was derived from the expected return on investment by the EoPlex Group's investors. The cost of debt was based on the interest bearing borrowings the EoPlex Group was obliged to service.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of intellectual property. The impairment loss of S$492,000 (2015: S$Nil) has been recognised in the consolidated income statement under the line item "other expenses, net".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Impairment testing of goodwill

Management conducted an annual impairment testing of goodwill. Management considered the growth trends, demand and supply forecast of the semiconductor and electronics industry and accordingly revised its forecast to reflect the developments in the global semiconductor market.

Goodwill acquired through business combinations in prior years had been allocated to two CGUs, which are also the reportable operating segments, for impairment testing as follows:

- Back-end Equipment Solutions and Technologies ("BEST")
- Distribution and Services

In 2015, the recoverable amount of the CGU had been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five year period were as follows:

	BEST Segment		Distribution and Services Segment	
	2016	**2015**	**2016**	**2015**
Growth rates beyond five-year period	NA	1.0%	NA	NA
Pre-tax discount rates	NA	15.0%	NA	NA

Key assumptions used in the value-in-use calculations

In 2015, the calculations of value-in-use for the CGUs were most sensitive to the following assumptions:

Budgeted revenues – Revenue growth of 18% forecasted for 2016 and an annual growth of 4% per annum for the forecast period of 2017 to 2020.

Budgeted gross margins – Gross margins were based on reference to historical performances.

Growth rates –The forecasted growth rates were based on published industry research and did not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates –The discount rate calculation was based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC took into account both debt and equity. The cost of equity was derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest bearing borrowings the Group was obliged to service.

Impairment loss recognised

In 2015, an impairment loss of S$13,717,000 was recognised to fully write down the carrying amount of the goodwill attributed to the BEST segment. The impairment loss had been included in the "Other expenses, net" line item of the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings* S$'000	Lease-hold properties S$'000	Furniture and fittings S$'000	Plant and machinery S$'000	Office equipment S$'000	Motor vehicles S$'000	Construction -in-progress S$'000	Total S$'000
Cost								
At 1 January 2015	8,676	3,222	9,033	79,263	4,360	867	7,533	112,954
Additions	–	–	518	6,384	891	41	1,283	9,117
Disposals	–	–	–	(1,805)	(9)	(200)	–	(2,014)
Transfer from inventories	–	–	–	2,279	–	–	–	2,279
Transfer from non-current assets held for sale (Note 15)	–	2,376	–	–	–	–	–	2,376
Transfer to non-current assets held for sale (Note 15)	–	(2,182)	–	–	–	–	–	(2,182)
Written off	–	–	(688)	(1,219)	(285)	(31)	–	(2,223)
Currency realignment	219	(116)	87	353	81	1	169	794
At 31 December 2015 and 1 January 2016	8,895	3,300	8,950	85,255	5,038	678	8,985	121,101
Additions	–	–	490	6,793	396	32	2,439	10,150
Disposals	–	–	–	(11,763)	(2)	(146)	–	(11,911)
Transfer from inventories	–	–	–	210	–	–	–	210
Transfer to investment properties (Note 6)	(614)	–	–	–	–	–	–	(614)
Written off	(1)	–	(907)	(1,704)	(635)	(186)	–	(3,433)
Currency realignment	(29)	(62)	(74)	(910)	(87)	(12)	(371)	(1,545)
At 31 December 2016	8,251	3,238	8,459	77,881	4,710	366	11,053	113,958
Accumulated depreciation and impairment loss								
At 1 January 2015	2,415	1,025	7,993	59,823	3,732	554	–	75,542
Impairment loss	46	2,123	263	9,106	4	–	8,769	20,311
Charge for the year	298	214	474	6,007	493	117	–	7,603
Disposals	–	–	–	(1,593)	(8)	(195)	–	(1,796)
Transfer from non-current assets held for sale (Note 15)	–	161	–	–	–	–	–	161
Transfer to non-current assets held for sale (Note 15)	–	(278)	–	–	–	–	–	(278)
Written off	–	–	(639)	(1,216)	(278)	(31)	–	(2,164)
Currency realignment	105	55	59	548	72	1	216	1,056
At 31 December 2015 and 1 January 2016	2,864	3,300	8,150	72,675	4,015	446	8,985	100,435
Impairment loss	–	–	233	1,199	54	23	–	1,509
Charge for the year	288	–	358	4,572	544	61	–	5,823
Disposals	–	–	–	(9,166)	(1)	(146)	–	(9,313)
Transfer to investment properties (Note 6)	(260)	–	–	–	–	–	–	(260)
Written off	–	–	(906)	(1,700)	(633)	(186)	–	(3,425)
Currency realignment	2	(62)	(82)	(1,036)	(87)	(11)	(380)	(1,656)
At 31 December 2016	2,894	3,238	7,753	66,544	3,892	187	8,605	93,113
Net book value								
At 31 December 2016	5,357	--	706	11,337	818	179	2,448	20,845
At 31 December 2015	6,031	--	800	12,580	1,023	232	–	20,666
Net book value of property, plant and equipment under finance leases (Note 21)								
At 31 December 2016	–	–	–	679	190	–	–	869
At 31 December 2015	–	–	–	974	352	50	–	1,376

* Includes freehold land at cost of S$3,045,000 (2015: S$2,983,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Impairment loss recognised

(i) Property, plant and equipment except for construction-in-progress

The Group carried out a review of the recoverable amount of its property, plant and equipment as certain subsidiary companies had been persistently making losses. An impairment of S$1,509,000 (2015: S$11,542,000), representing the write-down of these property, plant and equipment to their recoverable amounts was recognised in “Other expenses, net” of the consolidated income statement for the financial year ended 31 December 2016. The recoverable amount of these property, plant and equipment was based on its value-in-use and the pre-tax discount rate applied to value-in-use computation was 25.0% (2015: 16.0%) per annum.

(ii) Construction-in-progress

Construction-in-progress relates to the construction of a vessel in the People’s Republic of China. In 2016, the Group updated its impairment assessment using cash flow projections covering a twenty-year period based on the useful life of the vessel, with 2038 being the terminal year. No further impairment charge on the vessel was required for the financial year ended 31 December 2016 based on the value-in-use calculation. The pre-tax discount rate applied to the value-in-use computation was 14.6% (2015: 18.3%) per annum.

Due to a combination of project delays and unfavourable economic conditions in the People’s Republic of China, the expected returns from this project were affected and an impairment charge of S$8,769,000 was recognised in the “Other expenses, net” line of the consolidated income statement for the financial year ended 31 December 2015, representing the write-down of the construction-in-progress to its recoverable amount.

Company	**Office equipment** S$’000
Cost	
At 1 January 2015	336
Additions	11
Written off	(54)
At 31 December 2015 and at 1 January 2016	293
Additions	10
Written off	(1)
At 31 December 2016	302
Accumulated depreciation	
At 1 January 2015	263
Charge for the year	50
Written off	(54)
At 31 December 2015 and at 1 January 2016	259
Charge for the year	25
Written off	(1)
At 31 December 2016	283
Net book value	
At 31 December 2016	19
At 31 December 2015	34

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6. INVESTMENT PROPERTIES

	Group 2016 S$'000	Group 2015 S$'000
Balance Sheet:		
Cost		
At 1 January	–	–
Transfer from property, plant and equipment (Note 5)	614	–
At 31 December	614	–
Accumulated depreciation		
At 1 January	–	–
Transfer from property, plant and equipment (Note 5)	260	–
Charge for the year	4	–
At 31 December	264	–
Net book value		
At 31 December	350	–
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	23	–
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	– *	–

* The amount is less than S$1,000.

In 2016, the Group transferred two office units that were held as freehold land and building to investment properties as the Group has commenced using the two office units for rental income purposes.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The fair values of the investment properties are approximately S$818,000 (2015: S$Nil) based on a valuation performed as at 31 December 2016. The valuations were performed by Andrew Reilly Associates Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The investment properties are depreciated over 50 years. The investment properties have estimated lease periods of 3 years to 4 years as at 31 December 2016.

The investment properties held by the Group as at 31 December 2016 are as follows:

Description and Location	Existing Use	Tenure
2 office units, Southfield Industrial Estate, Scotland, United Kingdom	Manufacturing	Freehold

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN SUBSIDIARIES

	Company 2016	Company 2015
	S$'000	S$'000
Quoted shares, at cost	64,622	64,622
Unquoted shares, at cost	31,652	29,401
Less: Dividend income declared from subsidiary's pre-acquisition reserves	(294)	(294)
Carrying amount before impairment loss	95,980	93,729
Impairment loss on quoted shares	(59,726)	(52,626)
Impairment loss on unquoted shares	(15,821)	(15,821)
Carrying amount after impairment loss	20,433	25,282
Allowance for impairment		
At 1 January	68,447	60,981
Charge for the year	7,100	7,466
At 31 December	75,547	68,447
Carrying amount of quoted shares at 31 December	4,896	11,996
Market value of quoted shares at 31 December	4,896	11,994

Impairment testing of investment in subsidiaries

During the financial year, management had performed impairment assessment on certain subsidiaries which have been dormant or loss-making. Based on assessments of the subsidiaries' historical and current performances, the estimated values and probability of future cash flows, management made additional impairment charge of S$7,100,000 (2015: S$7,466,000).

Subsidiaries

The Group has the following significant investment in subsidiaries:

	Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
	Held by the Company			
(1)	Semiconductor Technologies & Instruments Pte Ltd (Singapore)	Research, design, development, manufacture and marketing of semiconductor equipment	100	100
(1)	Telford Industries Pte Ltd (Singapore)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
(2)	Telford SVC. Phils., Inc. (Philippines)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
(2)	Reel Service Limited (United Kingdom)	Investment holding, manufacturing and distribution of carrier tapes and plastic reels and provision of semiconductor manufacturing	100	100
(2)	Reel Service (Philippines), Inc. (Philippines)	Manufacturing and distribution of carrier tapes and plastic reels and provision of semiconductor manufacturing services for surface mount technology components	100	100
(3)	Telford Technologies (Shanghai) Pte Ltd (People's Republic of China)	Provision of semiconductor manufacturing services for surface mount technology components	100	100

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Name of company (Country of incorporation)	Principal activities	Proportion (%) of ownership interest 2016 %	2015 %
(2)	Telford Property Management Inc. (Philippines)	Property investment	100	100
(1)	Dragon Group International Limited (Singapore)	Investment holding and acting as corporate manager and advisor to its subsidiaries	41	41
(1)	Advanced Systems Automation Limited (Singapore)	Investment holding	37	37
(3)	EoPlex Limited (Hong Kong)	Development of advanced chip packaging and related technologies	85	85
	Held by EoPlex Limited			
(4)	EoPlex Inc (United State of America)	Development of advanced chip packaging and related technologies	100	100
	Held by Telford Industries Pte Ltd			
(3)	Telford Service Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
(2)	TQS Manufacturing Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
	Held by Dragon Group International Limited			
(1)	Sooner Technology Pte Ltd (Singapore)	Trading in electronic components, computer peripherals and acting as commission agent	100	100
(3)	Dragon Equipment & Materials Technology Ltd (Hong Kong)	Sale, distribution and acting as commission agent in equipment, materials and electronic components	100	100
(3)	DTB Limited (Hong Kong)	Investment holding	100	100
(5)	EoCell Limited (Hong Kong)	Development of battery and storage solutions	93	100
	Held by EoCell Limited			
(4)	EoCell Inc (United State of America)	Development of battery and storage solutions	100	100
	Held by DTB Limited			
(3)	Nanjing DTB Development Co., Ltd (People's Republic of China)	Construction of antique wooden sea boat, communication of culture, exhibition and conference etc.	60	60
(3)	Dragon Ventures Limited (Hong Kong)	Investment holding	100	100
	Held by Dragon Ventures Limited			
(5)	Dragon Tourism Management Company Limited (People's Republic of China)	Develop and manage a mixed-used property	100	100

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	Name of company (Country of incorporation)	Principal activities	Proportion (%) of ownership interest 2016 %	2015 %
	Held by Advanced Systems Automation Limited			
[(1)]	Microfits Pte Ltd (Singapore)	Design and manufacture of automatic moulding machines and other back-ended assembly equipment for the semiconductor industry	100	100
[(2)]	Microfits (Beijing) Technology Co., Ltd (People's Republic of China)	Manufacturing of precision tools, dies and mould	100	100
[(3)]	Dragon Microfits Sdn. Bhd. (Malaysia)	Design of precision tools, dies and mould	100	100
[(2)]	Emerald Precision Engineering Sdn. Bhd. (Malaysia)	Fabrication of tooling, dies and related moulding of spare parts and other related businesses	100	100
[(3)]	ASA Multiplate (M) Sdn. Bhd. (Malaysia)	Provision of thermal coating, surface finishing of electronics products and specialised electroplating of semiconductor products services	90	90

The above list excludes subsidiaries that are insignificant to the operations of the Group.

[(1)] Audited by Ernst & Young LLP, Singapore
[(2)] Audited by a member firm of Ernst & Young Global
[(3)] Audited by other audit firms
[(4)] Not required to be audited in country of incorporation
[(5)] Not due for audit in the year of incorporation

Subsidiaries that are audited by other audit firms: -

Company	***Auditors***
Telford Technologies (Shanghai) Pte Ltd	Shanghai Gong Xin Zhong Nan Certified Public Accountants, People's Republic of China
Telford Service Sdn. Bhd.	BDO, Malaysia
Dragon Equipment & Materials Technology Ltd	Y. K Leung & Co., Hong Kong
DTB Limited	Y. K Leung & Co., Hong Kong
Dragon Ventures Limited	Y. K Leung & Co., Hong Kong
Nanjing DTB Development Co. Ltd	Jiangsu Yonghe Public Accountant Co. Ltd
Dragon Microfits Sdn. Bhd.	KCK Associates, Malaysia
ASA Multiplate (M) Sdn. Bhd.	CHI-LLTC, Malaysia
EoPlex Limited	Brilliance CPA Limited, Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group:

1. Dragon Group International Limited ("DGI") and its subsidiaries ("DGI Group")
2. Advanced Systems Automation Limited ("ASA") and its subsidiaries ("ASA Group")
3 EoPlex Limited and its subsidiaries ("EoPlex Group")

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Loss allocated to NCI during the reporting period S$'000	Accumulated NCI at end of reporting period S$'000
31 December 2016:				
DGI Group	Singapore	59%	5,506	5,154
ASA Group	Singapore	63%	1,806	(757)
EoPlex Group	Hong Kong	15%	1,088	(4,859)
31 December 2015:				
DGI Group	Singapore	59%	13,488	10,448
ASA Group	Singapore	63%	11,776	1,137
EoPlex Group	Hong Kong	15%	1,149	(3,631)

There were no dividends paid to the above NCI during the years ended 31 December 2016 and 31 December 2015.

Significant restrictions:

There were no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests except that these subsidiaries are required to seek the approval of the NCI should the Group need to deploy the assets from these subsidiaries to the Company or its other subsidiaries.

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	DGI Group		ASA Group		EoPlex Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Current						
Assets	6,171	17,656	15,609	16,006	1,107	1,880
Liabilities	3,947	2,745	15,553	13,778	33,119	27,433
Net current assets/(liabilities)	2,224	14,911	56	2,228	(32,012)	(25,553)
Non-current						
Assets	7,135	3,266	1,977	2,224	–	1,751
Liabilities	–	–	2,843	2,340	1,284	1,312
Net non-current assets/(liabilities)	7,135	3,266	(866)	(116)	(1,284)	439
Net assets/(liabilities)	9,359	18,177	(810)	2,112	(33,296)	(25,114)

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Summarised income statement

	DGI Group		ASA Group		EoPlex Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	4,945	3,221	26,558	24,066	62	36
Loss before income tax	(9,258)	(19,659)	(2,822)	(18,306)	(7,255)	(7,659)
Income tax (expense)/credit	(66)	4	8	250	–	–
Loss for the year	(9,324)	(19,655)	(2,814)	(18,056)	(7,255)	(7,659)

Summarised statement of other comprehensive income

	DGI Group		ASA Group		EoPlex Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Loss for the year	(9,324)	(19,655)	(2,814)	(18,056)	(7,255)	(7,659)
Other comprehensive income	505	1,598	(146)	66	(926)	(1,267)
Total comprehensive income for the year	(8,819)	(18,057)	(2,960)	(17,990)	(8,181)	(8,926)

Other summarised information

	DGI Group		ASA Group		EoPlex Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Net cash flows (used in)/generated from operations	(6,882)	(5,589)	(1,641)	(3,397)	280	361
Acquisition of significant property, plant and equipment	(3,439)	(1,855)	(303)	(1,051)	(482)	(538)

Changes in equity interest in subsidiaries in 2016

(i) Dilution in equity interest in DGI's subsidiary, EoCell Limited

On 28 December 2016, the Group's subsidiary, DGI's equity interest in EoCell Limited was diluted by 7% upon the issuance of new shares in the capital of EoCell Limited to a joint venture investor with a minimal amount of consideration. Following the dilution, the DGI continues to control EoCell Limited, retaining 93% of the ownership interests. The transaction has been accounted for as an equity transaction with non-controlling interests, resulting in:

	2016	**2015**
	S$'000	S$'000
Proceeds from the issuance of new shares in EoCell Limited	–	–
Net assets attributable to NCI	102	–
Increase in equity attributable to parent	102	–
Represented by:		
Capital reserves	102	–
Increase in equity attributable to parent entity	102	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Changes in equity interest in subsidiaries and incorporation of new subsidiaries in 2015

(ii) Dilution in equity interest in DGI arising from share placement

On 26 January 2015, DGI entered into a placement agreement (the "Placement Agreement") with a placee to allot and issue an aggregate of 27,777,778 new ordinary shares in the capital of DGI (the "Placement Shares") at S$0.09 (the "Issue Price") for each new share. This represented a premium of 19.2% over the weighted average price of S$0.075 of DGI's ordinary shares for trades done on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on the date of the Placement Agreement. The aggregate consideration for the Placement Shares was S$2,500,000. Expenses incurred for the share placement exercise amounted to approximately S$32,000. As a result of the share placement, the Group’s equity interest in the issued and paid-up capital of DGI diluted from 44.53% to 40.98%. DGI remained a subsidiary of the Company as the directors were of the opinion that the Company continued to have control over DGI. As such, the placement of ordinary shares did not result in a loss of control and the gain on dilution of S$18,000 had been taken to “capital reserves” within equity.

(iii) Incorporation of new subsidiaries

On 22 March 2015, DGI’s wholly owned subsidiary, Dragon Venture Limited incorporated a wholly owned subsidiary, Dragon Tourism Management Company Limited (“DTMC”) with a registered capital of US$20,000,000. DGI had 100% of the voting rights of DTMC.

On 30 April 2015, DGI incorporated of a wholly owned subsidiary, EoCell Limited in Hong Kong with a paid up capital of HK$93. EoCell Limited was set up as an investment vehicle to explore opportunities in the battery industry. EoCell incorporated a wholly owned subsidiary, EoCell Inc with a paid up capital of US$100. EoCell Inc was engaged in the development of batteries and storage solutions.

8. INVESTMENT SECURITIES

	Group	
	2016	**2015**
	S$’000	S$’000
Available-for-sale financial assets:		
- Quoted equity shares in corporations, at fair value (Note 41(b)(ii))	22	192
- Unquoted equity shares in corporations, at cost	3,039	2,023
	3,061	2,215
Less: Allowance for impairment – unquoted equity	(3,039)	(1,318)
	22	897
Movement in allowance for impairment – unquoted equity		
At 1 January	1,318	1,235
Charge for the year	1,610	–
Currency realignment	111	83
At 31 December	3,039	1,318

Impairment losses

During the financial year, the Group recognised an impairment loss of $74,000 (2015: S$Nil) on quoted equity shares as there was a “prolonged” decline in the fair value of the investment below their cost. The Group treats “prolonged” as greater than 6 months.

Impairment losses of S$919,000 (2015: S$Nil) and S$691,000 (2015: S$Nil) were recognised on the unquoted equity interests in Heat Tech Japan Co. Ltd and Nanofuel Ltd after impairment assessments were carried out on these investments.

These impairment losses are recognised in the “Other expenses, net” line item of the consolidated income statement for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVENTORIES

	Group	
	2016	**2015**
	S$'000	S$'000
Balance sheet:		
Raw materials	4,611	5,095
Work-in-progress	22,858	22,561
Goods-in-transit	100	2
Finished goods	5,098	6,315
	32,667	33,973
Allowance for stock obsolescence	(7,693)	(7,750)
	24,974	26,223
Income statement:		
Inventories recognised as an expense in cost of sales inclusive of the following charge:	73,948	56,895
- Allowance for obsolete and slow-moving inventories	784	511

10. PREPAYMENTS AND ADVANCES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
Prepayments (Note (i))	1,958	1,810	138	55
Advances	601	393	–	–
Partial consideration paid for purchase of investment security (Note (ii))	–	938	–	–
	2,559	3,141	138	55
Disclosure in balances sheets				
Current	1,606	2,448	138	55
Non-current	953	693	–	–
	2,559	3,141	138	55

(i) Prepayments included payments in advance amounting to S$953,000 (2015: S$693,000) for the development project along the Yangtze Riverbank. Management was of the opinion this prepayment will not be utilised within the next twelve months from 31 December 2016 and has been classified as part of the non-current assets.

(ii) In 2015, this amount related to DGI's partial payment for its acquisition of a 19% equity interest in Heat Tech Japan Co. Ltd. This acquisition was completed in 2016 and the amount was accordingly reclassified to investment securities.

11. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2016	**2015**
	S$'000	S$'000
Non-interest bearing	968	548
Interest bearing	10,247	9,327
	11,215	9,875
Disclosure in balances sheets		
Current	8,372	8,525
Non-current	2,843	1,350
	11,215	9,875

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Amounts due from subsidiaries are stated after an allowance for uncollectible amounts of S$49,568,000 (2015: S$43,359,000).

	Company 2016 S$'000	Company 2015 S$'000
Movement in allowance for uncollectible amounts		
At 1 January	43,359	29,388
Charge for the year	6,209	13,971
At 31 December	49,568	43,359

The non-interest bearing receivables are non-trade in nature, unsecured, repayable on demand and to be settled in cash.

The interest bearing receivables are non-trade in nature, unsecured, bear interest ranging from 1.00% to 4.32% (2015: 1.00% to 4.00%) per annum, repriced on quarterly basis, are repayable on demand and to be settled in cash except for S$2,843,000 (2015: S$1,350,000) which is to be collected after twelve months from the balance sheet date and has been classified as part of non-current assets.

Included in amounts due from subsidiaries are amounts of S$1,187,000 (2015: S$755,000) denominated in US dollars.

12. TRADE RECEIVABLES

	Group 2016 S$'000	Group 2015 S$'000
Trade receivables – third parties	34,542	26,156

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to S$14,118,000 (2015: S$12,385,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group 2016 S$'000	Group 2015 S$'000
Trade receivables past due but not impaired:		
Less than 30 days	5,715	4,999
30 to 60 days	1,857	2,322
61 to 90 days	2,632	2,244
91 to 120 days	1,443	1,216
More than 120 days	2,471	1,604
	14,118	12,385

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment is as follows:

	Group Individually impaired 2016 S$'000	Group Individually impaired 2015 S$'000
Trade receivables - nominal amounts	3,047	1,447
Less: Allowance for impairment	(3,043)	(1,076)
	4	371

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	Group Individually impaired 2016 S$'000	2015 S$'000
Movement in allowance accounts		
At 1 January	1,076	1,140
Charge for the year	2,643	73
Utilised	(785)	(124)
Currency realignment	109	(13)
At 31 December	3,043	1,076

Trade receivables are individually determined to be impaired at the end of the reporting period based on the management's historical experience in the collection of debts from customers. These receivables are not secured by any collateral or credit enhancements.

Trade receivables denominated in foreign currencies as at 31 December are as follows:

	Group 2016 S$'000	2015 S$'000
US dollars	18,821	13,309
Philippines peso	715	553
Others	522	193

13. OTHER RECEIVABLES

	Group 2016 S$'000	2015 S$'000
Tax recoverable	166	172
Deposits	1,729	1,477
Sundry debtors (Note (i))	5,018	4,128
	6,913	5,777
Allowance for other receivables	(2,797)	(2,531)
	4,116	3,246
Disclosure in balances sheets		
Current	3,687	3,246
Non-current	429	–
	4,116	3,246
Movement in allowance accounts		
At 1 January	2,531	252
Charge for the year	467	2,149
Written-back	(286)	–
Currency realignment	85	130
At 31 December	2,797	2,531

Sundry debtors included a receivable amounting to S$429,000 (2015: S$Nil) which will not be received within the next twelve months from the balance sheet date and has been classified as part of the non-current assets.

Receivables that are impaired

At the end of the reporting period, the Group had provided an allowance of $467,000 (2015: $2,149,000) for impairment of the unsecured loan with a nominal amount of $467,000 (2015: $2,149,000).This impairment loss are recognised in the "Other expenses, net" line item of the consolidated income statement for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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Other receivables denominated in foreign currencies as at 31 December are as follows:

	Group	
	2016	2015
	S$'000	S$'000
US dollars	–	133
Philippines peso	783	793

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Cash on hand and at bank	37,084	32,125	1,402	1,671
Short-term deposits	2,090	9,122	–	–
	39,174	41,247	1,402	1,671

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits of the Group with financial institutions mature on varying periods within 6 months (2015: 3 months) from the financial year end. Interest rates as at 31 December 2016 for the Group range from 0.60% to 0.88% (2015: 0.40% to 0.88%) per annum, respectively, which are also the effective interest rates.

Cash and cash equivalents denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
US dollars	9,047	11,337	695	1,451
Philippines peso	797	929	–	–
Others	846	102	–	–

15. NON-CURRENT ASSETS HELD FOR SALE

In 2015, ASA Multiplate (M) Sdn Bhd ("ASA Multiplate") entered into a sale and purchase agreement with a buyer to dispose the leasehold land and building located at Plot 52, Hilir Sungai Keluang, Bayan Lepas Industrial Park Phase 4, 11900 Penang ("Property"), with land area measuring 4,067 square meters and gross floor area measuring 3,065 square meters. The Property was occupied and used as a factory by ASA Multiplate. The cash consideration amounted to MYR 5,800,000 (equivalent to approximately S$1,904,000). The Property has been classified as non-current assets held for sale as at 31 December 2015. ASA Multiplate has subsequently obtained regulatory approvals in March 2016, and on 30 June 2016, the sale of the Property was completed. Subsequent to the sale, the Property was leased back to the subsidiary to be used as a factory.

The Property was pledged for the floating rate bank loan (Note 17), and proceeds for the sale were used to fully repay this bank loan during the year.

16. PROVISIONS

The Group provides warranty on certain products under which faulty products are repaired or replaced. The provision is based on the sales volume and past experience with the levels of repairs and returns.

	Group	
	2016	2015
	S$'000	S$'000
At 1 January	467	587
Charged for the year	321	138
Utilised	(262)	(258)
At 31 December	526	467

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17. LOANS AND BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Loan - Unsecured	26,735	14,513	5,000	5,000
- Secured	–	900	–	–
Bank overdrafts	–	81	–	–
	26,735	15,494	5,000	5,000
Less : Non-current portion				
- Unsecured loan	(3,426)	–	–	–
- Secured loan	–	(751)	–	–
	(3,426)	(751)	–	–
Current portion	23,309	14,743	5,000	5,000

(i) Loan - Unsecured

(a) An unsecured floating rate revolving bank loan, amounting to S$5,000,000 (2015: S$5,000,000) of the Company is jointly and severally guaranteed by two subsidiaries of the Company. The loan carried interest ranging from 3.38% to 3.94% (2015: 2.92% to 3.94%) per annum which is also the effective interest rate. This loan is repayable on demand.

(b) An unsecured floating rate revolving bank loan, amounting to S$2,896,000 (2015: S$Nil) of a subsidiary is jointly and severally guaranteed by two subsidiaries of the Company. The loan carried interest ranging from 2.47% to 2.56% (2015: Nil%) per annum which is also the effective interest rate. This loan is repayable in January 2017.

(c) An unsecured floating rate term bank loan, amounting to S$2,635,000 (2015: S$Nil) of a subsidiary is jointly and severally guaranteed by two subsidiaries of the Company. The interest rate is repriced on a quarterly basis. This loan is repayable over four equal instalments of S$132,000 in January 2017, April 2017, July 2017 and October 2017; and a final instalment of S$2,107,000 in January 2018.

(d) Unsecured floating rate bank borrowings of the subsidiaries bear effective interest rates ranging from 2.79% to 7.25% (2015: 2.13% to 7.25%) per annum. These bank borrowings comprise S$16,204,000 (2015: S$9,513,000) which are repayable ranging from 90 days to 180 days.

The aggregate balance of bank borrowings that are denominated in US dollars is S$16,431,000 (2015: S$6,881,000).

(ii) Secured

(a) In year 2015, a floating rate bank loan of a subsidiary of S$808,000 carried effective interest at 6.85% per annum. The interest rate was repriced on a monthly basis. The loan was secured on the leasehold land and buildings of the subsidiary and was repayable over 144 equal monthly instalments of MYR28,893 commencing from the date of drawdown. The bank loan was repaid in the current financial year.

(b) In year 2015, bank overdrafts and trade financing amounting to S$81,000 and S$92,000 respectively of a subsidiary were secured over legal charges over the leasehold land and buildings of the subsidiary. The effective interest rates for the bank overdrafts and trade financing were 7.60% and 7.55% per annum respectively. The bank overdrafts and trade financing were repaid in the current financial year.

18. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Trade payables – third parties	17,814	19,339	212	152
Accruals	12,166	11,620	1,074	1,218
	29,980	30,959	1,286	1,370

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The amounts are non-interest bearing. Trade payables are normally settled on 60-days terms, while accruals have an average term of six months.

Trade payables and accruals denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
US dollars	2,057	7,519	7	6
Philippines peso	1,574	1,642	–	–
Sterling pound	272	272	–	–
Thailand baht	476	351	–	–
Others	417	193	–	–

19. OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
Current portion of lease creditors (Note 21)	583	632	–	–
Proposed Directors' fees	211	221	211	221
Proposed Directors' fees of subsidiaries	310	310	–	–
Payable arising from purchase of property, plant and equipment	1,828	95	–	–
Advances received from customers (Note (i))	829	1,114	–	–
Foreign exchange forward contracts (Note (ii))	68	–	68	–
Advances for capital injection from non-controlling interest	2,046	435	–	–
Other borrowings (Note (iii))	1,081	466	–	–
Others	157	235	–	–
	7,113	3,508	279	221

(i) The advances received from customers relate to the amounts received for sales orders.

(ii) The Group and the Company are committed to sell US dollars with notional amounts totalling S$5,500,000 (2015: S$Nil), under the terms of outstanding foreign exchange forward contracts. As at year end 2016, the forward contracts mature at various dates till 30 June 2017. Information on foreign currency risk is disclosed in Note 40(iv).

(iii) During the year, ASA Multiplate entered into loans with individuals and a company amounting to S$681,000 (2015: S$Nil), of which the outstanding amount as at 31 December 2016 amounted to S$390,000 (2015: S$Nil). The outstanding loans are interest bearing, unsecured, repayable within one to three months and are to be settled in cash, except for a balance of S$123,000 (2015: S$Nil) which is non-interest bearing and has no fixed terms of repayment. The interest-bearing loans bear interest ranging from 3.7% to 5.6% (2015: Nil%) per month.

During the year, ASA Multiplate also entered into loans with a director of ASA Multiplate amounting to S$226,000 (2015: S$Nil), of which the outstanding amount as at 31 December 2016 amounted to S$185,000 (2015: S$100,000). The outstanding loans as at 31 December 2016 are interest free, unsecured, with no fixed terms of repayment and to be settled in cash, except for an amount of S$107,000 (2015: S$Nil) which bears interest ranging from 4.5% to 5.3% (2015: Nil%) per month. The total interest paid to a director of ASA Multiplate during the year amounted to S$8,000 (2015: S$Nil).

Other payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
US dollars	2,304	706	68	–
Philippines peso	593	592	–	–

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20. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries include an unsecured loan of S$1,303,000 (2015: S$1,270,000). The loan bears interest at 3.92% (2015: 4%) per annum, to be settled in cash and is repayable within a year from drawdown, unless rolled-over as agreed between the parties.

Other than disclosed above, the amounts due to subsidiaries are non-trade in nature, unsecured, bear interest ranging from 0.5% to 5.06% (2015: 0.5% to 4.82%) per annum, to be settled in cash and are repayable on demand except for an amount of S$34,901,000 (2015: S$27,324,000) which is not expected to be settled within the next twelve months from balance sheet date. The amounts due to subsidiaries that are denominated in US dollars totalled S$17,817,000 (2015: S$18,238,000).

21. LEASE CREDITORS

Group	Minimum lease payments		Net present value of lease payments	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
Future payments payable for finance leases				
Within one year	590	694	583	632
Within two to five years	231	461	191	423
After five years	–	120	–	115
	821	1,275	774	1,170
Finance charges allocated to future periods	(47)	(105)	–	–
	774	1,170	774	1,170
Current portion (included in other payables - Note 19)			583	632
Non-current portion			191	538
			774	1,170

Finance leases bear interest ranging from 0.86% to 14.0% (2015: 3.40% to 11.43%) per annum, which are also the effective interest rates.

The interest rates for the lease creditors are fixed upon entering into the lease agreements and are therefore not subjected to fluctuations in market interest rates.

All assets acquired under finance leases are secured by leased assets. The net book values of assets acquired under finance leases are disclosed in Note 5.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

Included in lease creditors of the Group are amounts of S$456,000 (2015: S$345,000), S$18,000 (2015: S$211,000) and S$78,000 (2015: S$154,000) denominated in US dollars, Malaysia ringgit and Philippines peso respectively.

22. LONG TERM PAYABLES

Long term payables are non-trade in nature, bear interest at 8% (2015: 8%) per annum, to be settled in cash and are not expected to be repaid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. INCOME TAX EXPENSE

	Group	
	2016	**2015**
	S$'000	S$'000
Income tax payable in respect of results for the year:		
Current income tax		
- Singapore	(545)	(490)
- Others	(872)	(849)
Deferred income tax	65	479
	(1,352)	(860)
Over/(under) provision in respect of prior years:		
Current income tax	1,361	(261)
Deferred income tax	29	285
	1,390	24
Withholding tax on payments to non-residents	(75)	–
Income tax expense recognised in profit or loss	(37)	(836)

A reconciliation between tax expense and the product of accounting losses multiplied by the applicable corporate tax rate for the year ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	S$'000	S$'000
Loss before tax	(7,326)	(46,054)
Tax calculated at a tax rate of 17% (2015: 17%)	1,245	7,829
Adjustments:		
Tax effects of the following reconciliation items:		
Differential tax rate of overseas subsidiaries	615	700
Expenses not deductible for tax purposes	(4,308)	(8,037)
Income not subject to tax	1,668	484
Tax incentives/exemption[1]	1,731	1,241
Deferred tax assets not recognised	(2,371)	(3,332)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	68	255
Withholding tax on payments to non-residents	(75)	–
Overprovision in respect of prior years	1,390	24
Income tax expense	(37)	(836)

[1] Incentives granted by relevant tax authorities to incentivise investments on machineries and automation, and to encourage research and development activities.

Deferred tax liabilities/assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities arise as a result of:				
- Differences in depreciation	143	312	–	–
- Others	–	17	–	–
	143	329	–	–
Deferred tax assets arise as a result of:				
- Differences in depreciation	58	112	–	–
- Others	123	163	–	–
	181	275	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Certain subsidiaries had estimated unutilised tax losses and unabsorbed capital allowances amounting to approximately S$113,956,000 (2015: S$101,033,000) and S$6,372,000 (2015: S$5,313,000) available for set off against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate. The tax losses have no expiry date except for an amount of S$4,494,000 which will expire in the next one to four years.

According to the Applicable Enterprise Income Tax ("EIT") laws and regulations, income such as rental, royalty and profits from the PRC derived by a foreign enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable EIT Laws and regulations.

Pursuant to a tax treaty between the PRC and the Republic of Singapore, which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or 10% if it holds less than 25% interests in the PRC company.

At the end of the reporting period, no withholding tax (2015: S$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries of S$25,082,000 (2015: S$21,992,000) as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Furthermore, certain other subsidiaries of the Group (primarily in Malaysia) had undistributed earnings of S$11,148,000 (2015: S$10,571,000). The Group has not recorded withholding taxes on these undistributed earnings as the tax jurisdictions in which the earnings arose do not charge withholding taxes on the repatriation of these earnings.

24. REVENUE

	Group	
	2016	**2015**
	S$'000	S$'000
Revenue is analysed as follows:		
Sales of equipment and related products	96,158	84,417
Provision of services	40,780	28,901
Distribution sales	4,945	3,221
	141,883	116,539

25. OTHER INCOME

	Group	
	2016	**2015**
	S$'000	S$'000
Rental income	362	384
Provision of other services	–	80
Government incentives and grant income	358	130
Others	55	67
	775	661

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26. OTHER EXPENSES, NET

	Group 2016 S$'000	Group 2015 S$'000
Impairment loss on goodwill (Note 4)	–	(13,717)
Impairment losses on intellectual property (Note 4)	(492)	–
Impairment losses on club memberships (Note 4)	(53)	(50)
Impairment loss on property, plant and equipment (Note 5)	(1,509)	(20,311)
Impairment losses on investment securities (Note 8)	(1,684)	–
Impairment losses on other receivables (Note 13)	(467)	(2,149)
Property, plant and equipment written off (Note 5)	(8)	(59)
Gain on disposal of investment securities	–	3,599
Loss on disposal of club membership	(1)	–
Gain on disposal of property, plant and equipment	1,244	36
Net fair value (loss)/gain on derivative financial instruments	(68)	181
Foreign currency exchange gain	760	899
	(2,278)	(31,571)

27. FINANCE COSTS, NET

	Group 2016 S$'000	Group 2015 S$'000
Interest income in respect of:		
- short-term deposits/current accounts	63	69
- amounts owing from other debtors	27	26
- amounts owing from related party	39	–
Interest expense in respect of:		
- finance leases	(84)	(88)
- bank loans, trade financing and overdraft	(993)	(840)
- other borrowings	(51)	–
Bank charges	(310)	(225)
	(1,309)	(1,058)

28. LOSS BEFORE TAX

	Group 2016 S$'000	Group 2015 S$'000
Loss before tax is stated after (charging)/crediting:		
Depreciation of property, plant and equipment	(5,823)	(7,603)
Depreciation of investment properties	(4)	–
Amortisation of intangible assets	(113)	(301)
Allowance for obsolete and slow-moving inventories	(784)	(511)
Allowance on trade receivables	(2,643)	(73)
Write back of allowance on other receivables	286	–
Staff costs		
- salaries, wages, bonuses and others	(44,165)	(46,890)
- defined contribution plans	(3,838)	(3,817)

NOTES TO THE FINANCIAL STATEMENTS

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29. EARNINGS/(LOSS) PER SHARE

The basic and diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) after income tax and attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year.

The following reflects the income and share data used in the basic and diluted earnings/(loss) per share computations for the years ended 31 December:

	Group	
	2016	**2015**
	S$'000	S$'000
Net profit/(loss) attributable to owners of the Company used in computation of basic and diluted earnings/(loss) per share	1,038	(20,478)

	Group	
	2016	**2015**
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings/(loss) per share	654,731	654,731

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no outstanding convertible securities for both the financial years ended 31 December 2016 and 31 December 2015.

30. SHARE CAPITAL

	Group and Company	
	2016	**2015**
	S$'000	S$'000
Issued and fully paid ordinary shares:-		
Balance at 1 January and 31 December 681,966,341 (2015: 681,966,341) ordinary shares	132,617	132,617

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

31. TREASURY SHARES

	Group and Company	
	2016	**2015**
	S$'000	S$'000
Balance at 1 January and 31 December 27,234,855 (2015: 27,234,855) treasury shares	(4,772)	(4,772)

Treasury shares relate to the ordinary shares of the Company that are held by the Company. Losses or gains on disposal or reissue of treasury shares are reflected as equity in the balance sheet.

32. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

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33. CAPITAL RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	S$'000	S$'000	S$'000
(a) Loss arising from sale or reissue of treasury shares				
Balance at 1 January and 31 December	(3,746)	(3,746)	(2,960)	(2,960)
(b) Premium paid on acquisition of non-controlling interests or additional interest in subsidiary				
Balance at 1 January and 31 December	(1,131)	(1,131)	–	–
(c) Discount on disposal to non-controlling interests				
Balance at 1 January and 31 December	(2,894)	(2,894)	–	–
(d) (Loss)/gain on dilution in interest in subsidiary				
Balance at 1 January	(267)	(285)	–	–
Gain on dilution in interest from DGI's share placement (Note 7(ii))	–	18	–	–
Gain on dilution of interest in a subsidiary (Note 7(i))	102	–	–	–
Balance at 31 December	(165)	(267)	–	–
Total balance at 31 December	(7,936)	(8,038)	(2,960)	(2,960)

No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

Gain or loss arising from sale or reissue of treasury shares

This represents the gain or loss arising from the purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of these reserves.

34. FAIR VALUE RESERVE

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

35. SEGMENT INFORMATION

The Group positioned its operations into two strategic business segments comprising Back-end Equipment Solutions and Technologies ("BEST") and Distribution and Services. BEST is mainly engaged in provision of solutions and technologies in the back-end (i.e. assembly, test and finishing) arena of the semiconductor industry. The Distribution and Services segment is engaged mainly in the provision of semiconductor application in consumer electronics, computer peripheral and communication solution.

Segment accounting policies are described in Note 3.26.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets, investments and intangibles.

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	BEST		Distribution and Services		Adjustments and elimination (1)		Consolidated	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Revenue	136,938	113,318	4,945	3,221	–	–	141,883	116,539
Segment results	1,961	(27,234)	(9,324)	(19,656)	–	–	(7,363)	(46,890)
EBITDA#	8,758	(17,787)	(9,145)	(19,530)	–	–	(387)	(37,317)
Interest income	40	29	134	112	(45)	(46)	129	95
Interest expense	(1,173)	(974)	–	–	45	46	(1,128)	(928)
Depreciation	(5,584)	(7,365)	(243)	(238)	–	–	(5,827)	(7,603)
Amortisation	(109)	(297)	(4)	(4)	–	–	(113)	(301)
Profit/(loss) before income tax	1,932	(26,394)	(9,258)	(19,660)	–	–	(7,326)	(46,054)
Income tax credit/(expense)	29	(840)	(66)	4	–	–	(37)	(836)
Profit/(loss) for the year	1,961	(27,234)	(9,324)	(19,656)	–	–	(7,363)	(46,890)
Other segment information:								
Share of results of associates, net of tax	–	–	(7)	(3)	–	–	(7)	(3)
Other non-cash expenses##	151	(196)	2,745	780	–	–	2,896	584
Segment assets	117,553	105,322	13,306	20,922	(1,689)	(1,639)	129,170	124,605
Segment liabilities	64,643	53,192	3,948	2,745	(1,689)	(1,639)	66,902	54,298
Other segment information:								
Additions to non-current assets ###	6,711	7,262	5,554	1,855	–	–	12,265	9,117

(1) Inter-segment revenues are eliminated on consolidation.

EBITDA: Earnings before interest expense, interest income, tax, depreciation and amortisation.

Other non-cash expenses comprise inventories written off, inventories written down, allowance of trade receivables, trade receivables written off, allowance of non-trade receivables and unrealised foreign currency exchange.

Additions to non-current assets comprise additions to intangible assets and property, plant and equipment.

Geographical information

Revenue and non-current assets are based on the geographical location of the entities:

	Revenue	
	2016 S$'000	2015 S$'000
China	34,713	26,620
Singapore	18,745	9,369
Malaysia	13,632	19,371
Philippines	26,707	23,338
Taiwan	10,768	11,939
Korea	23,215	10,754
United Kingdom	3,811	4,084
Europe	4,495	4,629
Others	5,797	6,435
	141,883	116,539

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	Non-current assets	
	2016	**2015**
	S$'000	S$'000
China	3,519	2,187
Singapore	1,109	1,423
Malaysia	1,892	2,547
Philippines	12,654	12,021
United States	3,534	1,684
United Kingdom	572	743
Hong Kong	4	579
Others	318	321
	23,602	21,505

Non-current assets information presented above consist of property, plant and equipment and intangible assets (excluding goodwill) as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to S$18,401,000 (2015: S$9,902,000), arising from sales by the BEST segment.

Revenue from one major customer amounted to S$2,521,000 (2015: S$1,542,000), arising from sales by the Distribution and Services segment.

36. OPERATING LEASE COMMITMENTS

Operating lease – as lessee

The Group leases premises, machinery and equipment under non-cancellable lease arrangements. Future minimum rentals under non-cancellable leases as of 31 December are as follows:

	Group	
	2016	**2015**
	S$'000	S$'000
Within one year	2,677	2,936
Within two to five years	3,883	3,346
Over five years	–	213
	6,560	6,495

Rental expense (principally for premises, machinery and equipment) was S$4,236,000 and S$3,753,000 for the years ended 31 December 2016 and 2015 respectively.

Lease terms do not provide for contingent rents and do not contain restrictions on Group activities concerning dividends, additional debt or entering into other leasing agreement. Certain leases include renewal options for additional lease periods ranging from 1 to 3 years (2015: 1 to 3 years) or an unspecified number of years, and at rental rates based on negotiations or prevailing market rates. The Group is restricted from subleasing the leased equipment to third parties.

Operating lease – as lessor

The Group leases out certain premises under non-cancellable lease arrangements. Future minimum rentals under non-cancellable leases as of 31 December are as follows:

	Group	
	2016	**2015**
	S$'000	S$'000
Within one year	92	369
Within two to five years	181	624
	273	993

Rental income relating to the above leasing arrangements was S$93,000 and S$362,000 for the years ended 31 December 2016 and 2015 respectively.

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Certain operating leases above include escalation clauses. The operating leases do not provide for contingent rents and do not contain renewal options or options to purchase for the lessee.

37. COMMITMENTS

(a) Financial support

The Company has agreed to provide financial support to certain subsidiaries to meet their liabilities as and when they fall due and to subordinate the amount owing from them for the prior payment of other liabilities.

(b) Guarantees

The Company has provided corporate guarantees amounting to S$16,495,000 (2015: S$10,109,000) to secure banking facilities for its subsidiaries.

(c) Capital commitments

Capital commitments in respect of property, plant and equipment contracted for as at the end of the financial year but not recognised in the financial statements amounted to S$Nil (2015: S$638,000).

38. AUDIT AND NON-AUDIT FEES PAID TO AUDITORS

	Group	
	2016	**2015**
	S$'000	S$'000
Audit fees paid to auditors of the Company	421	441
Audit fees paid to other auditors	171	198
Non-audit fees paid to auditors of the Company	67	58
Non-audit fees paid to other auditors	34	16

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions are entered with related parties and the effects of these transactions on the basis determined between the parties are reflected in these financial statements.

	Group	
	2016	**2015**
	S$'000	S$'000
Directors :		
Proposed directors' fees of the Company	211	221
Proposed directors' fees of listed subsidiaries	310	346
Directors' remuneration	3,080	3,600
Defined contribution plans	17	13
Key executive officers :		
Key executive officers' remuneration (excluding Directors' remuneration)		
- Short-term employee benefits	4,208	4,575
- Defined contribution plans	199	129
Related party :		
Sales of goods	2,521	1,542
Interest income	39	–

Related party refer to the company in which the Company's Chairman and Chief Executive Officer holds key executive position and has 5% equity interest.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and cash equivalents and derivatives with positive fair value), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to minimise losses incurred due to increased credit risk exposure. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. Cash terms, advance payments, or letters of credit are required for customers of lower credit standing.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and
- corporate guarantees provided by the Company to financial institutions on credit facilities extended to the subsidiaries (Note 37).

Credit risk concentration profile

The Group analyses the credit risk concentration profile separately for the Distribution and Service and BEST segments.

Distribution and Services Segment

The Group determines concentrations of credit risk for the Distribution and Services Segment by monitoring the country profile of its trade receivables on an on-going basis. There was no significant concentration of credit risk in the Distribution and Services segment except that significant trade receivables are customers engaging businesses in the semiconductor and electronics industries in Greater China.

BEST Segment

There was no significant concentration of credit risk in the BEST segment except that significant trade receivables are customers engaging businesses in the semiconductor and electronics industries. In addition, the Group monitors its concentrations of credit risk for the BEST Segment by specific customers' profile, based on their market position and relative financial stability. As at 31 December 2016, approximately 34% (2015: 35%) of the trade receivables are due from the top five customers of the BEST Segment. These are multi-national corporations who are key market players and leaders in the semiconductor industry and with strong financial standing.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and cash equivalents and derivatives with positive fair value that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 12.

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(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's financing activities are managed centrally with the objective of maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures availability of bank credit lines to address any short-term funding requirement.

Except for loans and borrowings, lease creditors and long term payables, the Group's and the Company's financial liabilities at the end of the reporting period are repayable/mature within one year. The repayment terms of long term payables, lease creditors and the loans and borrowings are disclosed in Note 22, Note 21 and Note 17 respectively.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

2016	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Group				
Financial assets				
Trade receivables	34,542	–	–	34,542
Other receivables	3,521	–	–	3,521
Cash and cash equivalents	39,174	–	–	39,174
Total undiscounted financial assets	77,237	–	–	77,237
Financial liabilities				
Trade payables and accruals	29,980	–	–	29,980
Other payables	3,627	–	–	3,627
Lease creditors	590	231	–	821
Long term payables	–	–	1,201	1,201
Loans and borrowings	23,554	3,680	–	27,234
Total undiscounted financial liabilities	57,751	3,911	1,201	62,863
Total net undiscounted financial assets/(liabilities)	19,486	(3,911)	(1,201)	14,374

2016	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Company				
Financial assets				
Amounts due from subsidiaries	8,613	2,954	–	11,567
Cash and cash equivalents	1,402	–	–	1,402
Total undiscounted financial assets	10,015	2,954	–	12,969
Financial liabilities				
Trade payables and accruals	1,286	–	–	1,286
Other payables	211	–	–	211
Loans and borrowings	5,037	–	–	5,037
Amounts due to subsidiaries	1,793	35,474	–	37,267
Total undiscounted financial liabilities	8,327	35,474	–	43,801
Total net undiscounted financial assets/(liabilities)	1,688	(32,520)	–	(30,832)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2015	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Group				
Financial assets				
Trade receivables	26,156	–	–	26,156
Other receivables	3,074	–	–	3,074
Cash and cash equivalents	41,247	–	–	41,247
Total undiscounted financial assets	70,477	–	–	70,477
Financial liabilities				
Trade payables and accruals	30,959	–	–	30,959
Other payables	1,327	–	–	1,327
Lease creditors	694	461	120	1,275
Long term payables	–	–	1,170	1,170
Loans and borrowings	14,838	456	624	15,918
Total undiscounted financial liabilities	47,818	917	1,914	50,649
Total net undiscounted financial assets/(liabilities)	22,659	(917)	(1,914)	19,828

2015	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Company				
Financial assets				
Amounts due from subsidiaries	8,811	1,405	–	10,216
Cash and cash equivalents	1,671	–	–	1,671
Total undiscounted financial assets	10,482	1,405	–	11,887
Financial liabilities				
Trade payables and accruals	1,370	–	–	1,370
Other payables	221	–	–	221
Loans and borrowings	5,015	–	–	5,015
Amounts due to subsidiaries	1,765	27,706	–	29,471
Total undiscounted financial liabilities	8,371	27,706	–	36,077
Total net undiscounted financial assets/(liabilities)	2,111	(26,301)	–	(24,190)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

2016	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Company				
Financial guarantees	13,700	2,795	–	16,495

2015	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Company				
Financial guarantees	8,283	1,613	213	10,109

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties. The Company's loans at floating rate given to related parties form a natural hedge for its floating rate bank loan. All of the Group's and the Company's financial liabilities at floating rates are contractually repriced at intervals of less than 3 months (2015: less than 3 months) from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 75 (2015: 75) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been S$201,000 lower/higher (2015: S$116,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(iv) Foreign currency risk

Certain subsidiaries of the Group have transactional currency exposures arising from sales that are denominated in currencies other than their respective functional currencies. The foreign currency in which these transactions are mostly denominated is US dollars ("USD"). Approximately 62% (2015: 67%) of the Group's sales are denominated in currencies other than its operating entities' respective functional currencies.

The Group's trade receivables at the end of the reporting period have similar exposures.

The Group and the Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to S$10,690,000 and S$695,000 (2015: S$12,368,000 and S$1,451,000) for the Group and the Company respectively.

The Group uses forward currency contracts to mitigate the currency exposures to the USD.

Sensitivity analysis for foreign currency risk

The Group has significant foreign currency risk exposure to fluctuation in the USD against SGD. At the end of the reporting period, if USD had strengthened or weakened by 5% (2015: 5%) against SGD with all other variables held constant, the Group's loss before tax would have been S$1,178,000 lower/higher (2015: S$1,497,000 lower/higher).

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange and are classified as available-for-sale financial assets.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the share price of the quoted investments had been 6% (2015: 6%) higher/lower with all other variables held constant, there would have been no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Note	Group 2016	Group 2015	Company 2016	Company 2015
		S$'000	S$'000	S$'000	S$'000
Loans and receivables					
Amounts due from subsidiaries	11	–	–	11,215	9,875
Trade receivables	12	34,542	26,156	–	–
Other receivables	13	3,950	3,074	–	–
Cash and cash equivalents	14	39,174	41,247	1,402	1,671
		77,666	70,477	12,617	11,546
Available-for-sale financial assets					
Investment securities	8	22	897	–	–
Financial liabilities measured at amortised cost					
Trade payables and accruals	18	29,980	30,959	1,286	1,370
Other payables	19	4,170	1,959	211	221
Long term lease creditors	21	191	538	–	–
Long term payables	22	1,112	1,084	–	–
Loans and borrowings	17	26,735	15,494	5,000	5,000
Amounts due to subsidiaries	20	–	–	36,668	29,064
		62,188	50,034	43,165	35,655
Financial liabilities at fair value through profit or loss					
Foreign exchange forward contracts	19	68	–	68	–

(b) Fair value of assets and liabilities

(i) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There has been no transfer between Level 1 and Level 2 and no transfers into or out of Level 3 during the financial years ended 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(ii) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2016 S$'000			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fair value measurements				
Financial assets:				
Available-for-sale financial assets (Note 8)				
- Equity instruments (quoted)	22	–	–	22
At 31 December 2016	22	–	–	22
Financial liabilities:				
Derivatives				
- Foreign exchange forward contracts (Note 19(ii))	–	68	–	68
At 31 December 2016	–	68	–	68

	Group 2015 S$'000			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fair value measurements				
Financial assets:				
Available-for-sale financial assets (Note 8)				
- Equity instruments (quoted)	192	–	–	192
At 31 December 2015	192	–	–	192

(iii) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

*Derivatives (Note*19*(ii))*

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates.

(iv) Level 3 fair value measurements

In 2015, property, plant and equipment classified as held for sale (the "Property") with a carrying amount of $1,904,000 had been stated at the lower of its carrying amount and fair value less costs to sell. The fair value was determined based on a sale and purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Valuation policies and procedures

The Group's Vice President of Finance who is assisted by the team (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in valuations.

(v) Assets and liabilites not carried at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the end of reporting period but for which fair value is disclosed:

	Group S$'000			
	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
2016				
Assets				
Investment securities, carried at cost	–	–	–	–
Investment properties	818	–	818	350
Liabilities				
Lease creditors				
- Obligations under finance leases	–	728	728	774

	Group S$'000			
	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
2015				
Assets				
Investment securities, carried at cost	–	–	*	705
Investment properties	–	–	–	–
Liabilities				
Lease creditors				
- Obligations under finance leases	–	1,133	1,133	1,170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Determination of fair value

The fair values of lease obligations under finance leases as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending borrowing or leasing arrangements at the end of the reporting period.

Management has determined that the carrying amounts of loans and borrowings based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

**Investment securities carried at cost*

Fair value information was not disclosed for the Group's investments in equity instruments carried at cost because fair value could not be measured reliably. These equity instruments represented mainly ordinary shares in companies not quoted on any market and did not have any comparable listed industry peer. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques would be significant.

The fair values of obligations under finance leases as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the end of the reporting period.

Management has determined that the carrying amounts of loans and borrowings based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

	Company S$'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Total	Carrying amount
2016				
Assets				
Investment in subsidiaries:				
- Quoted shares	4,896	–	4,896	4,896
2015				
Assets				
Investment in subsidiaries:				
- Quoted shares	11,994	–	11,994	11,996

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash and bank balances in order to support its business activities and repayment of loan and borrowings. The Group monitors its monthly cash flows and also manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. ACCUMULATED LOSSES

	Company	
	2016	**2015**
	S$'000	S$'000
Balance at 1 January	(123,623)	(116,744)
Loss for the year	(11,288)	(6,879)
Balance at 31 December	(134,911)	(123,623)

44. DIVIDENDS

The directors do not recommend any dividend in respect of the financial year ended 31 December 2016. No dividend has been paid or declared since the end of the previous financial year.

45. EVENTS OCCURING AFTER THE REPORTING PERIOD

The events occurring after the reporting period are:-

(i) Subsequent to year end, ASA Multiplate entered into interest bearing, unsecured loans with individuals amounting to S$499,000 which are repayable within 1 to 14 months and are to be settled in cash. These loans bear interest ranging from 5.3% to 6.0% per month.

ASA Multiplate also entered into the following loans with a director of ASA Multiplate:

(1) Interest bearing, unsecured loans amounting to S$126,000 which are repayable within one month and are to be settled in cash. These loans bear interest ranging from 5.0% to 5.26% per month.
(2) A non-interest bearing, unsecured loan amounting to S$16,000 which are repayable within two months and are to be settled in cash.
(3) A non-interest bearing, unsecured loan amounting to S$32,000 which has no fixed terms of repayment and are to be settled in cash.

(ii) On 31 March 2017, the Company announced that it is proposing to provide an irrevocable undertaking to ASA to subscribe for its *pro rata* entitlement of 4,833,993,275 of a renounceable partially under-written rights issue (the "Rights Issue") of 13,186,771,715 new ordinary shares in the capital of ASA. The amounts payable by the Company will be set off against the loans advanced to ASA amounting to S$4,351,000.

SAC Capital (Manager and Underwriter of the Rights Issue) and Dato' Michael Loh had entered into a sub-underwriting agreement, whereby Dato' Michael Loh has undertaken to apply and subscribe for and/or procure applications and subscriptions for up to 4,444,444,444 Rights Shares (the "Sub-Underwriting Rights Shares").

Dato' Michael Loh has undertaken to transfer an amount of S$4,000,000 (being the aggregate issue price for the Sub-Underwriting Rights Shares) to ASA's bank account, as a form of confirmation of financial resources. S$1,500,000 will be used only for the purposes of drawdown by ASA under the Director's Loan (as defined and described below) and the remaining S$2,500,000 will be maintained in ASA's bank account until the completion of the Rights Issue, or the termination of the sub-underwriting agreement, whichever is earlier.

On 31 March 2017, ASA entered into a loan agreement with Dato' Michael Loh pursuant to which Dato' Michael Loh had agreed to extend an unsecured, interest-free loan of S$1,500,000 to the Company upon the terms and subject to the conditions of the loan agreement (the "Director's Loan"). The Director's Loan will be repaid or partially repaid (as the case may be) by the allotment and issuance of the Sub-Underwriting Rights Shares to Dato' Michael Loh.

APPENDIX 3

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2016

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 22 March 2017

Number of Equity Securities	:	654,731,486
Class of Equity Securities	:	Ordinary shares (excludes treasury shares)
Voting Rights	:	One vote per share (excludes treasury shares)
Number of Treasury Shares	:	27,234,855

The percentage of treasury shares against equity securities is 4.16%.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	25	0.54	383	0.00
100 - 1000	526	11.25	485,781	0.08
1,001 - 10,000	1,636	34.99	8,983,252	1.37
10,001 - 1,000,000	2,430	51.98	224,850,742	34.34
1,000,001 and above	58	1.24	420,411,328	64.21
Total	**4,675**	**100.00**	**654,731,486**	**100.00**

TWENTY LARGEST SHAREHOLDERS

S/No	Name	No. of Shares	%
1.	LOH SOON GNEE	65,209,600	9.96
2.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	65,000,000	9.93
3.	DB NOMINEES (SINGAPORE) PTE LTD	41,484,000	6.34
4.	SOH POCK KHENG	29,200,000	4.46
5.	LIM & TAN SECURITIES PTE LTD	17,902,900	2.73
6.	OCBC SECURITIES PRIVATE LIMITED	17,628,700	2.69
7.	DBS NOMINEES (PRIVATE) LIMITED	14,242,813	2.18
8.	RAMESH S/O PRITAMDAS CHANDIRAMANI	12,000,000	1.83
9.	TAN NGOK PENG	11,029,700	1.68
10.	NG YEW NAM	9,400,000	1.44
11.	UOB KAY HIAN PRIVATE LIMITED	9,328,000	1.42
12.	FIONA SOH SIOK LAN MRS LIM GUAN TECK	8,791,000	1.34
13.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,288,000	1.11
14.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,213,640	0.95
15.	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,207,400	0.95
16.	TAN KWEE KIM	5,400,000	0.82
17.	PHILLIP SECURITIES PTE LTD	5,048,080	0.77
18.	CHENG CHAI HONG	4,345,714	0.66
19.	POH CHENG SIM	4,325,000	0.66
20.	RHB SECURITIES SINGAPORE PTE. LTD.	4,122,392	0.63
	Total	**344,166,939**	**52.55**

SUBSTANTIAL SHAREHOLDERS (As recorded in the Register of Substantial Shareholders)

	Direct Interest	%*	Deemed Interest	%*	Total %*
Michael Loh Soon Gnee[1]	65,209,600	9.96	65,000,000	9.93	19.89
Heah Theare Haw [2]	-	-	41,484,000	6.34	6.34

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC (‘PUBLIC FLOAT’)# IS 73.77% OF ISSUED SHARE CAPITAL OF THE COMPANY

1 Deemed interested in 65,000,000 shares held by nominees.
2 Deemed interested in 41,484,000 shares held by nominees.
* The above percentage is calculated based on the issued share capital of 654,731,486 shares (excluding treasury shares), rounded up.
# The Public Float meets the requirements of Rule 723 of the SGX-ST Listing Manual, which requires at least 10% of the shares of the Company to be held by the public.

APPENDIX 4

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

ASTI HOLDINGS LIMITED
(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ASTI Holdings Limited (the "**Company**") will be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Saturday, 29 April 2017 at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

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

2. To re-elect Dr Kenneth Yu Keung Yum who is retiring pursuant to Regulation 107 of the Constitution of the Company. **(Resolution 2)**

   [See Explanatory Note (i)]

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 103 of the Constitution of the Company:

Dato' Michael Loh Soon Gnee	(Retiring under Regulation 103)	**(Resolution 3)**
Dr Kriengsak Chareonwongsak	(Retiring under Regulation 103)	**(Resolution 4)**

   [See Explanatory Note (ii)]

4. To approve the payment of Directors' fees of S$210,727 for the year ended 31 December 2016 (2015: S$221,000). **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **AUTHORITY TO ISSUE SHARES**

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

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) ("**Pro-rata Limit**") of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

   [See Explanatory Note (iii)]

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

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

[See Explanatory Note (iv)] **(Resolution 7)**

By Order of the Board

Dayne Ho Chung Wei
Secretary
Singapore, 14 April 2017

Explanatory Notes:

(i) Dr Kenneth Yu Keung Yum will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee, and will be considered independent.

(ii) Dato' Michael Loh Soon Gnee will, upon re-election as a Director of the Company, be considered non-independent. Dato' Michael Loh Soon Gnee is an Executive Director and a controlling shareholder of the Company.

Dr Kriengsak Chareonwongsak will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees and will be considered independent.

(iii) In relation to Ordinary Resolution 7 proposed in item 7 above, the Pro-rata Limit shall not apply to any non-renounceable rights issue undertaken by the Company (if any). Proceeds derived from the utilisation of the Pro-rata Limit shall be used for the purpose of financing the Company's business needs. In utilising the Pro-rata Limit, the Company shall comply with all applicable conditions stipulated in the Listing Manual of the SGX-ST, as well as all applicable laws, rules and/or regulations. In particular, the Company shall comply with (i) applicable legal requirements, including but not limited to provisions in the Act, requiring the Company to seek shareholders' approval, (ii) disclosure requirements in respect of use of proceeds under Rules 704(30) and 1207(20) of the Listing Manual of the SGX-ST, and (iii) any limitations in any existing mandate from shareholders. Further, pursuant to Practice Note 8.3 of the Listing Manual of the SGX-ST, the shares issued pursuant to the Pro-rata Limit must be listed by 31 December 2018.

The Board of Directors of the Company are of the view that the Pro-rata Limit is in the interests of the Company and its shareholders.

(iv) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing a proxy or proxies must be under its common seal or the hand of its attorney or a duly authorised officer.

4. Pursuant to Section 181 of the Companies Act (Cap.50) of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36) of Singapore ("**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under that CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416** not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

APPENDIX 5

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2016

PROXY FORM

ASTI HOLDINGS LIMITED

(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, ______________________________ (Name) (NRIC/Passport No.)

of ______________________________ (Address)

being a member/members of ASTI Holdings Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Saturday, 29 April 2017 at 12.00 p.m. and at any adjournment thereof. I/We direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

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

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Re-election of Dr Kenneth Yu Keung Yum as a Director of the Company		
3	Re-election of Dato' Michael Loh Soon Gnee as a Director of the Company		
4	Re-election of Dr Kriengsak Chareonwongsak as a Director of the Company		
5	Approval of Directors' fees amounting to S$210,727		
6	Re-appointment of Messrs Ernst & Young LLP as Auditorsand authority for Directors to fix their remuneration		
7	Authority to issue shares		

Note: Voting will be conducted by poll.

Dated this ______ day of ______________ 2017

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

**Delete where inapplicable*

Important: Please read notes overleaf

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

4. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "**relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Cap. 19 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, Cap. 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 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.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416,** not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which this proxy form shall be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By attending the Meeting and/or any adjournment thereof or 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 14 April 2017.

General:

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

ASTI HOLDINGS LIMITED

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(Co. Reg. No. 199901514C)