HUAN HSIN HOLDINGS LTD
奐鑫控股有限公司

Annual Report **2016**

CORPORATE PROFILE

Established in 1980, SGX Mainboard listed Huan Hsin Group is an integrated contract manufacturer of telecommunications and electronic products. With manufacturing plants in the People's Republic of China and Malaysia, as well as marketing offices in Taiwan, the Group's integrated operations include design, mock up, tooling, plastic injection, precision injection, metal stamping, magnesium alloy stamping, spray painting, PCB assembly, SMT assembly, vacuum sputtering, wire and cable, EMS and finished product assembly.

DIVERSE OFFERINGS

Riding on the global outsourcing trend, Huan Hsin Group continued to be one of the leading notebook casing manufacturers, supplying to six major notebook manufacturers in the world.

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CORPORATE MISSION

We aim to achieve sustainable growth for the Group and to enhance shareholder value by providing quality products and services.

We will constantly upgrade and adapt our business to anticipate and meet evolving customer needs in an increasingly challenging business environment.

Our ISO9001 and ISO14001 certifications are clear testimonies to our focus on quality products and customer satisfaction.

AS WE CONTINUE TO EXTEND OUR REACH INTO GLOBAL MARKETS, WE INTEND TO SHARPEN OUR COMPETITIVE EDGE THROUGH A MULTI-PRONGED STRATEGY THAT ENCOMPASSES THE FOLLOWING:

- Vertical integration of our manufacturing operations to deliver finished products at the most competitive prices.
- Maintaining high quality standards and be mindful of costs at all times.
- Strengthening relationships with our customers, employees and business associates.
- Further development of synergistic investments.

PRESIDENT'S MESSAGE

"Amidst this anemic industry backdrop, the Group revenue decreased by 65% in FY2016 to S$52.6 million from S$151.1 million in the preceding financial year FY2015. The substantial decline in revenue was in line with the Group's on-going action to shut down some of the loss-making factories."

PRESIDENT'S MESSAGE

DEAR FELLOW SHAREHOLDERS

On behalf of the Board and Management, I present you with Huan Hsin Holdings Ltd's (the "Company" and together with its subsidiaries, the "Group") Annual Report for the financial year ended December 31, 2016 ("FY2016").

During the year under review, the PC industry continued to be battered by intense competition from mobile phones and tablets, longer PC lifecycles and persistent weak market demand, especially in emerging markets. Global PC shipments in 2016 fell more sharply than in 2015.

Amidst this anemic industry backdrop, the Group revenue decreased by 65% in FY2016 to S$52.6 million from S$151.1 million in the preceding financial year FY2015. The substantial decline in revenue was in line with the Group's on-going action to shut down some of the loss-making factories.

The closure of loss-making factories was part of our major restructuring strategy to turn around the company. Since 2015, the Group has adopted a multi-pronged strategy of corporate restructuring to streamline operations and dispose of non-performing assets to lower costs, reduce borrowings, while concurrently looking into acquisition and diversification opportunities to generate additional earning streams.

As at December 31, 2016, the Group has closed six plants which included Shanghai, Chongqing, Shandong and Kedah. The latest asset disposal was our entire share capital in Ideal Project Consultant Limited for a net consideration of RMB255.0 million (equivalent to S$52.8 million). To date, the Company has received the deposit from the escrow agent amounting to RMB25.5 million (equivalent to S$5.2 million) and the second payment of RMB204.0 million (equivalent to S$42.1 million) from the buyer.

With the Group being in the red over the last few years, Huan Hsin has been placed on the SGX watch-list since March 5, 2014. On March 11, 2016, the SGX-ST granted the Company an extension of time of up to 12 months to March 4, 2017 to meet the requirements for removal from the watch-list. The Company has submitted application to SGX-ST for a further extension of time to satisfy the requirements for removal from the Watch-List from March 4, 2017 to June 30, 2017, and is awaiting SGX-ST response.

Therefore, the Group appointed RHB Securities Singapore Pte Ltd ("RHB") as Financial Advisor to assist in identifying new viable business(es) to rejuvenate the Group's financial performance as well as to identify strategic investor(s) with a view to providing funding for suitable investment(s) and/or business acquisition(s). RHB had introduced two investors ("Oriental Straits Investment Limited" and "China Capital Impetus Investment Limited"). The Company had signed a subscription agreement on February 24, 2016 with the investors for an aggregate subscription of up to US$250 million (equivalent to S$352.5 million) in tranches. This proposed subscription which is subject to shareholder's approval at an EGM to be called later, will provide funds for investment, acquisition and diversification opportunities to generate additional sources of earnings and facilitate the Company's efforts and application for exiting from SGX's watch list.

Indeed, we have been searching for possible avenues and means to turn around the Group through injection of fresh funds by strategic investors. At the same time, the Group continues to restore the corporate health by monetizing assets to improve working capital and scale down the operations.

I would like to humbly acknowledge my heartfelt gratitude to all our stakeholders – my fellow shareholders for your steadfast loyalty; my fellow Board members for your invaluable counsel and guidance; my senior Management staff and employees for your dedication and hard work; and my business partners for your unstinting support.

Thank you.

HSU HUNG CHUN
President,
HUAN HSIN HOLDINGS LTD

BOARD OF DIRECTORS

HSU HUNG CHUN | HSU CHENG CHIEN | LIM HOCK BENG

HSU HUNG CHUN
Chairman

Mr Hsu Hung Chun, aged 62, has been the Director and Chairman of the Board since December 26, 1995. He is an executive director and serves as a member of the Nominating Committee.

Mr Hsu Hung Chun is also the President and founder of the Group. He is responsible for business development and all the marketing activities of the Group. He is also in charge of the Group's investment policy, banking and financial issues. He graduated in 1973 from Taipei High School, Taiwan and previously worked as a sales manager in a manufacturing company and a trading company. He is a member of the Singapore Institute of Directors.

He is a substantial shareholder of the Company and has interests in certain transactions with the Group, which are disclosed on page 26 of the Annual Report. He is the brother of Mr Hsu Cheng Chien and was last re-elected on April 24, 2015.

HSU CHENG CHIEN
Managing Director

Mr Hsu Cheng Chien, aged 60, was appointed to the Board on December 26, 1995 and subsequently as Group Managing Director on May 28, 1997. He is an executive director.

As the Managing Director of the Group, he is in charge of the overall operation and production of the Group, setting and implementing long-term business objectives and strategic planning of the Group. He graduated in 1974 from Yu Da Business School, Taiwan. Prior to joining the Group in 1980, he was head of the material control and purchasing department in a manufacturing company. He is also a member of the Singapore Institute of Directors.

He is a substantial shareholder of the Company and has interests in certain transactions with the Group, which are disclosed on page 26 of the Annual Report. He is the brother of Mr Hsu Hung Chun and was last re-elected on April 28, 2014.

LIM HOCK BENG
Independent Non-executive Director

Mr Lim Hock Beng, aged 78, was appointed to the Board on May 16, 1997 and is the Lead Independent non-executive director. He serves as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

He was the founder and the managing director of Lim Associates Pte Ltd, which provides corporate secretarial services to private and public listed companies, for 27 years until his retirement in year 1995. Currently, he is the managing director of a private investment holding company with its principal interests in investing in quoted securities and overseas properties. He holds a Diploma in Management Accounting & Finance and is a Fellow member of the Singapore Institute of Directors.

Current directorships in public companies listed on SGX include GP Industries Ltd, Colex Holdings Ltd, King Wan Corporation Ltd and TA Corporation Ltd.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-appointed on April 25, 2016.

LAU PING SUM, PEARCE
Independent Non-executive Director

Mr Lau Ping Sum, Pearce, aged 76, was appointed to the Board on May 28, 1997. He is an independent non-executive director and serves as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Prior to joining the Board, he held management positions as head of IT in two financial institutions and a statutory board. He was a Member of Parliament between 1980 and 1996.

Mr Lau holds a Bachelor of Economics degree from the Australian National University and a Diploma in Business Administration from the University of Singapore. He is a member of the Singapore Institute of Directors. In addition, he is a member

BOARD OF DIRECTORS

LAU PING SUM, PEARCE | CHEW HENG CHING | HSU MING HUNG | CHANG SHIH HSING

of the Advisory Panel and an examiner for The Certification Examination for Professional Interpreters, School of Arts and Social Sciences at SIM University.

Current directorships in other publicly listed companies on SGX are Cortina Holdings Ltd and Sunpower Group Ltd.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-appointed on April 25, 2016.

CHEW HENG CHING

Independent Non-executive Director

Mr Chew Heng Ching, aged 65, was appointed to the Board on August 25, 2004. He is an independent non-executive director and serves as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

He is the Founding President of the Singapore Institute of Directors and was the Past Chairman of its Governing Council. He has more than 30 years of senior management experience in both the public and private sectors. He was previously a member of the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. He was a director and past Chairman of the Singapore International Chamber of Commerce. He was also a Council member of the Singapore Business Federation.

Mr Chew was a Member of Parliament from 1984 to 2006, and a former Deputy Speaker of the Singapore Parliament.

A Colombo Plan scholar, he is a graduate in Industrial Engineering (1st Class Honours) and Economics from the University of Newcastle, Australia. He also received an Honorary Doctorate in Engineering from the same University. Professionally, Mr Chew is a fellow of the Singapore Institute of Directors and CPA Australia.

His current directorships in public companies listed on SGX include Bonvests Holdings Limited, Pharmesis International Ltd, Spindex Industries Limited, Sinopipe Holdings Limited, AusGroup Limited and Stratech Systems Limited.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-elected on April 25, 2016.

HSU MING HUNG

Executive Director

Mr Hsu Ming Hung, aged 56, was appointed to the Board on May 28, 1997 and is an executive director.

He assists the Managing Director in implementing, reviewing and verifying the overall corporate strategy and policies of the Group. He graduated from Nan Ya Industrial Training School, Taiwan in 1983 and has been with the Group for more than 15 years.

He does not hold any share option but holds 750,000 shares in the Company. He is the nephew of Messrs Hsu Hung Chun and Hsu Cheng Chien. He was last re-elected on April 25, 2016.

CHANG SHIH HSING

Executive Director

Mr Chang Shih Hsing, aged 55, was appointed to the Board on May 28, 1997 and is an executive director.

He is the General Manager of Shanghai Huan Hsin Electronics Co., Ltd. As the head of the production division, he is responsible for the technical aspects of the operations, quality management and research and development. He also oversees employee training programs and human resource development and management. He has a general diploma and has been with the Group since 1985.

He does not hold any share option but holds directly 2,090,066 shares in the Company. He is the brother-in-law of Mr Hsu Hung Chun. He was last re-elected on April 28, 2014.

OPERATIONS REVIEW

OVERVIEW

In line with its strategy of corporate restructuring during FY2016, the Group continued to streamline operations and dispose of non-performing assets so as to lower costs and reduce borrowings. Although the closure of the loss-making plants led to a substantial decline in revenue, operational expenses fell in line with decreased revenue. This, coupled with the gains from disposal of subsidiary, enabled the Group to return to the black in FY2016, compared to a loss in the previous year (FY2015).

Group revenue decreased by 65% to S$52.6 million from S$151.1 million in FY2015, in line with the downscaling of operations with the closure of some factories.

Other operating income jumped 200% from S$22.2 million in FY2015 to S$66.6 million in FY2016, mainly due to the gain on disposal of subsidiary recorded in the financial year.

Changes in inventories of finished goods and work-in-progress
Raw materials and consumables used
Cost of inventories was down to S$49.8 million in FY2016 from S$116.0 million in FY2015, in line with the lower revenue.

Employee benefits expenses were reduced by 52% to S$26.4 million in FY2016 from S$54.4 million in FY2015, due to the downsizing and closure of loss-making factories and lower headcount. Retrenchment costs amounted to S$6.0 million in FY2016 (FY2015: S$4.8 million).

Depreciation and amortisation expense decreased 66% to S$3.8 million in FY2016 from S$11.3 million in FY2015 due to the lower carrying value of the depreciable assets.

Other operating expenses (which include selling and distribution costs and manufacturing overheads) were reduced by 45% to S$19.5 million in FY2016 from S$35.6 million in FY2015.

Finance costs dipped by 23% to S$5.0 million in FY2016 from S$6.5 million in FY2015 mainly due to the lower borrowings.

Income tax expense withholding tax of approximately RMB18.5 million (S$3.8 million) was incurred by the Group as a result of the disposal of one of its subsidiaries in Shanghai for RMB273.5 million.

Group net profit
As a result of the above, the Group generated a profit attributable to equity holders of the company of S$9.8 million in FY2016 compared to a net loss of S$57.0 million in FY2015.

BALANCE SHEET REVIEW

As at December 31, 2016, the Group current assets totalled S$37.5 million, compared to S$97.2 million as at December 31, 2015. The decline was mainly due to the following:

- S$9.4 million reduction in cash and bank balances to S$9.6 million due mainly to repayment of short-term borrowings and operation loss;
- S$29.8 million decrease in trade receivable to S$12.1 million due to collection and a lower sales volume;
- S$23.0 million decline in inventories to S$7.5 million due to lower inventory level in line with the reduced revenue; and net allowance for inventories obsolescence of S$18.8 million during FY2016.

The Group current liabilities fell from S$152.6 million as at December 31, 2015 compared to S$79.6 million as at December 31, 2016, due to the following:

- decrease in trade payable from S$28.6 million as at December 31, 2015 to S$12.3 million as at December 31, 2016 due to lower purchases and payments made during the year; and
- decline in borrowings from S$84.1 million as at December 31, 2015 to S$37.2 million as at December 31, 2016 as a result of repayment of short-term borrowings.

As at December 31, 2016, the Group's current liability exceeded its current asset, thus raising a going concern issue. However, given the strategy put in place to improve the Group's operating and financial position, the Management is confident that the Group will be able to continue operating as a going concern in the foreseeable future.

As at December 31, 2016, the Group's non-current liabilities were S$86.7 million, up slightly from S$85.0 million at December 31, 2015, due mainly to depreciation of the S$ against US$.

CASH FLOW REVIEW

Operating activities: The Group recorded a net cash outflow of S$14.0 million in FY2016, due primarily to losses from operations.

Investing activities: The Group had a net cash of S$49.9 million in FY2016, contributed by proceeds from disposal of a subsidiary.

Financing activities: The Group had a net cash outflow of S$40.1 million in FY2016, mainly due to repayment of borrowings.

GROUP FINANCIAL HIGHLIGHTS

Operating Results of the Group	Financial Year Ended December 31				
	2012 S$'000	2013 S$'000	2014 S$'000	2015 S$'000	2016 S$'000
Revenue	**519,623**	**472,469**	**355,788**	**151,083**	**52,575**
Profit / (Loss) before income tax	(93,884)	(75,854)	(91,122)	(57,186)	13,617
Income tax	(4,852)	(4,952)	(487)	273	(3,833)
Profit / (Loss) after income tax	(98,736)	(80,806)	(91,609)	(56,913)	9,784
Non-controlling interests	995	5,585	12,654	(50)	-
Profit / (Loss) attributable to shareholders	**(97,741)**	**(75,221)**	**(78,955)**	**(56,963)**	**9,784**
Profit / (Loss) per ordinary share (cents)					
(i) Based on the number of ordinary shares in issue (note 1)	(24.44)	(18.81)	(19.74)	(14.24)	2.45
(ii) On a fully diluted basis (note 2)	(24.44)	(18.81)	(19.74)	(14.24)	2.45

Financial Position of the Group	As At December 31				
	2012 S$'000	2013 S$'000	2014 S$'000	2015 S$'000	2016 S$'000
Fixed assets	169,915	146,224	69,468	48,550	32,641
Deferred tax assets	4,596	535	-	-	-
Investments	30,809	32,094	27,921	26,887	26,443
Current assets	337,166	356,511	235,506	97,187	37,452
Current liabilities	(334,355)	(341,132)	(230,656)	(152,648)	(79,603)
Net current assets / (liabilities)	2,811	15,379	4,850	(55,461)	(42,151)
Non-current liabilities	(14,925)	(78,557)	(81,722)	(85,014)	(86,675)
	193,206	**115,675**	**20,517**	**(65,038)**	**(69,742)**
Represented by :					
Equity attributable to owners of the Company	156,036	87,932	4,285	(65,038)	(69,742)
Non-controlling interests	37,170	27,743	16,232	-	-
	193,206	**115,675**	**20,517**	**(65,038)**	**(69,742)**
Net asset (liabilities) value per ordinary share (cents)					
(note 1)	39.01	21.98	1.07	(16.26)	(17.44)

Notes :
(1) The earnings (loss) per ordinary share and the net asset (liabilities) value per ordinary share are calculated on the issued share capital of 400,000,000 shares.
(2) In December 2016, 2015, 2014, 2013 and 2012 there were no outstanding employees' share options.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Hsu Hung Chun | President
Hsu Cheng Chien | Managing Director
Lim Hock Beng | Independent Director
Lau Ping Sum, Pearce | Independent Director
Chew Heng Ching | Independent Director
Hsu Ming Hung | Executive Director
Chang Shih Hsing | Executive Director

AUDIT COMMITTEE

Lim Hock Beng | Chairman
Lau Ping Sum, Pearce
Chew Heng Ching

NOMINATING COMMITTEE

Chew Heng Ching | Chairman
Lim Hock Beng
Lau Ping Sum, Pearce
Hsu Hung Chun

REMUNERATION COMMITTEE

Lau Ping Sum, Pearce | Chairman
Lim Hock Beng
Chew Heng Ching

COMPANY SECRETARY

Han Tock Mui Kelly
(appointed on March 1, 2016)

AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2, #33-00,
Singapore 068809
Partner-in-charge:
Yang Chi Chih
(appointed on April 25, 2013)

REGISTERED OFFICE

77 Robinson Road,
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Singapore 068896
Tel: (65) 6500 6400
Fax: (65) 6438 6221

COMPANY REGISTRATION NUMBER

199509142R

REGISTRAR

Intertrust Singapore Corporate Services Pte. Ltd.
77 Robinson Road,
#13-00 Robinson 77,
Singapore 068896
Tel: (65) 6500 6400
Fax: (65) 6438 6221

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Huan Hsin Holdings Ltd (the "Company" and together with its subsidiaries, the "Group") is committed to high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2012 (the "Code").

This report outlines the Company's corporate governance framework with specific reference to the Code.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") to describe its corporate governance practices with specific reference to the principles of the Code in this Annual Report and disclose any deviation from the guidelines of the Code together with an appropriate explanation for such deviation in this Annual Report. The Board has adhered to the principles and guidelines set out in the Code as set out in this report.

(A) BOARD MATTERS

Principle 1: The Board's conduct of its affairs

The Board of Directors has seven members comprising four executive directors and three independent non-executives directors, as follows: CG guideline 4.6

Director	Designation	Appointment Date	Last Re-election Date
Hsu Hung Chun	President	December 26, 1995	April 24, 2015
Hsu Cheng Chien	Managing Director	December 26, 1995	April 28, 2014
Lim Hock Beng	Independent Director	May 16, 1997	April 25, 2016
Lau Ping Sum, Pearce	Independent Director	May 28, 1997	April 25, 2016
Chew Heng Ching	Independent Director	August 25, 2004	April 25, 2016
Hsu Ming Hung	Executive Director	May 28, 1997	April 25, 2016
Chang Shih Hsing	Executive Director	May 28, 1997	April 28, 2014

The detailed profiles of the Directors are set out on pages 4 to 5 of this Annual Report. CG guideline 4.7

The Board has overall responsibility for and oversees corporate governance, strategic planning and major investments of the Company. Apart from its fiduciary duties and statutory responsibilities, the principal functions of the Board are as follows: CG guideline 1.1

- Develop and guide the corporate strategy and direction of the Group. The Board shall review the plan in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business and business practices in the industry.
- Review and approve the Company's annual business, capital plans such as investments and divestments as well as policies and processes generated by Management.
- Oversee the business and affairs of the Group, establish with Management, the strategies and financial objectives and monitor the performance of Management.
- Ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board reviews annually the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

- Implement a process to be carried out by the Nominating Committee ("NC") for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.
- Approve the nomination and remuneration of board members.
- Assume responsibility for good corporate governance.
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct. All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. CG guideline 1.2

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructurings, mergers and acquisitions, share issuances, dividend and major corporate policies on key areas of operation, the release of quarterly and full year results and interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) (each, an "IPT") of a material nature. CG guideline 1.5

There were no incoming directors during the course of the financial year. When the existing Directors were appointed, they were briefed by Management on the business activities and strategic directions of the Group. Directors have open access to all relevant information, including discussions with Management and subject matter experts, and visits to overseas operations. Directors may meet independently with Management at any time to discuss areas of interest or concern. CG guideline 1.6

They were also briefed and provided with information relating to corporate conduct and governance including continuing disclosure requirements of the Company under the Listing Manual; disclosure of interests in securities; restrictions on disclosure of confidential or price sensitive information. The Directors are encouraged to participate in continuous professional development to develop and refresh their skills. They have attended presentations, participated in site-visits and received briefings and updates relevant to the Group's businesses and/or to the Directors' duties and responsibilities. The Directors are also provided with opportunities for continuing education in areas such as directors' duties and responsibilities, corporate governance, so as to update them on matters that affect or may enhance their performance as Board or Board committee members.

Generally, a formal letter is provided to each Director upon his appointment, setting out the Director's duties and obligations. CG guideline 1.7

To assist the Board in the discharge of its responsibilities, the Board has established the Audit Committee ("AC"), Remuneration Committee ("RC"), and Nominating Committee ("NC"). These Board Committees function within clearly defined written terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Committee. CG guideline 1.3

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. CG guideline 1.4

Ad hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone and conference via electronic communications at Board meetings is allowed under the Company's Constitution.

All directors are provided with the agenda and a set of Board papers five days prior to the Board meeting. These are issued in sufficient time to enable the Directors to better understand the matters to be discussed and to have sufficient time to obtain further explanations where necessary, to ensure that they are adequately informed for the Board meeting. The Company fully recognises that the continual flow of relevant information on an accurate and timely basis is critical for the Board to be effective in discharging its duties.

The number of Board and Board Committee meetings held during the financial year and the attendance of Directors during these meetings is set out as follows: CG guideline 1.4

	Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nominating Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Hsu Hung Chun	4	4					1	1
Hsu Cheng Chien	4	3						
Lim Hock Beng	4	4	4	4	1	1	1	1
Lau Ping Sum, Pearce	4	4	4	4	1	1	1	1
Chew Heng Ching	4	4	4	4	1	1	1	1
Hsu Ming Hung	4	4						
Chang Shih Hsing	4	4						

Principle 2: Board Composition and Guidance

The Board comprises four Executive Directors and three Independent non-executive Directors. The NC reviews annually the independence of each Director for the financial year ended 2016. CG guidelines 2.1 and 2.3

There is presently a good balance between the executive and non-executive Directors and a strong and independent element on the Board. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and its Board Committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge to enable the Board to make sound and well-considered decisions. CG guidelines 4.3 and 2.6

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed on the strength of his calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company.

Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long-term interests, of the Shareholders, having regard to the interests of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy. The Independent Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. CG guideline 2.7

All the Independent Directors have served on the Board beyond nine years from the date of their first appointment. The Board is of the view that all the three Independent Directors are still independent as they are capable of maintaining their objectivity and judgement at all times in carrying out their duties and responsibilities as Independent Directors. Furthermore the NC and the Board opined that time on the Board would not affect a director's character and/or judgement which can be seen in board and committees meetings where the Independent Directors are constantly challenging Management on their business strategies all these years. Their extensive experience and familiarity with the business and management team is even more valuable to the Group now given the current situation. CG guideline 2.4

Led by the Lead Independent Director, the Independent Directors are encouraged to meet, without the presence of Management, and they do so at least once a year, so as to be a more effective check on Management. CG guidelines 2.8 and 3.4

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business with clearly defined lines of responsibility between the Board and executive functions of the management of the Group's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of the performance of the executive management on a periodic basis.

Mr Hsu Hung Chun, the President and founder of the Group, assumes the role of Chairman of the Board while his brother, Mr Hsu Cheng Chien, the Managing Director, assumes the role of CEO of the Company. The Chairman is primarily responsible for the orderly conduct and working of the Board, ensuring the integrity and effectiveness of its governance process. The CEO is responsible for the day-to-day and overall operations of the business and the implementation of the Board's strategies and policies. CG guideline 3.3

Mr Lim Hock Beng, an independent non-executive director, is also the Lead Independent Director of the Company. He will be available to shareholders if they have concerns whereby contact through the normal channels of the Chairman or the Managing Director has failed to resolve or such contact is inappropriate.

The Chairman's role includes: CG guideline 3.2

- lead the Board to ensure its effectiveness on all aspects of its role;
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and debate at the Board;
- ensure that the Directors receive complete, adequate and timely information;
- ensure effective communication with Shareholders;
- encourage constructive relations within the Board and between the Board and Management;
- facilitate the effective contribution of Directors, in particular, non-executive Directors; and
- promote high standards of corporate governance.

Principle 4: Board Membership

Nominating Committee ("NC") CG guideline 4.1

The NC comprises the following Directors:

Mr Chew Heng Ching (Chairman)
Mr Hsu Hung Chun
Mr Lim Hock Beng
Mr Lau Ping Sum, Pearce

The NC meets annually and had full attendance by its committee members during the financial year ended December 31, 2016. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company. The Lead Independent Director is a member of the NC. CG guideline 4.1

The NC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. Amongst them, the NC is responsible for making recommendations to the Board on all Board appointments. CG guideline 4.1

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows: CG guidelines 4.1 and 4.2

- to make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;
- to assist the Board when the Board examines its size with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The NC may make recommendations to the Board with regards to any adjustments that are deemed necessary; CG guideline 2.5
- to review, assess and recommend nominees or candidates for appointment or election to the Board, having regard to his/her requisite qualifications and competency and whether or not he/she is independent and in the case of a re-nomination, to his/her contribution and performance (e.g. attendance, preparedness, participation and candour);
- to determine, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in the Code and other salient factors. If the NC determines that a Director, who has one or more of the relationships mentioned therein can be considered independent, the Company should disclose in full the nature of the Director's relationship and bear responsibility for explaining why he/she should be considered independent. Conversely, the NC has the discretion to determine that a Director is not independent even if the said Director does not fall under the circumstances set forth in the Code; CG guideline 4.3
- to make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age 70 years;
- to recommend Directors who are retiring by rotation to be put forward for re-election;
- to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director, particularly when he/she has multiple board representations; CG guideline 4.4
- to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;

- to assist the Board to implement a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board;
- to decide how the Board's performance may be evaluated and propose objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC; CG guideline 5.2
- to provide a description of the process for the selection and appointment of new Directors to the Board. This should include disclosure on the search and nomination process;
- to review the board succession plan for directors, in particular, the Chairman and the CEO; and
- to identify and review training and professional development needs for the Board.

Although the Company's Constitution allows the appointment of a maximum of 12 directors, the NC is of the view that the current board size of seven directors is adequate, taking into consideration of the nature and the scope of the Group's operations.

Under the Company's Constitution, any new Director appointed by the Board shall retire at the next annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Each Director shall retire at least once every three years and is eligible for re-election. The Board has accepted NC's nomination of the retiring Director who has given his consent for re-election at the Company's forthcoming AGM and it has also accepted the notification from Mr Chang Shih Hsing that he shall not seek for re-election at the forthcoming AGM. CG guideline 4.2

The retiring Directors are:

Messrs Hsu Cheng Chien and Chang Shih Hsing will retire pursuant to Regulation No. 103 of the Company's Constitution.

In its search, nomination and selection for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the CG Guideline 4.6 attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached. CG guideline 4.6

The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard. CG guideline 5.3

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the circumstances set forth in CG Guidelines 2.3 and 2.4 the Code and any other salient factors. Following its annual review, the NC has endorsed the independence of the following Directors, Messrs Lim Hock Beng, Lau Ping Sum, Pearce and Chew Heng Ching. CG guideline 4.3

Notwithstanding that each of our Independent Directors has multiple board representations, the NC is satisfied that sufficient time and attention is being given by the Directors to the affairs of the Group and thus, there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC. CG guideline 4.4

No alternate director has been appointed to the Board. CG guideline 4.5

Principle 5: Board Performance

The Board has implemented a process carried out by the NC for assessing the effectiveness of the Board as a whole. For the year under review, the NC has evaluated and discussed the results of the Board's performance and effectiveness as a whole and carried out a review of the independence of Directors. Each year, each Director is requested to complete a comprehensive evaluation questionnaire with regard to board performance. The aim of the questionnaire is to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties).

CG guideline 5.1

CG guideline 5.3

The questionnaire covers various aspect of board effectiveness, including:

- effectiveness of discussions and debate;
- relationship between the Board and Management, including the flow of information and level of engagement;
- the level and quality of Directors' contributions and standard of conduct;
- Board processes, including level and timeliness of information provided to the Board;
- adequacy of composition of the Board; and
- degree of diversity of skills, experience and knowledge of Directors.

CG guideline 5.2

The responses to the questionnaire will be collated and reviewed by the NC and the NC will make its recommendation to the Board.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

CG guideline 5.3

Principle 6: Access to Information

The Board has separate and independent access to management and the Company Secretary at all times in carrying out their duties. Requests for information from the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. Directors are given Board papers, background or explanatory information, including risk, benefits, and financial impact, relating to matters to be brought before the Board, in advance of meetings for them to be adequately prepared for meetings and senior Management is, where necessary, in attendance at the Board meetings. The Company Secretary attends all Board meetings and meetings of the AC, NC and RC except those meetings held overseas. The Company Secretary or her representatives administer, attend and prepare minutes of Board and Board Committees meetings, and assist the Chairman in ensuring that Board procedures are followed in accordance with the Company's Constitution so that the Board functions effectively.

CG guidelines 6.1, 6.2, 6.3 and 6.4

The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Directors have, individually or as a group, the right to seek independent legal and other professional advice, where necessary, in order to fulfill his duties and responsibilities as Director. Any expense incurred in this aspect shall be borne by the Company.

CG guideline 6.5

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior Management.

Remuneration Committee CG guideline 7.1

The RC comprises the following three non-executive and Independent Directors:

Mr Lau Ping Sum, Pearce (Chairman)
Mr Lim Hock Beng
Mr Chew Heng Ching

The principal responsibilities of the RC are: CG guideline 7.1

(i) to review and recommend to the Board in consultation with the Chairman of the Board and submit for endorsement by the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the executive directors and key management personnel of the Group including those employees related to the executive directors and controlling shareholders of the Company. CG guideline 7.2

(ii) to recommend to the Board in consultation with the Management and the Chairman of the Board, the employees' share option schemes or any long term incentive schemes which may be set up from time to time and to do all acts in connection herewith.

(iii) to determine the remuneration of non-executive directors, which remuneration should be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors.

(iv) to review the Company'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.

(v) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the Committee by the Board from time to time.

(vi) to prepare and submit an annual remuneration report which covers the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, the remuneration of directors, the CEO and at least the top five key management personnel who are not also directors or the CEO of the Company to the Board for disclosure in the Company's annual report.

Note:
Service contracts for Executive Directors are for a period not longer than three years and the remuneration packages are fair, linking rewards with performance.

The non-executive directors are paid directors' fees, the amount of which is dependent on the level of contribution, taking into account attendance, time spent, member of board committee and their respective responsibilities.

The RC meets annually and had full attendance by its committee members during the financial year ended December 31, 2016. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. CG guideline 7.1

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

The RC has accessed to expert advice in the field of executive compensation outside the Company, when required. For the financial year FY2016, having considered the matter, the RC has not sought external advise on remuneration of all Directors. CG guideline 7.3

The RC reviews the terms and conditions of service agreements of the Executive Directors before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of these service agreements, to ensure that such agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance. CG guideline 7.4

Principle 8: Remuneration of Level and Mix

In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a significant and appropriate proportion of executive compensation to the individual and the Group's performance. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for compensation to be symmetric with risk outcomes and the time horizon of risks. In assessing executive Directors' and key management personnel's performance, the RC considers appropriate and meaningful measures. Further, in considering whether the compensation is appropriate for Independent Directors, the RC takes into account factors such as effort and time spent, and responsibilities of the Directors; and the principal that Independent Directors should not be over-compensated to the extent that their independence might be compromised. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. CG guidelines 8.1, 8.3 and 9.6

The Company does not have any employee share option scheme and other long-term incentive scheme for directors and employees of the Group. CG guidelines 8.2, 8.3 and 9.5

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties. CG guideline 8.4

Principle 9: Disclosure on Remuneration

DISCLOSURE ON REMUNERATION CG guidelines 9.1, 9.2 and 9.3

Directors	Salary %	Bonus %	Director Fees %	Total %	Total S$
Hsu Hung Chun	92	8	–	100	461,272
Hsu Cheng Chien	92	8	–	100	461,272
Lim Hock Beng	–	–	100	100	80,000
Lau Ping Sum, Pearce	–	–	100	100	70,000
Chew Heng Ching	–	–	100	100	70,000
Hsu Ming Hung	92	8	–	100	69,655
Chang Shih Hsing	93	7	–	100	84,799

Key executives	Salary %	Bonus %	Total %	Remuneration Band
Lu To Jen	92	8	100	Below S$150,000
Wu Kun Chen	92	8	100	Below S$150,000
Liu Shih-Chang	93	7	100	Below S$150,000

For FY2016, the Group only has three top key executives. In view of the disadvantages to the Group's business interest, highly competitive human resource environment and confidentiality reasons, the Company has decided not to disclose information on the remuneration of these top three key executives.

The aggregate amount of any termination (on the assumption that any termination by the Group would be with notice as contractually provided for and excluding termination by reason of redundancy), retirement and post-employment benefits that may be granted to Directors (including the chief executive officer (the "CEO") and the top three key management personnel (who are not Directors or the CEO) is nil. CG guideline 9.1

The aggregate total remuneration paid to the top three key management personnel (who are not directors or the CEO) for FY2016 is approximately S$222,000. CG guideline 9.3

Immediate family members of Directors or CEO CG guideline 9.4

The following are immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S$50,000 during the financial year ended December 31 2016:

Employee	Salary %	Bonus %	Total %	Remuneration Band
Hsu Ming Chang – brother of Hsu Ming Hung	93	7	100	S$50,000 - S$100,000
Yang Yu Lin – wife of Hsu Cheng Chien	93	7	100	S$50,000 - S$100,000
Chang Yu-Yao – sister of Chang Shih Hsing	93	7	100	S$50,000 - S$100,000

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updating the Shareholders through the quarterly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. CG guideline 10.1

The Board receives from Management regular updates and financial information which present a balanced and understandable assessment of the Company's performance, position and prospects. The Management circulates quarterly financial reports to the AC which includes the income statement, statement of financial positions, statement of comprehensive income and cash flow statement of the Group, transactions between the Group and any interested person (namely, any of the Directors or any of the Controlling Shareholders or any of their Associates) and latest corporate developments. CG guideline 10.2

Management provides management accounts to the Board together with explanation and information on a monthly basis and also as and when the Board requires the same. These enable the Board to make balanced and informed assessment of the Company's performance, position and prospects. CG guideline 10.3

Written policies are established where appropriate to ensure compliance by the Board with applicable legislative and regulatory requirements. For example, the Company has adopted a set of insider trading policy and whistle-blowing policy. CG guideline 10.2

Principle 11: Risk management and internal controls

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management. In this regard, the Board: CG guidelines 11.1 and 11.2

- ensures that Management maintains a sound systems of risk management to safeguard shareholders' interests and the Group's assets;
- determines the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;
- determines the Company's levels of risk tolerance and risk policies;
- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and
- reviews annually the adequacy and effectiveness of the risk management and internal control systems.

The Group faces a variety of risks including risks from the industry and geographic region in which it operates. The effective management of risks enhances the Company's ability to achieve its financial and operational goals, and to meet its legal and compliance responsibilities, thereby protecting and enhancing shareholder value. The Company's commitment is to manage the business risks to an acceptable level, so as to maximise opportunities and minimise negative outcomes. It should however be noted that the Company's risk management systems are designed to manage rather than to eliminate the risk. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against risks. CG guideline 11.3

The Board is of the opinion, that the current established systems provide reasonable assurance against risks. Hence, the Board has decided to defer the appointment of the Board Risk Committee to a later date. CG guideline 11.4

For the FY2016, the Board has received assurance from CEO and the Head of Finance of the Company that: CG guideline 11.3

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

Principle 12: Audit Committee

Audit Committee

CG guideline 12.1

The AC comprises the three non-executive and Independent Directors:

Mr Lim Hock Beng (Chairman)
Mr Lau Ping Sum
Mr Chew Heng Ching

The AC held four meetings during the financial year ended December 31, 2016. The AC met regularly with the Group's external and internal auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control was maintained by the Group. The AC met once with the external auditors of Singapore without the presence of the Management during the financial year ended December 31, 2016.

CG guidelines 12.5 and 12.8

The Board is of the view that the AC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function. The AC Chairman, has recent and relevant accounting or related financial management expertise or experience. As and when necessary or appropriate, the Company will engage external professionals to assist the AC.

CG guideline 12.2

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. During the meetings of the AC held during the financial year, the AC performed its functions and responsibilities as set out in its terms of reference, which include the following:

CG Guidelines 12.1, 12.4, 13.5, 13.1 and 12.3.

- to review with the external auditors:

  (a) the audit plan, including the nature and scope of the audit before the audit commences;
  (b) their evaluation of the system of internal accounting controls;
  (c) their audit report; and
  (d) their management letter and Management's response.

- to ensure co-ordination where more than one audit firm is involved;
- to review all formal announcements relating to the Company's financial performance and the quarterly and annual financial statements to ensure the integrity of the said financial statements and formal announcements; and thereafter to submit them to the Board for approval. The AC will focus, inter alia, on the following:

  (a) significant financial reporting issues and judgements;
  (b) changes in accounting policies and practices;
  (c) major risk areas;
  (d) significant adjustments resulting from the audit;
  (e) the going-concern statement;
  (f) compliance with accounting standards;
  (g) audit qualifications (if any);
  (h) concerns and issues arising from the audits; and
  (i) compliance with stock exchange and statutory/regulatory requirements.

- to discuss problems and concerns, if any, arising from the quarterly, half-year and final audits, in consultation with the external auditors and the internal auditors where necessary;
- to meet with the external auditors and internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The external auditors have the right to appear and be heard at any meeting of the AC and shall appear before the AC when required to do so by the AC;
- to review the assistance given by Management to the external auditors;
- to review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide a substantial volume of non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- to review the internal audit programme and ensure co-ordination between the internal and external auditors and the Management;
- to review the effectiveness of the internal audit function, the scope and results of the internal audit procedures and to ensure that the internal audit function has adequate resources and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;
- to recommend to the Board if the internal audit function be undertaken in-house or out-sourced to a reputable public accounting/auditing firm. If the public accountant is also the external auditor of the Company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the Company;
- to review the adequacy of the Company's internal controls. Guideline 12.4 states that the AC should review the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls established by the Management (collectively "internal controls"). The AC should ensure a review of the adequacy and effectiveness of the Company's internal controls is conducted at least annually;
- to review the audited (consolidated) financial statements of the Company, and thereafter to submit to the Board;
- to review all internal audit reports. The internal auditor's primary line of reporting should be to the Chairman of the AC;
- to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have an impact on the Company's and Group's operating results or financial position. To also discuss the above with the external auditors and to review Management's response;
- to investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and with reasonable resources to enable it to discharge its functions properly;
- to review arrangements by which employees of the Company, its subsidiaries, and associates may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;
- to report to the Board its findings from time to time on matters arising and requiring the attention of the AC. In addition, upon the request of the auditor, the Chairman of the AC shall convene a meeting of the AC to consider any matters the auditor believes should be brought to the attention of the Directors or Shareholders;
- to recommend to the Board the appointment, re-appointment, removal and matters arising from the resignation of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

- to review all other existing and future IPTs not having been approved by the Shareholders to ensure that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and minority Shareholders;
- to review all IPTs to ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST;
- where appropriate, to update the SGX-ST on any findings of the independent accounting firm commissioned to review the adequacy of the Group's existing system of internal controls relating to IPT review procedures, and any follow up action taken by the AC, if any;
- to review the payment terms for IPTs (not previously approved by the Shareholders) on a quarterly basis;
- to review IPTs, including but not restricted to, comment in annual report as to whether the IPTs are conducted in accordance with the review procedures;
- to review any potential conflict of interest;
- to review the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of the Group;
- to review the reporting structure relating to the Group's accounting function and conduct semi-annual meetings with the Head of Finance to ensure that the Head of Finance is able to discharge his responsibilities effectively;
- to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- to undertake generally such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the guidance.

The AC shall also review, implement and administer the Group's Whistle-Blowing Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible improprieties in matters of financial reporting or other matters that could have a large impact on the Company and is authorised to do such acts as are necessary to ensure, *inter alia*, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to prevent recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriate, balanced and fair. CG guideline 12.7

The AC has reviewed the non-audit services provided by the external auditors, which comprise tax services and is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of Messrs Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming AGM. The aggregate fees paid to the external auditors comprise fees for audit and tax services and amount to S$173,000 and S$5,000 respectively. The external auditors were appointed to audit the accounts of the Company, its subsidiaries and its significant associated Companies. The Company is therefore in compliance with Rules 712 and 715 of the Listing Manual. CG guideline 12.6

Principle 13: Internal Audit

The Company has outsourced the internal audit functions to Nexia TS Risk Advisory Pte. Ltd. It has performed and implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal, transactions are properly authorised and proper financial records are being maintained. CG guideline 13.2 and 13.3

The internal auditors have a direct and primary reporting line to the AC Chairman and assist the Board in monitoring and managing risks and internal controls of the Group. The AC approves the internal audit plan and ensures the adequacy of internal audit resources prior to the commencement of the internal audit. CG guideline 13.1

The AC is satisfied that the internal auditors have adequate resources and appropriate standing within the Company. During the year, the Internal Auditor has unfettered access to all the company's documents, records, properties and personnel, including access to the AC. CG guideline 13.2

The Internal Auditor carries out its function taking guidance from the standards set by "International Professional Practices Framework" promulgated by The Institute of Internal Auditors. CG guideline 13.4

The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditors and external auditors and based on the Group's internal control procedures established and maintained by the management of the Group, the regular audits, monitoring and reviews performed by the management, the internal and external auditors, the Board with the concurrence of the AC is of the opinion that the Group's internal controls is adequate in addressing the financial, operational, compliance and information technology risks. CG guidelines 11.3, 12.1 and 12.2

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES; COMMUNICATION WITH SHAREHOLDERS; CONDUCT OF SHAREHOLDER MEETING

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

The Company believes in timely, fair and adequate disclosure of relevant information to the Shareholders and investors so that they will be apprised of developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects in its announcements, including quarterly and full-year results and reports to regulators, if any, all of which are released through SGX-ST's website at SGXNet (www.sgx.com). Press releases are announced through SGXNet before they are published. The Company also strives to be as descriptive, detailed and forthcoming as possible. The Company has a policy that where there is inadvertent disclosure made to a selected group, the Company will ensure that the information is disclosed publicly to all others as soon as practicable. To date, there has not been any such inadvertent disclosures. CG guidelines 14.1, 15.1 and 15.2

Before and after every general meeting, the Chairman and other members of the Board will engage in dialogue with Shareholders, to gather views or inputs, and address Shareholders' concerns. The Company also solicits the views of the Shareholders through analyst briefings and meetings with investors and fund managers. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. CG guidelines 15.3 and 15.4

The Company has a corporate communication and investor relation executive, who communicates with its investors on a regular basis and attends to their queries. Any queries and concerns regarding the Group can be conveyed to the following person:

Mr Stephen Yong Sooi Seong
Investor Relations Manager
E-mail: ssyong@huanhsin.com.tw

The Company believes that all these accesses to information will facilitate the Shareholders in their exercise of their ownership rights.

All Shareholders will receive the annual report and notice of AGM. At general meetings of shareholders, the Shareholders will be given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC and NC will normally be present at the AGM to answer any questions relating to the work of these Board Committees. The external auditors will be also present at the AGM to answer questions from the Shareholders about the conduct of audit and the preparation and content of the Auditors' Report. CG guidelines 14.2 and 16.3

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to Shareholders at their request. CG guideline 16.4

A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or two proxies (who can either be named individuals nominated by the Shareholder to attend, participate and vote on their behalf at the meeting or the Chairman of the meeting as the Shareholder may so select). Corporations providing nominee and custodial services may also appoint more than two proxies to attend, participate and vote in general meetings on behalf of shareholders who hold shares through such corporations. CG guidelines 14.3, 15.1 and 16.1

Subject to compliances to any relevant laws or regulations and the demand for voting *in absentia*, such as by mail, e-mail or fax, etc., the Company may evaluate the possibility of such voting method. In connection with such evaluation, careful study will have to be undertaken to ensure the integrity of the information and the authentication of the identity of members through the web is not compromised. CG guideline 16.1

Separate resolutions are proposed at general meetings for approval for each substantially separate issue. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. CG guidelines 15.5, 14.2, 16.2 and 16.5

During general meetings, each distinct issue is voted via separate resolutions by poll. In view of the cost/benefit analysis, such polls were computed manually instead of electronically. However, detailed results showing the number of votes cast for and against each resolution and the respective percentages during such meetings are announced via SGXNet.

Although the Company does not have a policy on payment of dividends; the issue of the payment of dividend has been deliberated at length by the Board annually having regard to various factors such as the Group's earnings, its financial position and future plans. No dividends are declared for the financial year ended December 31, 2016 in view of the current financial position of the Company. CG guideline 15.5

SECURITIES TRANSACTIONS

The Company has adopted its own internal Code of Best Practices on Securities Transactions ("Securities Transaction Code"). The Securities Transaction Code provides guidance to the directors and key employees of the Group with regard to dealing in the Company's shares. It emphasises that the law on insider trading is applicable at all times notwithstanding the window periods for dealing in the shares. The Securities Transaction Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares. The Company issues circulars to its directors, executives and employees that they must not trade in the listed securities of the Company two weeks before the release of the quarterly results and one month before the release of the year-end financial results.

For financial year ended December 31, 2016 the Company has complied with the requirements of Rule 1207(19) of the Listing Manual of the SGX-ST, which states that an officer should not deal in his company's securities on short-term considerations.

ADDITIONAL INFORMATION

1. Material Contracts

No material contracts to which the Company or any related company is a party which involved the interest of the directors or controlling shareholders subsisted at, or have been entered into since the previous financial year.

2. Interested Person Transactions

Transactions with interested person, who is a director, chief executive officer and controlling shareholders, during the financial year as follow:

Interested persons	Nature of transaction	2016 S$'000	2015 S$'000
Hsu Hung Chun/Hsu Cheng Chien	Rental expense	68	68
Hsu Hung Chun/Hsu Cheng Chien	License fee	–	4

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 36 to 99 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 December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Mr Hsu Hung Chun
Mr Hsu Cheng Chien
Mr Lim Hock Beng
Mr Lau Ping Sum, Pearce
Mr Hsu Ming Hung
Mr Chang Shih Hsing
Mr Chew Heng Ching

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the names of directors		Shareholdings in which directors are deemed to have an interest	
The Company – Ordinary shares	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Mr Hsu Hung Chun	–	–	75,712,234	75,712,234
Mr Hsu Cheng Chien	500,000	500,000	75,712,233	75,712,233
Mr Hsu Ming Hung	750,000	750,000	–	–
Mr Chang Shih Hsing	2,090,066	2,090,066	120,000	120,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies' Act, Messrs Hsu Hung Chun and Hsu Cheng Chien are deemed to have interests in all the related corporations of the Company.

The directors' interests in the shares of the Company as at January 21, 2017 were the same as at December 31, 2016.

4 SHARE OPTIONS

(a) ***Options to take up unissued shares***

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

(b) ***Options exercised***

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

(c) ***Unissued shares under option***

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

5 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lim Hock Beng, an independent director, and includes Mr Lau Ping Sum, Pearce and Mr Chew Heng Ching, both of whom are independent directors. The Audit Committee has met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

(a) the audit plan of the internal and external auditors, the scope of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) to review the annual financial statements, and quarterly announcements before submission to the Board of Directors for approval;

(d) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

(e) to ensure that the internal audit function is adequately resourced;

(f) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;

5 AUDIT COMMITTEE (CONT'D)

(g) to consider and make recommendation on the re-appointment of the external auditors; and

(h) to review Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

The Audit Committee has reviewed the independence of Deloitte & Touche LLP including the volume of non-audit services supplied by Deloitte & Touche LLP and is satisfied of Deloitte & Touche LLP's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Hsu Hung Chun

....
Hsu Cheng Chien

April 6, 2017

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Huan Hsin Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 99.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2016, the Group's current liabilities exceeded its current assets by $42,151,000 (2015 : $55,461,000) and the Group's capital deficiency amounted to $69,742,000 (2015 : $65,038,000), and the Group recorded profits of $9,784,000 (2015 : losses of $56,913,000) and the Company recorded losses of $48,822,000 (2015 : $98,476,000) for the financial year then ended.

As disclosed in Note 1 to the financial statements, the successful completion of the Proposed Subscription and thus the receipt of the Tranche 1 Equity Injection of $40,000,000 is subject to, amongst others, the following:

(i) the approval from SGX-ST to grant a further extension of time till June 30, 2017 to satisfy the requirements for removal from the Watch-List; and

(ii) the approval of shareholders at an Extraordinary General Meeting ("EGM") to be convened to seek shareholders' approval on amongst other things, the transfer of more than 15% of the Enlarged Share Capital of the Group pursuant to the Subscription Agreement in relation to the Proposed Subscription.

These events or conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as going concerns. The preparation of the financial statements on a going concern basis is dependent on the successful receipt of the equity injections as disclosed in Note 1. Our opinion is not modified in respect of this matter.

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 year. 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.

Key Audit Matters	Our audit performed and responses thereon
Valuation of leasehold land and buildings and land use rights	
The Group is currently undergoing restructuring and has been making losses since 2011 and continue to record operating losses for the year ended December 31, 2016. As at December 31, 2016, the Group's non-current assets mainly comprised leasehold land and buildings of $27.0 million and land use rights of $5.5 million, which collectively contributed to 55% of the total non-current assets. There is a significant risk that the leasehold buildings and land use rights could be impaired due to the continued losses and as the Group carries out its restructuring plan. The assessment of the recoverability of the carrying value of leasehold buildings and land use right requires the use of significant amount of judgement and estimates by management. In assessing the recoverable amount of the buildings and land use rights, management had relied on the valuations performed by independent external valuers to estimate the net realisable values. The Group's disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the land use rights and leasehold buildings are provided in Notes 14 and 15 respectively.	Our audit procedures focused on evaluating and challenging the key estimates used by management in valuation of land use rights and leasehold buildings. These procedures include: • Discussed and challenged management on the basis used in their assessment in determining the recoverable amounts; • Considered the Group's past transaction results on the disposal of land use rights and leasehold buildings; • We evaluated the qualifications and competence of the third party independent valuers and considered whether there were any matters that might have affected their objectivity or limited the scope of their work; • Assessed the scope of work (as determined by management) of the external valuers, and the results of the valuations reported by the valuers; • Considered the valuation methodology (which is the depreciated replacement cost approach) and assessed the methodology to determine whether the methodology is that generally used by other valuers for similar property types. We have validated and are satisfied that the assumptions are within a reasonable range of our expectations and key management estimates adopted. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information, included in 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.

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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) 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.

(e) 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.

(f) 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 Yang Chi Chih.

Public Accountants and
Chartered Accountants
Singapore

April 6, 2017

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and bank balances	6	9,610	19,046	181	1,129
Trade receivables	7	12,132	41,920	–	–
Other receivables, deposits and prepayments	8	8,219	5,663	57,448	56,546
Inventories	9	7,491	30,529	–	–
Non-current assets classified as held for sale	10	–	29	–	–
Total current assets		37,452	97,187	57,629	57,675
Non-current assets					
Associate	11	864	1,322	–	1,113
Subsidiaries	12	–	–	–	24,306
Available-for-sale investments	13	25,579	25,565	–	24,471
Land use rights	14	5,534	7,662	–	–
Property, plant and equipment	15	27,106	40,888	–	–
Total non-current assets		59,083	75,437	–	49,890
Total assets		96,535	172,624	57,629	107,565
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	12,287	28,564	–	–
Other payables and accruals	17	29,542	38,909	758	1,529
Borrowings	18	37,160	84,140	–	–
Income tax payable		614	1,035	–	–
Total current liabilities		79,603	152,648	758	1,529
Non-current liability					
Borrowings	18	86,674	85,014	53,686	51,556
Capital, reserves and non-controlling interests					
Share capital	19	151,097	151,097	151,097	151,097
Capital reserve	20	54,772	54,772	–	–
Translation reserves		(25,928)	(18,031)	1,071	3,544
Legal reserves	20	30,356	36,947	–	–
Accumulated losses		(280,039)	(289,823)	(148,983)	(100,161)
(Capital deficiency) Equity attributable to owners of the Company		(69,742)	(65,038)	3,185	54,480
Total liabilities and (capital deficiency) equity		96,535	172,624	57,629	107,565

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	21	52,575	151,083
Other operating income	22	66,556	22,187
Changes in inventories of finished goods and work-in-progress		(17,664)	(16,985)
Raw materials and consumables used		(32,183)	(99,021)
Impairment losses		(670)	(6,470)
Employee benefits expenses	23	(26,356)	(54,350)
Depreciation and amortisation expense	14 & 15	(3,774)	(11,262)
Other operating expenses		(19,450)	(35,573)
Share of loss of associate	11	(402)	(295)
Finance costs	24	(5,015)	(6,500)
Profit (Loss) before income tax	25	13,617	(57,186)
Income tax (expense) credit	26	(3,833)	273
Profit (Loss) for the year		9,784	(56,913)
Profit (Loss) for the year attributable to:			
Equity holders of the Company		9,784	(56,963)
Non-controlling interests		–	50
Total		9,784	(56,913)
Profit (Loss) per share (cents):			
Basic and fully diluted	27	2.45	(14.24)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Profit (Loss) for the year		9,784	(56,913)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange realignment of foreign entities:			
Exchange realignment arising during the year		(13,225)	(16,669)
Reclassification adjustments relating to the net assets of foreign operations disposed during the year	30	5,328	5,094
		(7,897)	(11,575)
Total comprehensive income (loss) for the year		1,887	(68,488)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		1,887	(68,428)
Non-controlling interests		–	(60)
Total		1,887	(68,488)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Share capital $'000	Capital reserve $'000	Translation reserves $'000	Legal reserves $'000	Accumulated losses $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group								
Balance at January 1, 2015	151,097	54,772	(6,566)	34,896	(229,914)	4,285	16,232	20,517
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	(56,963)	(56,963)	50	(56,913)
Other comprehensive loss for the year	–	–	(11,465)	–	–	(11,465)	(110)	(11,575)
Total	–	–	(11,465)	–	(56,963)	(68,428)	(60)	(68,488)
Transactions with owners, recognised directly in equity								
Transfer from accumulated losses	–	–	–	3,056	(3,056)	–	–	–
Recognised unclaimed dividend	–	–	–	–	110	110	–	110
Disposal of subsidiaries (Note 30)	–	–	–	(1,005)	–	(1,005)	(9,870)	(10,875)
Capital reduction paid to non-controlling interest	–	–	–	–	–	–	(6,302)	(6,302)
Total	–	–	–	2,051	(2,946)	(895)	(16,172)	(17,067)
Balance at December 31, 2015	151,097	54,772	(18,031)	36,947	(289,823)	(65,038)	–	(65,038)
Total comprehensive income for the year								
Profit for the year	–	–	–	–	9,784	9,784	–	9,784
Other comprehensive income for the year	–	–	(7,897)	–	–	(7,897)	–	(7,897)
Total	–	–	(7,897)	–	9,784	1,887	–	1,887
Transactions with owners, recognised directly in equity								
Disposal of subsidiaries (Note 30)	–	–	–	(6,591)	–	(6,591)	–	(6,591)
Balance at December 31, 2016	151,097	54,772	(25,928)	30,356	(280,039)	(69,742)	–	(69,742)

STATEMENTS OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Share capital $'000	Translation reserves $'000	Accumulated losses $'000	Total $'000
<u>**Company**</u>				
Balance at January 1, 2015	151,097	(372)	(1,795)	148,930
Total comprehensive loss for the year				
Loss for the year	–	–	(98,476)	(98,476)
Other comprehensive income for the year	–	3,916	–	3,916
Recognised unclaimed dividend	–	–	110	110
Total	–	3,916	(98,366)	(94,450)
Balance at December 31, 2015	151,097	3,544	(100,161)	54,480
Total comprehensive loss for the year				
Loss for the year	–	–	(48,822)	(48,822)
Other comprehensive loss for the year	–	(2,473)	–	(2,473)
Total	–	(2,473)	(48,822)	(51,295)
Balance at December 31, 2016	151,097	1,071	(148,983)	3,185

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Group	
	2016	2015
	$'000	$'000
Operating activities		
Profit (Loss) before income tax	13,617	(57,186)
Adjustments for:		
Share of results of associates	402	295
Impairment loss on asset held for sale (Note 10)	24	17
Impairment loss on available-for-sale investments	565	-
Impairment loss on property, plant and equipment (Note 15)	81	6,453
Amortisation of land use right (Note 14)	181	228
Depreciation expense (Note 15)	3,593	11,034
Loss on disposal of non-current assets classified as held for sale (Note 10)	4	45
(Gain) Loss on disposal of property, plant and equipment	(2,873)	3,658
Gain on disposal of subsidiaries (Note 30)	(53,480)	(14,329)
Gain on winding up of subsidiaries	(3,277)	(80)
Allowance for doubtful trade debts	479	2,550
Allowance for doubtful non-trade debts	17	429
Allowance for (Reversal of) inventories obsolescence	18,798	(1,080)
Inventories written off	7,162	2,590
Waiver of trade payables due from outside party	(472)	(2,790)
Interest expense	5,015	6,500
Interest income	(230)	(214)
Operating cash flows before movements in working capital	(10,394)	(41,880)
Trade receivables	27,471	39,073
Other receivables and prepaid expenses	(4,952)	11,933
Inventories	(4,268)	29,602
Trade payables	(14,437)	(52,476)
Other payables	(2,545)	(5,834)
Cash used in operations	(9,125)	(19,582)
Income tax (paid) refunded	(86)	70
Interest paid	(5,015)	(6,500)
Interest received	230	214
Net cash used in operating activities	(13,996)	(25,798)

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2016

	Group 2016 $'000	Group 2015 $'000
Investing activities		
Additions to property, plant and equipment	(218)	(2,510)
Proceeds from disposal of asset held for sale	1	6
Proceeds from disposal of property, plant and equipment	2,873	8,493
Proceeds from disposal of subsidiaries, net	47,230	30,282
Proceeds from winding up of subsidiary	–	80
Proceeds from capital reduction of available-for-sale investments	–	1,367
Net cash from investing activities	49,886	37,718
Financing activities		
Proceeds from short-term bank loans	15,725	80,164
Repayment of short-term bank loans	(40,080)	(96,617)
Proceeds from other loans payable	7,370	4,247
Repayment of other loans payable	(28,456)	(10,568)
Restricted cash	5,298	7,659
Capital reduction paid to non-controlling interests	–	(6,302)
Net cash used in financing activities	(40,143)	(21,417)
Net decrease in cash and cash equivalents	(4,253)	(9,497)
Cash and cash equivalents at beginning of financial year	12,818	22,101
Effects of exchange rate changes on the balance of cash held in foreign currencies	115	214
Cash and cash equivalents at end of financial year (Note A)	8,680	12,818

Note A:

	2016 $'000	2015 $'000
Cash and bank balances	9,610	19,046
Less: Restricted cash	(930)	(6,228)
Cash and cash equivalents per statement of cash flows	8,680	12,818

See accompanying notes to financial statements.

1 GENERAL

a) The Company (Registration Number 199509142R) is incorporated in Singapore. The Company's principal place of business and its registered office at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). SGX-ST had in March 2016 granted the Company an extension of time of up to March 4, 2017 to meet the requirements for removal from the Watch-List. On January 18, 2017, the Company has applied to SGX-ST for a further extension of time to satisfy the requirements for removal from the Watch-List from March 4, 2017 to June 30, 2017. As at date of this report, the request is still pending approval from SGX-ST. The financial statements are expressed in Singapore dollars.

b) The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The principal activities of the associate and subsidiaries are disclosed in Notes 11 and 12 to the financial statements respectively.

c) As at December 31, 2016, the Group's current liabilities exceeded its current assets by $42,151,000 (2015 : $55,461,000) and the Group's capital deficiency amounted to $69,742,000 (2015 : $65,038,000), and the Group recorded profits of $9,784,000 (2015 : losses of $56,913,000) and the Company recorded losses of $48,822,000 (2015 : $98,476,000) for the financial year then ended.

d) On February 24, 2016, the Company entered into a subscription agreement ("Subscription Agreement") with Oriental Straits Investment Limited ("Subscriber") and China Capital Impetus Investment Limited ("CCIIL"), pursuant to which the Company shall allot and issue up to 12,818,181,818 ordinary shares in the capital of the Company ("Subscription Shares") to the Subscriber in two tranches and up to 3,204,545,455 ordinary shares in the capital of the Company ("Option Shares") to CCIIL, at an issue price of $0.022 per Subscription Share or Option Share, for an aggregate subscription amount of up to US$250.0 million (equivalent to $352.5 million, based on the exchange rate of US$1.00:$1.41 ("Agreed Exchange Rate"))(the "Proposed Subscription"). The Proposed Subscription is a fund-raising initiative by the Company to primarily (i) raise funds for investment, acquisition and diversification opportunities to generate additional sources of earnings; and (ii) facilitate the Company's effort and application to exit the watch-list.

Subject to the terms and conditions of the Subscription Agreement:

(i) the Company agrees to allot and issue and the Subscriber agrees to subscribe for 1,818,181,818 Subscription Shares (the "Tranche 1 Subscription Shares") at the issue price of $0.022 per Subscription Share for an aggregate consideration of US$28,368,794 (equivalent to $40,000,000, calculated based on the Agreed Exchange Rate); and

(ii) the Company agrees to allot and issue and the Subscriber has the right but not the obligation to subscribe for up to 11,000,000,000 Subscription Shares (the "Tranche 2 Subscription Shares") at the issue price of $0.022 per Subscription Share for an aggregate consideration of up to US$171,631,206 (equivalent to $242,000,000, calculated based on the Agreed Exchange Rate).

The Company also agrees to grant CCIIL the right but not the obligation to subscribe for a maximum of 3,204,545,455 Option Shares at the issue price of $0.022 per Option Share in consideration for a maximum of $70,500,000 (the "Option"), and CCIIL may exercise the Option by issuing to the Company a duly completed exercise notice (the "Exercise Notice") at any time and from time to time during the 12 month period commencing from the date of completing (d)(i) above.

1 GENERAL (CONT'D)

e) The allotment and issue of the Subscription Shares and the Option Shares are subject to certain terms and conditions. On January 10, 2017, the Company has received in-principle approval from Securities Industry Council of Singapore in relation to the Proposed Subscription, subject to certain terms & conditions, which includes a satisfactory completion on the financial, legal, tax and business due diligence of the Company.

f) The successful completion of the Proposed Subscription is subject to, amongst others, the following:

(i) the approval from SGX-ST to grant a further extension of time to satisfy the requirements for removal from the Watch-List till June 30, 2017; and

(ii) the approval of shareholders at an Extraordinary General Meeting ("EGM") to be convened to seek shareholders' approval on amongst other things, the transfer of more than 15% of the Enlarged Share Capital of the Group pursuant to the Subscription Agreement in relation to the Proposed Subscription.

If the Proposed Subscription is approved at the EGM, payment for the Tranche 1 Subscription Shares amounting to approximately US$28,369,000 (approximately $40,000,000) ("Tranche 1 Equity Injection") shall be received within 90 days from the date of the EGM. The validity of the going concern assumption depends on the receipt of the equity injections in tranches, which subject to fulfilment of certain condition precedents, of up to US$250,000,000 (approximately $352,500,000) as mentioned in (d) above, as well as the outcome of new business exploration, and further intentions and plans of the directors of the Company. According to their judgement, management believes that the Group and the Company should be able to operate as going concerns.

g) The above matters represents material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that the strategies in place to improve the operating performance and financial position of the Group and the Company will allow it to continue in operational existence for the foreseeable future. Hence, they continue to adopt the going concern assumption in preparing the accompanying financial statements.

h) Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.

i) At December 31, 2016, the Group had available $6 million (2015 : $48 million) of undrawn committed short-term borrowing facilities, subject to certain conditions being met. Management believes that the Group will be able to utilise these short-term borrowing facilities if required, and is also of the view that the Group will be able to continue to roll forward their existing banking facilities. In addition, there are no non-current borrowings of the Group approaching maturity within the next 12 months without realistic prospects of renewal or repayment, and there has been no breach of any covenants of the Group's non-current portion of the borrowings which may lead to a request for immediate payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2016, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs has not resulted in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[2]

- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*[2]

- FRS 116 *Leases*[3]

- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*[1]

- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*[1]

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

[1] Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

[2] Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

[3] Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 should not result in changes to the accounting policies relating to revenue recognition. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management is currently still assessing the possible impact of implementing FRS 116. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new FRS 116.

IFRS convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs.

Management is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS 1, and the preliminary assessment above may be subject to change arising from the detailed analysis.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale. They are carried at cost less impairment loss as there is no reliable estimates available in determining fair value. Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income. In respect of available-for-sale debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Borrowings

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

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit derived from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit derived from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	–	10 to 50 years
Plant and equipment	–	5 to 10 years
Motor vehicles	–	5 years

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided on construction-in-progress.

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

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

LAND USE RIGHTS - Land use rights are measured initially at cost and amortised on a straight-line basis over the terms of the land use right certificates of 50 years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate is recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

Sale of goods

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

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

Interest income

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

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the leased term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RESEARCH AND DEVELOPMENT EXPENDITURE - Expenditure on research activities is recognised as an expense in the period in which it is incurred.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, are dealt with as defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in foreseeable future.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency is Chinese Renminbi ("RMB"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributable to minority interest as appropriate).

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

LEGAL RESERVES - Certain subsidiaries are required by laws established in their respective countries of incorporation to set aside certain percentage of their annual net profit after tax less prior years' losses, if any, as legal reserve until the accumulated reserve has reached an amount equal to the subsidiary's paid-up capital. This legal reserve can be used to offset a deficit in the retained earnings. It may be transferred to capital when the legal reserve reaches a level equivalent to a certain percentage of the subsidiary's paid-up capital.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(i) Critical judgements in applying the Group's accounting policies

Going concern assumption

The directors of the Company have assessed and believes that the validity of the going concern assumption is dependent on the following:

(a) Completion of all condition precedents to the subscription agreement as disclosed in Note 1 to the financial statements;

(b) The receipt of the equity injections as disclosed in Note 1 to the financial statements; and

(c) The successful exploration and execution of investment options to utilise the proceeds from the issue of the subscription shares and the option shares.

The directors and management have considered the above and according to their judgement, believe that the above will be completed and as such, the Group and the Company would be able to operate as going concerns.

(ii) 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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Impairment of property, plant and equipment and land use rights

The Group assesses at least annually whether plant and equipment exhibit any indication of impairment. In instances where there are indications of impairment, the recoverable amounts of plant and equipment have been determined based on value-in-use calculations or estimated net selling prices. The value-in-use calculations require the use of judgement and estimates. During the financial year, an impairment of $81,000 has been recognised. In 2015, management has determined that the recoverable amount of certain assets through value-in-use is lower than its carrying amount and accordingly, an impairment of $6,453,000 has been recognised. The value-in-use computation involves estimations relating to projected future cash flows, market demand and a discount rate of 2.5%. Any change in such projections and estimates can result in changes to the impairment loss in future periods.

Assets with indicators of impairment have been fully impaired. Accordingly, no sensitivity analysis has been disclosed.

In assessing the recoverable amount of the leasehold land and buildings and land use rights, management relies on the valuations performed by the independent external valuers to estimate the net realisable values and there is no impairment indication based on the independent valuation report. Management views the respective leasehold buildings and the land use rights and one cash generating unit as if they sell the land use right, it will also include the leasehold building.

The carrying amounts of the property, plant and equipment and land use rights are disclosed in Notes 14 and 15 respectively to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(b) Allowance for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts require the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expense in the period in which such estimate have been changed. The carrying amounts of the trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(c) Allowances for inventories

Management determines whether an allowance is required for inventories obsolescence or slow-moving stock or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves an analysis of the inventories ageing, a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Arising from the review, management sets up the necessary allowance for obsolete and slow-moving inventories or for any short fall in the net realisable value of the inventories. The carrying amounts of the inventories are disclosed in Note 9 to the financial statements.

(d) Available-for-sale investments

Unquoted shares held by the Group are classified as being available-for-sale and are stated at cost less any impairment loss and not supported by observable market prices or rates. The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance that the investee is operating in, changes in technology and operational and financing cash flows. As the evaluation is based on both prospective financial information and non-financial factors that are beyond the investees' and management's control, it requires considerable judgement and is highly subjective. Accordingly, actual outcome could be different from that anticipated since forecasted events and judgement taken by management on the industry and sector performance may not occur as expected. The carrying amount of available-for-sale investments are disclosed in Note 13 to the financial statements.

(e) Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumption is required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises deferred tax assets for tax losses and other temporary differences based on estimates of whether the deferred tax assets can be realised. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable is disclosed in the statement of financial position.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(f) Impairment of investments in associate and subsidiaries

The Group assesses annually whether its investments in associate and subsidiaries exhibit any indication of impairment. In assessing the impairment loss, the recoverable amounts for investments in associate and subsidiaries were determined based on the net carrying amounts of assets and liabilities recorded on the statement of financial position of the respective associate and subsidiaries, which in the management's view, approximate the fair value of the respective associate and subsidiaries.

During the financial year, management has determined that the recoverable amount of the investments in subsidiaries is lower than its carrying amount and accordingly, an impairment of $50,648,000 (2015 : $95,057,000) has been recognised. The carrying amount of investments in associate and subsidiaries at the end of the reporting period is disclosed in Notes 11 and 12 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	28,933	63,847	57,629	57,675
Available-for-sale investments	25,579	25,565	–	24,471
Financial liabilities				
Borrowings and payables, at amortised cost	161,090	228,551	54,444	53,085

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives*

The financial risk management policies of the Group set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Group's overall financial risk management and policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, cash flow interest rate risk, use of derivative financial instruments and investing excess cash. Such policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollars ("US$") and others (made up of Singapore dollars, Japanese Yen and Euro dollars) therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group's entities' functional currencies are as follows:

	2016		2015	
Group ($'000)	**US$**	**Others**	**US$**	**Others**
Cash and bank balances	3,559	99	2,307	981
Trade receivables	11,269	3	40,700	24
Other receivables, deposits and prepayments	–	68	–	543
Trade payables	(4,544)	(347)	(17,754)	(343)
Other payables and accruals	–	(758)	–	(2,035)
Borrowings	–	–	(16,632)	–

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency are as follows:

	2016		2015	
Company ($'000)	**US$**	**Others**	**US$**	**Others**
Cash and bank balances	155	26	764	365
Other receivables, deposits and prepayments	57,380	68	56,546	–
Other payables and accruals	–	(758)	(771)	(758)
Borrowings	(53,686)	–	(51,556)	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the foreign currency against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

If the relevant currency weakens by 10% against the functional currency of each Group entity, profit will (increase) decrease (2015 : loss will increase (decrease)) by:

	US$ impact		Others impact	
	2016	**2015**	**2016**	**2015**
Profit (Loss) for the year ($'000)				
Group	1,028	(862)	(94)	83
Company	385	(498)	(66)	39

For a 10% strengthening of the functional currency of each Group entities against the relevant currency, there would be an equal and opposite impact on the loss.

(ii) Interest rate risk management

The Company's and the Group's primary interest rate risk relates to interest-bearing bank deposits, bank loans and other loans payable. The interest rates and terms of repayment of the bank loans are disclosed in the notes to the financial statements. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points lower or higher and all other variables were held constant, the Group's profit for the year ended December 31, 2016 would decrease or increase by $Nil (2015 : decrease or increase by $122,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

The Group's trade receivables are significantly attributable to multi-national corporations located in People's Republic of China and Republic of China. Ongoing credit evaluation is performed on the financial condition of trade receivable.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due. This strategy has not changed from prior periods.

The Group has adopted the same liquidity risk management approach as the prior period as outlined below:

- The Group is dependent on the receipt of the equity injections as mentioned in Note 1.

- Management also continually assesses the balance of capital and debt funding of the Group.

- The Group is dependent on borrowings from third parties and related parties (Note 18).

- At December 31, 2016, the Group has available $6 million (2015 : $48 million) of undrawn committed short-term borrowing facilities, subject to certain conditions being met. Management believes that the Group will be able to utilise these short-term borrowing facilities if required, and is also of the view that the Group will be able to continue to roll forward their existing trade and banking facilities. In addition, there are no non-current borrowings of the Group approaching maturity within the next 12 months without realistic prospects of renewal or repayment, and there has been no breach of any covenants of the Group's non-current portion of the borrowings which may lead to a request for immediate payment.

Management believes that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Group					
2016					
Non-interest bearing	–	61,398	14,360	–	75,758
Fixed interest rate instruments	4	13,537	75,208	(3,413)	85,332
Total		74,935	89,568	(3,413)	161,090
2015					
Non-interest bearing	–	81,006	14,319	–	95,325
Variable interest rate instruments	3.27	25,152	–	(796)	24,356
Fixed interest rate instruments	4.00	39,702	73,523	(4,355)	108,870
Total		145,860	87,842	(5,151)	228,551

Company

The non-derivative financial liabilities are unsecured, interest free and repayable on demand except for the loan payable to a subsidiary as disclosed in Note 18 to the financial statements.

Non-derivative financial assets

The non-derivative assets of the Group and the Company are unsecured, repayable on demand and interest free.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(v) Fair value of financial assets and financial liabilities

The Group and the Company determines fair values of various financial assets and financial liabilities in the following manner:

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group and the Company had no financial assets or liabilities carried at fair value in 2016 and 2015.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The long term borrowing are based on market interest rates and hence their carrying amount approximate their fair value. Available-for-sale investments are carried at cost less impairment as there is significant variability in the range of reasonable fair value estimates for shares. Impairment loss is not reversed (Note 13).

(d) *Capital management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses.

The Group's management reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties which are mainly entities controlled by a key management personnel of the Group and common shareholders. The effects of these transactions on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant transactions with the related parties are as follows:

Transactions with affiliated entities of common directors whereby the directors have interests and significant influence over these entities:

	Group	
	2016	**2015**
	$'000	**$'000**
Rental expense	68	68
License fee	–	4

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Short-term benefits	1,682	1,788
Post-employment benefits	45	48
Total	1,727	1,836

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank	9,597	18,852	181	1,129
Cash on hand	13	194	–	–
Total	9,610	19,046	181	1,129
Less: Restricted cash	(930)	(6,228)	–	–
Cash and cash equivalents in the statement of cash flows	8,680	12,818	181	1,129

Bank balances of the Group amounting to $930,000 represents the bank deposits pledged for letter of guarantee undertaken by the Group. In 2015, bank balances of the Group amounting to $6,228,000 represents the bank deposits pledged for the issuance of letter of credit, inward documentary loan, letter of guarantee and short term borrowings (Note 18) undertaken by the Group.

7 TRADE RECEIVABLES

	Group	
	2016	2015
	$'000	$'000
Outside parties	16,634	45,858
Less: Allowance for doubtful debts	(4,502)	(4,171)
Net	12,132	41,687
Related parties	–	233
Total	12,132	41,920

Movement in the allowance for doubtful debts:

	2016	2015
At beginning of the year	4,171	8,040
Exchange realignment	(148)	20
Increase in allowance recognised in profit or loss	479	2,550
Written off during the year	–	(6,439)
At end of the year	4,502	4,171

The average credit period on sales of goods ranges from 90 days to 120 days (2015 : 90 days to 120 days). No interest is charged on the outstanding trade receivables. Trade receivables between 90 days and 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

7 TRADE RECEIVABLES (CONT'D)

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Approximately 78% (2015 : 68%) of the trade receivables which are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy. The Group has five major groups of customers whose outstanding balance amounted to approximately 78% (2015 : 67%) of trade receivables balances as at the end of the reporting period.

Included in the Group's trade receivables balances are debtors with a carrying amount of $2.6 million (2015 : $13 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 196 days (2015 : 155 days).

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
VAT recoverable	110	1,397	–	–
Sundry receivables	1,383	1,730	–	–
Consideration receivable for disposal of subsidiaries (Note 30)	5,521	–	–	–
Deposits	774	1,640		–
Prepayments	918	1,385	68	–
Subsidiaries (Note 12)	–	–	81,048	82,794
Total	8,706	6,152	81,116	82,794
Allowance for doubtful debts	(487)	(489)	(23,668)	(26,248)
Net	8,219	5,663	57,448	56,546

Movement in the allowance for doubtful debts:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of year	489	3,265	26,248	6,535
Exchange realignment	(19)	(1)	(827)	(332)
Increase in allowance recognised in profit or loss	17	429	–	20,045
Written off during the year	–	(3,204)	(1,753)	–
At end of year	487	489	23,668	26,248

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

In determining the recoverability of other receivables, the Group considers any change in the credit quality of the other receivables from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

In determining the recoverability of the amount due from subsidiaries, the Company considers the ability of the subsidiaries to honour and pay the outstanding amount. As at the end of the reporting period, other than an amount of $23,668,000 (2015 : $26,248,000), management believes that there is no further allowances required.

9 INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Raw materials	3,838	9,212
Work in progress	1,621	7,048
Finished goods	2,032	14,269
Net of allowance	7,491	30,529

Due to the increased sale price in certain markets in 2015, the Group reversed $1,080,000, being part of write-downs in inventory to net realisable value made in prior years, to the profit or loss. The reversal is included in "Changes in inventories of finished goods and work-in-progress" and "Raw materials and consumables used".

In the current year, the cost of inventories recognised as expense includes $18,798,000 (2015 : $Nil) in respect of write-downs of inventory to net realisable value.

The cost of inventories recognised as expense includes $7,162,000 (2015 : $2,590,000) in respect of inventories written off during the year.

10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2016	2015
	$'000	$'000
Non-current assets classified as held for sale	–	29

In December 2013, the Board of Directors resolved to wind up the operation of Amtek System Co., Ltd ("ASC"), a subsidiary of the Company. As part of the plan to wind up ASC, its plant and equipment will be sold within twelve months, and have been classified as a non-current asset held for sale and are presented separately in the statement of financial position. During the financial year, plant and equipment amounting to $5,000 (2015 : $536,000) was sold, resulting in a loss on disposal of non-current asset classified as held for sale amounting to $4,000 (Note 25) (2015 : $530,000 (Note 25)). The net realisable value of the remaining plant and equipment had been estimated by the management to be $Nil (2015 : $29,000) and accordingly $24,000 (2015 : $17,000) of impairment loss has been recognised in the consolidated statement of profit or loss.

In January 2014, Suzhou Yi Quan Electronic Technology Co., Ltd, a subsidiary of the Company, applied for its sale of land use rights to The Administrative Committee of Changshu High Tech Industrial Park, CEDZ, Jiangsu. As the formalities in relation to the transfer of the land use rights was expected to be finalised within twelve months, the land use rights were classified as a non-current asset held for sale and presented separately in the statement of financial position. In 2015, the transaction was completed, resulting in a gain on disposal of non-current asset classified as held for sale amounting to $485,000 (Note 25).

11 ASSOCIATE

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cost of investment in associate	1,054	1,054	–	1,054
Exchange realignment	14	70	–	59
Share of post-acquisition (loss) profit, net of dividend received	(204)	198	–	–
Net	864	1,322	–	1,113

During the financial year, the Company transferred the investment in associate to one of its subsidiaries, Greatest Innovation Investments Ltd.

The details of the associate, with its registration and operation in the People's Republic of China and audited by another firm of certified public accountants are as follows:

Name of associate	Principal activities	Effective interest and voting power held	
		2016	2015
		%	%
Shanghai Nichiei Precision Mold Co., Ltd	Fabricating and repairing moulds used for electronic products	30	30

11 ASSOCIATE (CONT'D)

The above associate is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below:

	Group	
	2016	2015
	$'000	$'000
Current assets	3,078	4,005
Non-current assets	1,003	1,226
Current liabilities	(1,202)	(824)
Revenue	4,769	6,231
Loss for the year, representing total comprehensive loss for the year	(1,340)	(983)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Nichiei Precision Mold Co., Ltd ("Shanghai Nichiei") recognised in the consolidated financial statements:

	Group	
	2016	2015
	$'000	$'000
Net assets of the associate	2,879	4,407
Proportion of the Group's ownership interest in Shanghai Nichiei	30%	30%
Carrying amount of the Group's interest in Shanghai Nichiei	864	1,322

12 SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	14,386	232,605
Impairment allowance	(14,386)	(208,344)
Net investment	–	24,261
Loans receivables	50,722	30,967
Impairment allowance	(50,722)	(30,935)
Net	–	32
Fair value adjustment on loans receivables and financial guarantees	–	13
Total	–	24,306

Movement in the impairment allowance:

	2016	2015
At beginning of year	239,279	141,703
Exchange realignment	(10,787)	2,519
Charge to profit or loss	50,648	95,057
Written off upon disposal	(214,032)	–
At end of the year	65,108	239,279

The loans to subsidiaries are unsecured and interest-free. The loans are accounted for as capital investment as there is no contractual obligation for repayment by the subsidiaries except upon liquidation.

During the financial year, as part of group restructuring, the Company transferred its interest in some of the subsidiaries to Greatest Innovation Investments Ltd, a wholly owned subsidiary incorporated in British Virgin Islands.

During the financial year, in conjunction with management's impairment assessment carried out on the Group's property, plant and equipment described in Note 15 to the financial statements, an impairment loss of $50,648,000 (2015 : $95,057,000) was recognised on the Company's cost of investment in certain subsidiaries which was determined to be fully impaired as the subsidiaries are in a net capital deficiency position at the end of reporting period. Accordingly, the investment was written down to the carrying amount of the relevant subsidiaries' audited net assets which approximates recoverable amount at the end of the reporting period.

12 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of subsidiary	Effective interest and voting power held 2016 %	2015 %	Principal activities
Held by Company			
Huan Hsin Co. (M) Sdn Bhd #4 (c)	100	100	Dormant
Greatest Innovation Investments Ltd #2 (c)	100	100	Investment holding
Held by subsidiaries			
AMTEK System Co., Ltd #1 (c)	100	100	Dormant
Bao-Ji Development Co., Ltd #1 (c) (d)	100	100	Investment holding
Chongqing Huan Hsin Technology Co., Ltd #3 (c) (d)	100	100	Dormant
Huan Hsin (BVI) Ltd #2 (c) (d)	100	100	Purchase raw materials and marketing of telephone cords and accessories
Huan Hsin (China) Investment Co., Ltd #3 (c) (d)	100	100	Investment holding
Shanghai Heisei Electronics Co., Ltd #3 (d)	100	100	Dormant
Shanghai Huan Hsin Electronics Co., Ltd, #3 (c) (d)	100	100	Manufacture and export of telephone jacks, telephone cords, wires, AC/DC cords and various types of cables
Shanghai Yao Hsin Industry Co., Ltd #3 (c) (d)	100	100	Dormant

12 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (cont'd)

Name of subsidiary	Effective interest and voting power held 2016 %	2015 %	Principal activities
Held by subsidiaries			
Shanghai Yi Hsin Industry Co., Ltd [#3 (c) (d)]	100	100	Dormant
Suzhou Yi Quan Electronic Technology Co., Ltd [#3 (c) (d)]	100	100	Produce and sell laptop accessories
Shanghai Zhan Hsin Industry Co., Ltd [#3 (c) (d)]	100	100	Dormant
Shandong Dong Hsin Electronics Co., Ltd [#3 (c)]	100	100	Dormant
Suzhou Rong Qing Magnesium Alloy Precision Tech Co., Ltd [#3 (b)]	–	100	Dormant
Shanghai Huan Yi Technology Co., Ltd [#3 (a) (e)]	–	100	Manufacture and export of electronic products and components
Ideal Project Consultant Limited [#2 (a)]	–	100	Investment holding

Country of incorporation:

#1 Taiwan
#2 British Virgin Islands
#3 People's Republic of China
#4 Malaysia

(a) The subsidiary was disposed during the financial year (Note 30).
(b) The subsidiary was wound up in 2016.
(c) The subsidiary is audited by overseas practices of Deloitte Touche Tohmatsu Limited.
(d) Direct subsidiary of the Company in 2015.
(e) In 2015, the subsidiary was held by the Company (64%) and a subsidiary (36%).

12 SUBSIDIARIES (CONT'D)

The place of operation of the subsidiaries is the same as the country of incorporation except for Huan Hsin (BVI) Ltd and Greatest Innovation Investments Ltd, which operates through their branches or offices in Taiwan.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		December 31, 2016	December 31, 2015
Investment holding	Taiwan	1	1
Investment holding	British Virgin Islands	1	2
Investment holding	People's Republic of China	1	1
Procurement service	British Virgin Islands	1	1
Dormant	Taiwan	1	1
Manufacture of electronic related component	People's Republic of China	2	10
Dormant	Malaysia	1	1
Dormant	People's Republic of China	6	–
		14	17

13 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unquoted equity shares, at cost	29,820	29,820	–	27,223
Exchange realignment	965	413	–	–
Impairment loss	(5,206)	(4,668)	–	(2,752)
Carrying amount	25,579	25,565	–	24,471
Movement in impairment loss:				
At beginning of year	4,668	4,978	–	2,693
Exchange realignment	(27)	(310)	–	59
Allowance	565	–	–	–
At end of year	5,206	4,668	–	2,752

13 AVAILABLE-FOR-SALE INVESTMENTS (CONT'D)

The investment in unquoted equity investments represent investment in companies that are engaged in manufacturing of multi-layer printed circuit boards, EMC/EMI/safety testing, layout-debug, anechoic chamber construction and components/ instruments distribution and cultivation of flowers by biotechnology. Available-for-sale investments are carried at cost less impairment as it is not practical within the constraint of cost to reliably determine the fair value of the unquoted equity shares due to the significant variability in the range of reasonable fair value estimates.

The impairment loss is determined by comparing the carrying amount of cost against the Company's share in the net asset of the investee, which according to management, is the best estimate of the recoverable amount.

An available-for-sale investment is pledged to secure an external party loan (Note 18).

During the financial year, the Company transferred its interest in all of the available-for-sale investments to Greatest Innovation Investments Ltd, a wholly owned subsidiary incorporated in British Virgin Islands.

14 LAND USE RIGHTS

	Group	
	2016	**2015**
	$'000	**$'000**
Cost:		
At January 1	10,946	10,733
Exchange realignment	(480)	213
Elimination on disposal of subsidiary (Note 30)	(2,528)	–
At December 31	7,938	10,946
Accumulated amortisation:		
At January 1	3,284	3,004
Exchange realignment	(142)	52
Charge	181	228
Elimination on disposal of subsidiary (Note 30)	(919)	–
At December 31	2,404	3,284
Carrying amount:		
At December 31	5,534	7,662

The land use rights represents premium paid for using the land for a term of 50 years from the date of grant of land use rights certificates.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group					
Cost:					
At January 1, 2015	87,478	294,479	5,086	1,077	388,120
Exchange realignment	1,771	4,936	79	24	6,810
Additions	–	2,098	274	138	2,510
Eliminated on disposal of subsidiary (Note 30)	–	(15,595)	–	–	(15,595)
Disposals	(4,318)	(38,577)	(1,302)	(196)	(44,393)
Reclassification	1,009	–	6	(1,015)	–
At December 31, 2015	85,940	247,341	4,143	28	337,452
Exchange realignment	(3,769)	(10,806)	(182)	(1)	(14,758)
Additions	–	3	101	114	218
Eliminated on disposal of subsidiary (Note 30)	(20,455)	(418)	–	–	(20,873)
Disposals	(3,329)	(51,494)	(700)	(6)	(55,529)
Reclassification	120	–	–	(120)	–
At December 31, 2016	58,507	184,626	3,362	15	246,510
Accumulated depreciation:					
At January 1, 2015	43,270	192,698	4,005	–	239,973
Exchange realignment	832	2,835	53	–	3,720
Depreciation	3,951	7,034	49	–	11,034
Elimination on disposal of subsidiary (Note 30)	–	(8,360)	–	–	(8,360)
Disposals	(3,427)	(24,025)	(1,374)	–	(28,826)
At December 31, 2015	44,626	170,182	2,733	–	217,541
Exchange realignment	(1,952)	(7,462)	(120)	–	(9,534)
Depreciation	3,431	154	8	–	3,593
Elimination on disposal of subsidiary (Note 30)	(11,998)	(256)	–	–	(12,254)
Disposals	(3,418)	(45,908)	(590)	–	(49,916)
Reclassification	158	(158)	–	–	–
At December 31, 2016	30,847	116,552	2,031	–	149,430

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group					
Accumulated impairment loss:					
At January 1, 2015	304	85,226	878	–	86,408
Exchange realignment	(28)	1,672	16	–	1,660
Charge	441	5,459	553	–	6,453
Elimination on disposal of subsidiary (Note 30)	–	(7,235)	–	–	(7,235)
Disposals	–	(8,162)	(101)	–	(8,263)
At December 31, 2015	717	76,960	1,346	–	79,023
Exchange realignment	(9)	(3,406)	(58)	–	(3,473)
Charge	–	–	81	–	81
Elimination on disposal of subsidiary (Note 30)	–	(44)	–	–	(44)
Disposals	(19)	(5,513)	(81)	–	(5,613)
At December 31, 2016	689	67,997	1,288	–	69,974
Carrying amount:					
At December 31, 2016	26,971	77	43	15	27,106
At December 31, 2015	40,597	199	64	28	40,888

	Plant and equipment $'000
Company	
Cost:	
At January 1, 2015 and December 31, 2015	86
Written off	(86)
At December 31, 2016	–
Accumulated depreciation:	
At January 1, 2015 and December 31, 2015	86
Written off	(86)
At December 31, 2016	–
Carrying amount:	
At December 31, 2015 and December 31, 2016	–

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the financial year, with the continued poor operational performance of certain subsidiaries, the Group carried out a review of the recoverable amount of certain property, plant and equipment which resulted in the recognition of an impairment loss of $81,000 (2015 : $6,453,000).

In the current year, the recoverable amount of the relevant assets (motor vehicles) was determined on the basis of their estimated net selling prices.

In 2015, the recoverable amount of the relevant assets was determined on the basis of their value-in-use, using a discounted rate of 2.5%. In determining the value-in-use, the future benefits expected from the property, plant and equipment are considered in forecasting cash flows.

16 TRADE PAYABLES

	Group	
	2016	**2015**
	$'000	**$'000**
Outside parties	12,287	28,564

The average credit period on purchases of goods is approximately 120 days (2015 : 120 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade payables due to outside parties principally comprise amounts outstanding for trade purchases and ongoing costs.

17 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Accrued operating expenses	24,969	30,833	758	758
Advance from customers	4,573	8,076	–	–
Subsidiaries (Note 12)	–	–	–	771
Total	29,542	38,909	758	1,529

Accrued operating expenses principally comprise amount outstanding for trade purchases and ongoing costs.

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

18 BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short term loans (Note a)	–	24,356	–	–
Other loans payable (Note b):				
– Outside party (i)	85,332	108,870	–	–
– Related party*(ii)	17,030	18,241	–	–
– Director(s) (iii)	21,472	17,687	–	–
Total	123,834	144,798	–	–
Due to a subsidiary (Note c)	–	–	57,725	56,545
Less: Unamortised fair value adjustment	–	–	(4,039)	(4,989)
Net	–	–	53,686	51,556
Total borrowings	123,834	169,154	53,686	51,556
Presentation on statements of financial position:				
Current liabilities	37,160	84,140	–	–
Non-current liabilities	86,674	85,014	53,686	51,556
Total	123,834	169,154	53,686	51,556

* affiliated entity with common directors

Notes:

(a) In 2015, the short term loans amounting to $24,356,000 were secured by certain subsidiaries' land use rights and buildings and pledged of trade receivables, repayable within one year and bear effective interest rate at 3.27% per annum. The short term loans were fully repaid in 2016.

The carrying amounts of the bank loans approximate their fair values due to their short-term maturities.

18 BORROWINGS

(b) Included in the other loans payable are:

(i) US$59,000,000 or approximately $85,332,000 (2015 : US$77,000,000 or approximately $108,870,000) to a third party A which is secured by an available-for sale investment.

The repayment of the loan is divided into two tranches, set out as follows:

I. US$9,000,000 or approximately $13,017,000 (2015 : US$27,000,000 or approximately $38,175,000) is repayable on demand; and

II. US$50,000,000 or approximately $72,315,000 (2015 : US$50,000,000 or approximately $70,695,000) is not expected to be repaid within twelve months.

The loan bears an interest rate of 4% (2015 : 4%) per annum.

(ii) $17,030,000 (2015 : $18,241,000) to a related party, which companies owned by directors, and is unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the related party for the outstanding balances amounting to $5,559,000 (2015 : $5,545,000) and accordingly classified as non-current. The remaining balances are repayable on demand; and

(iii) $21,472,000 (2015 : $17,687,000) to certain directors which are unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the directors for the outstanding balances amounting to $8,800,000 (2015 : $8,774,000) and accordingly classified as non-current. Advance from a director amounting to $12,672,000 (2015 : $8,913,000) is expected to be repaid within the next 12 months.

Management estimated that the fair values of the above borrowings as at the end of the reporting period approximate their carrying values.

(c) The loan payable to a subsidiary is unsecured, interest-free and is repayable on August 31, 2020.

The loan is discounted at the prevailing rate of 2% per annum at inception and based on the expected repayment at the end of 5 years from draw down date to derive the fair value of the loan.

19 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and paid up:				
At beginning and end of the year	400,000	400,000	151,097	151,097

The ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

20 RESERVES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Capital reserve				
Capitalisation of profits by subsidiary	54,955	54,955	–	–
Effect of change in ownership interest in subsidiary when there is no change in control	(183)	(183)	–	–
Total	54,772	54,772	–	–
Legal reserves				
At beginning of year	36,947	34,896	–	–
Transfer from accumulated profits	–	3,056	–	–
Disposal of subsidiaries (Note 30)	(6,591)	(1,005)	–	–
Legal reserves	30,356	36,947	–	–

The Board has determined the percentage of the profits of the Group's subsidiaries to be appropriated to the legal reserves in accordance with local regulations in China.

21 REVENUE

	Group	
	2016	2015
	$'000	$'000
Sale of goods	52,345	150,869
Interest income	230	214
Total	52,575	151,083

22 OTHER OPERATING INCOME

	Group	
	2016	2015
	$'000	$'000
Net foreign exchange gain	4,721	1,232
Rental income	181	188
Gain on disposal of property, plant and equipment	2,873	–
Gain on disposal of subsidiaries (Note 30)	53,480	14,329
Gain on winding up of subsidiaries	3,277	80
Sales of scrap	74	2,232
Sundry income	1,478	1,336
Waiver of trade payables due to outside party	472	2,790
Total	66,556	22,187

23 EMPLOYEE BENEFITS EXPENSES

	Group	
	2016	2015
	$'000	$'000
Wages and salaries	24,238	52,469
Cost of defined contribution plan	2,118	1,881
Total	26,356	54,350

The employees of the subsidiaries are members of state-managed retirement benefit plans, operated by the respective local governments. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

During the financial year, the Group incurred retrenchment costs amounting to $6,036,000 (2015 : $4,777,000).

Number of directors of the Company in remuneration bands is as follows:

	Group	
	2016	2015
$250,000 to $499,999	2	2
Below $250,000	5	5
Total	7	7

24 FINANCE COSTS

	Group 2016 $'000	Group 2015 $'000
Interest expense on:		
Bank loans	742	1,330
Other loans payable	4,163	4,704
Advance payment by customers	110	466
Total	5,015	6,500

25 PROFIT (LOSS) BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group 2016 $'000	Group 2015 $'000
Allowances for doubtful debts *:		
Trade receivables (Note 7)	479	2,550
Non-trade debts (Note 8)	17	429
Allowance for (Reversal of) inventories obsolescence (Note 9)	18,798	(1,080)
Inventories written off (Note 9)	7,162	2,590
Auditors' remuneration *:		
Auditors of the Company	173	173
Other auditors	240	302
Cost of inventories recognised as an expense	70,498	175,152
Directors' remuneration:		
Directors of the Company	1,077	1,044
Directors of subsidiaries	209	281
Directors' fees:		
Directors of the Company	220	220
Foreign exchange gain - net *	(4,721)	(1,232)
Impairment loss on:		
Property, plant and equipment (Note 15)	81	6,453
Available-for-sale investments (Note 13)	565	–
Non-current assets held for sale (Note 10)	24	17
(Gain) Loss on disposal of*:		
Property, plant and equipment	(2,873)	3,658
Non-current assets held for sale	4	45
Non-audit fees paid to auditors *:		
Auditors of the Company	5	5
Other auditors	16	42
Research expenses *	2	124
Subcontractors expenses *	2,753	8,489
Utilities*	3,180	8,225

* Included in the other operating expenses line item in the consolidated statement of profit or loss.

26 INCOME TAX EXPENSE (CREDIT)

	Group	
	2016	2015
	$'000	$'000
Overprovision of income tax in prior years	–	(273)
Withholding tax (Note 30)	3,833	–
Income tax expense	3,833	(273)

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2015 : 25%) due to the following:

	Group	
	2016	2015
	$'000	$'000
Profit (Loss) before income tax	13,617	(57,186)
Income tax expense (benefit) at 25% (2015 : 25%)	3,404	(14,297)
Tax effects of:		
Expenses that are not deductible in determining taxable profit	4,935	22,138
Tax exempt income	(6,544)	(4,717)
Withholding tax (Note 30)	3,833	–
Share of results of associates	(101)	(74)
Different tax rates of subsidiaries operating in other jurisdictions	(4,507)	(8,114)
Utilisation of deferred tax benefits previously not recognised	(1,186)	(107)
Deferred tax benefit on tax losses not recognised	7,853	10,756
Expired tax losses previously not recognised	(6,991)	(13,256)
Other deductible temporary differences not recognised as deferred tax assets	3,137	7,671
Overprovision in prior years	–	(273)
Net	3,833	(273)

26 INCOME TAX EXPENSE (CREDIT) (CONT'D)

As at the end of the reporting period, the Group has tax losses which are available for offsetting against future taxable income as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Tax losses		
At beginning of year	174,062	178,184
Adjustment	24,589	1,898
Exchange realignment	(6,457)	4,409
Utilised	(4,745)	(429)
Arising	31,413	43,024
Expired	(27,963)	(53,024)
At end of year	190,899	174,062
Deferred tax benefit on above at PRC's statutory tax rate of 25% - Unrecorded	47,725	43,516

At the end of the reporting period, the Group has other temporary differences which are available for offsetting against future taxable income as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Other temporary differences		
At beginning of year	160,349	116,659
Exchange realignment	(4,351)	2,580
Adjustment	(7,540)	10,425
Arising	12,546	30,685
At end of year	161,004	160,349
Deferred tax benefit on above at PRC's statutory tax rate of 25% – Unrecorded	40,251	40,087

26 INCOME TAX EXPENSE (CREDIT) (CONT'D)

Deferred tax asset arising from the above tax losses and other temporary differences have not been recognised in the financial statements due to the unpredictability of future taxable profits which are available against which the tax losses and other temporary differences can be utilised. The realisation of the future income tax benefits from tax losses carry forwards is subject to the conditions imposed by the relevant tax authorities.

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27 PROFIT (LOSS) PER SHARE

The basic profit (loss) per share is calculated by dividing the profit attributable to the equity holders of the Company of $9,784,000 (2015 : loss of $56,963,000) by 400,000,000 (2015 : 400,000,000) shares, being the number of ordinary shares in issue during the year.

Diluted earnings per ordinary share is the same as basic profit (loss) per share as there are no dilutive potential ordinary shares.

28 SEGMENT INFORMATION

(a) Products and services from which reportable segments derive their revenue

The operations of the Group are in the manufacturing and sale of telephone and power cords, telephone jacks and accessories, telephone handsets, moulded plastic products and notebook casing, pressed metal and electronic products. Most of the assets of the Group are deployed in these operations. Total assets by segments are those assets that are used in the operations of each segment.

Segment information reported externally is analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. wire, cable and related components, mould, moulded plastic products and finished product assembly). Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of goods and services.

28 SEGMENT INFORMATION (CONT'D)

Information regarding the Group's reportable segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
2016				
REVENUE				
External sales	18,281	34,064	230	52,575
RESULTS				
Segment result	(143)	(46,140)	–	(46,283)
Unallocated corporate expenses				(1,469)
Interest income	–	–	230	230
Other operating income	123	66,433	–	66,556
Finance costs	–	(5,015)	–	(5,015)
Share of results of associates				(402)
Profit before income tax				13,617
Income tax				(3,833)
Profit for the year				9,784
OTHER INFORMATION				
Allowance for doubtful trade receivables	141	338	–	479
Allowance for doubtful non-trade receivables	–	17	–	17
Allowance of inventories obsolescence	8	18,790	–	18,798
Inventories written off	–	7,162	–	7,162
Waiver of trade payables due to outside party	–	(472)	–	(472)
Capital additions	24	194	–	218
Depreciation and amortisation	59	3,707	–	3,766
Unallocated depreciation and amortisation				8
Total depreciation and amortisation				3,774
Impairment allowance on:				
Assets held for sale	–	–	24	24
Available-for-sale investments	–	–	565	565
Property, plant and equipment	21	60	–	81
Total impairment allowance				670

28 SEGMENT INFORMATION (CONT'D)

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
2015				
REVENUE				
External sales	20,324	130,545	214	151,083
RESULTS				
Segment result	(5,025)	(66,205)	–	(71,230)
Unallocated corporate expenses				(1,562)
Interest income	–	–	214	214
Other operating income	423	21,764	–	22,187
Finance costs	–	(6,500)	–	(6,500)
Share of results of associates				(295)
Loss before income tax				(57,186)
Income tax				273
Loss for the year				(56,913)
OTHER INFORMATION				
Allowance for doubtful trade receivables	77	2,473	–	2,550
Allowance for doubtful non-trade receivables	–	429	–	429
Reversal of allowance of inventories obsolescence	–	(1,080)	–	(1,080)
Inventories written off	2,379	211	–	2,590
Waiver of trade payables due to outside party	–	(2,790)	–	(2,790)
Capital additions	71	2,439	–	2,510
Depreciation and amortisation	178	11,061	–	11,239
Unallocated depreciation and amortisation				23
Total depreciation and amortisation				11,262
Impairment allowance on:				
Assets held for sale	–	–	17	17
Property, plant and equipment	65	6,388	–	6,453
Total impairment allowance				6,470

28 SEGMENT INFORMATION (CONT'D)

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
ASSETS AND LIABILITIES				
2016				
Assets				
Segment assets	10,215	59,523	–	69,738
Investment in associates				864
Available-for-sale investments	–	–	25,579	25,579
Unallocated corporate assets				354
Consolidated total assets				96,535
Liabilities				
Segment liabilities	4,129	160,622	–	164,751
Unallocated corporate liabilities				912
Income tax payable				614
Consolidated total liabilities				166,277
2015				
Assets				
Segment assets	13,036	131,436	–	144,472
Investment in associates				1,322
Available-for-sale investments	–	–	25,565	25,565
Non-current assets classified as held for sale				29
Unallocated corporate assets				1,236
Consolidated total assets				172,624
Liabilities				
Segment liabilities	3,708	231,798	–	235,506
Unallocated corporate liabilities				1,121
Income tax payable				1,035
Consolidated total liabilities				237,662

28 SEGMENT INFORMATION (CONT'D)

(b) Geographical information

The Group operates in four geographical market segments - Malaysia, People's Republic of China, Taiwan and Singapore.

The Group's information about its segment assets (non-current assets excluding investments in associates and available-for-sale investments) by geographical location are detailed below:

	Group Non-current assets	
	2016	**2015**
	$'000	**$'000**
People's Republic of China	32,564	48,361
Taiwan	19	127
Malaysia	57	62
Total	32,640	48,550

The majority of the Group's products are supplied to Original Equipment Manufacturers ("OEM") and Original Design Manufacturers ("ODM"). Sales invoices are sent to centralised purchasing offices or purchasing agents of these OEMs and ODMs. The manufacturers or principals will incorporate the Group's products into their own equipment or distribute it as accessories through their distribution network. The Group has no information of end markets of their products and is therefore unable to prepare geographical segment information on the basis of end markets of the products. The Group is of the view that analysis of sales by geographical location based on the OEMs' and ODMs' location is not meaningful and has therefore not presented this information.

(c) Information about major customers

Revenue from the major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Mould, moulded plastics products and finished product assembly:		
Customer 1	13,713	52,851
Customer 2	8,294	20,107
Wire, cable and related components:		
Customer 1	10,806	–

29 UNSECURED COMMITMENTS AND CAPITAL EXPENDITURE

(a) Operating leases commitments:

The Group as lessee

	Group	
	2016	2015
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	68	451

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2016	2015
	$'000	$'000
Within one year	68	149
In the second to fifth year inclusive	158	83
Total	226	232

Operating lease payments represent rentals payable by the Group for its factory and office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

The Group as lessor

The Group rents out its properties under operating leases. Property rental income earned during the year was $181,000 (2015 : $188,000).

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2016	2015
	$'000	$'000
Within one year	178	181
In the second to fifth year inclusive	–	–
Total	178	181

Rental is for an average of 3 years (2015 : 3 years) and the rental rate is revised on an average of 3 years (2015 : 3 years). For the purpose of the above, the prevailing lease rentals are used.

30 DISPOSAL OF SUBSIDIARIES

A Disposal of Ideal Project Consultant Limited and its subsidiary Shanghai Huan Yi.

On October 11, 2016, the Group disposed of its subsidiary, Ideal Project Consultant Limited.

Details of the disposal are as follows:

	2016 $'000
Carrying amounts of net assets over which control was lost	
Current assets	
Cash and bank balances	55
Trade receivables	357
Other receivables	1,013
Total current assets	1,425
Non-current asset	
Land use rights	1,609
Property, plant and equipment	8,575
	10,184
Current liabilities	
Trade payables	(132)
Other payables and accruals	(2,990)
Total current liabilities	(3,122)
Net assets derecognised	8,487
Consideration for the disposal, net of withholding tax	
Cash	47,285
Deferred consideration	5,521
Total consideration	52,806
Gain on disposal:	
Total consideration	56,639
Net assets derecognised	(8,487)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	5,328
Gain on disposal	53,480
Withholding tax paid	(3,833)
Net gain on disposal	49,647

30 DISPOSAL OF SUBSIDIARIES (CONT'D)

A Disposal of Ideal Project Consultant Limited and its subsidiary Shanghai Huan Yi. (cont'd)

The gain on disposal of the subsidiary is recorded as part of Profit for the year in the statement of profit or loss and other comprehensive income.

	2016 **$'000**
Net cash inflow arising from disposal:	
Cash consideration received	47,285
Cash and cash equivalents disposed of	(55)
	47,230

The deferred consideration of $5,521,000 will be settled in cash by the purchaser on or before October 11, 2017.

B Disposal of Indeed Holdings Limited and its subsidiary ("Indeed Holdings Limited")

On May 31, 2015, the Group disposed of its subsidiary, Indeed Holdings Limited.

Details of the disposal are as follows:

	2015 **$'000**
Carrying amounts of net assets over which control was lost	
Current assets	
Cash and bank balances	66
Trade receivables	57
Other receivables, deposits and prepayments	190
Non-current assets classified as held for sale	20,684
Total current assets	20,997

30 DISPOSAL OF SUBSIDIARIES (CONT'D)

B Disposal of Indeed Holdings Limited and its subsidiary ("Indeed Holdings Limited") (cont'd)

	2015 $'000
Current liabilities	
Other payables and accruals	(854)
Net assets derecognised	20,143
Cash consideration received (Note 8)	19,508
Gain on disposal:	
Total consideration	19,508
Net assets derecognised	(20,143)
Non-controlling interest derecognised	9,870
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	5,094
Gain on disposal	14,329

The gain on disposal of the subsidiary is recorded as part of Profit for the year in the statement of profit or loss and other comprehensive income.

	2015 $'000
Net cash inflow arising from disposal:	
Cash consideration received	19,508
Cash and cash equivalents disposed of	(66)
	19,442

STATISTICS OF SHAREHOLDINGS

AS AT MARCH 15, 2017

Amount of issued share capital	:	S$151,096,603
Number of shares	:	400,000,000
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 99	10	0.44%	137	0.00%
100 - 1,000	190	8.31%	104,750	0.03%
1,001 - 10,000	1,292	56.54%	6,488,056	1.62%
10,001 - 1,000,000	762	33.35%	57,169,469	14.29%
1,000,001 AND ABOVE	31	1.36%	336,237,588	84.06%
	2,285	100%	400,000,000	100%

Based on information available to the Company as at March 15, 2017, approximately 44.56% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

The Company does not have any treasury shares.

Top Twenty Shareholders as at March 15, 2017

S/No.	Name	No. of Shares	Percentage
1	USP GROUP LIMITED	64,809,400	16.20%
2	CCH HOLDINGS LIMITED	54,534,175	13.64%
3	HUNGCHUN HOLDINGS LIMITED	54,534,175	13.64%
4	BNP PARIBAS NOMINES SINGAPORE PTE LTD	48,034,000	12.00%
5	HUNGCHUN ASSETS LIMITED	18,178,059	4.54%
6	CCH ASSETS LIMITED	18,178,058	4.54%
7	UOB KAY HIAN PTE LTD	12,480,400	3.12%
8	RAFFLES NOMINEES (PTE) LTD	12,276,900	3.07%
9	LIAO HAN KUEI	6,917,388	1.73%
10	CITIBANK NOMINEES SINGAPORE PTE LTD	4,564,600	1.14%
11	YEH WANG FU-TAI	3,750,000	0.94%
12	LI CHUN KUEI	3,478,000	0.87%
13	CIMB SECURITIES (SINGAPORE) PTE LTD	3,335,459	0.83%
14	HSU CHANG YU-MEI	3,000,000	0.75%
15	YANG YU-LIN	3,000,000	0.75%
16	MOU LI-HUA	2,988,000	0.75%
17	HSBC (SINGAPORE) NOMINEES PTE LTD	2,265,000	0.57%
18	LU SHENG-CHIEH	2,180,600	0.55%
19	CHANG SHIH HSING	2,090,066	0.52%
20	LIEN CHIN-HO	1,732,500	0.43%
		322,326,780	80.58%

STATISTICS OF SHAREHOLDINGS
AS AT MARCH 15, 2017

Substantial Shareholders
As shown in the Register of Substantial Shareholders

		No of Shares	
	Name of Shareholders	**Direct Interest**	**Deem Interest**
1	USP Group Limited	64,809,400	0
2	HungChun Holdings Limited#	54,534,175	0
3	CCH Holdings Limited##	54,534,175	0
4	Hsu Hung Chun*	0	75,712,234
5	Hsu Cheng Chien**	500,000	75,712,233
6	Hsu Chang Yu-Mei*	3,000,000	72,712,234
7	Yang Yu-Lin**	3,000,000	73,212,233

Mr Hsu Hung Chun is, by virtue of his interest in HungChun Holdings Limited and HungChun Assets Limited which holds 18,178,059 shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in British Virgin Islands and wholly-owned by Mr Hsu Hung Chun.

Mr Hsu Cheng Chien is, by virtue of his interest in CCH Holdings Limited and CCH Assets Limited which holds 18,178,058 shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in British Virgin Islands and wholly-owned by Mr Hsu Cheng Chien.

* Husband and wife

** Husband and wife

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of Huan Hsin Holdings Ltd will be held at Re!joice 1 Ballroom, Hotel Re @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879 on Friday, April 28, 2017 at 10:00 a.m., for the following purposes: -

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements for the financial year ended December 31, 2016 and the Auditors' Report thereon. (Resolution 1)

2. To approve Directors' Fees of S$220,000/- for the year ended December 31, 2016. (2015: S$220,000/-). (Resolution 2)

3. To re-elect Mr Hsu Cheng Chien who retires by rotation in accordance with Regulation No. 103 of the Company's Constitution and who, being eligible, offers himself for re-election. (Resolution 3)

   To note that Mr Chang Shih Hsing who is also due to retire pursuant to Regulation No. 103 of the Company's Constitution and he will not be seeking for re-election at this Annual General Meeting.

4. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without any modifications: -

5. That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") authority be and is hereby given to the Directors to: (Resolution 5)

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

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

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

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

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

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

  (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (ii) any subsequent bonus issue or 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 Company's Constitution for the time being of the Company; and

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

(see explanatory note (i))

ANY OTHER BUSINESS

6. To transact any other ordinary business of an Annual General Meeting of which due notice shall have been given.

By Order of the Board

HAN TOCK MUI KELLY
Company Secretary

Singapore, April 13, 2017

NOTE:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 77 Robinson Road, #13-00 Robinson 77, Singapore 068896, not less than 48 hours before the time set for holding the Meeting.

2. Mr Hsu Cheng Chien, is the Managing Director of the Company. He will upon re-election as Director of the Company, continue to serve as the Managing Director of the Company.

STATEMENT PURSUANT TO REGULATION NO. 61 OF THE COMPANY'S CONSTITUTION

i) Resolution No. 5 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub limit of 20 per cent. for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 5 is passed, after adjusting for (a) 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 that Resolution No. 5 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

   The Company does not hold any treasury shares.

PROXY FORM

HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199509142R)

IMPORTANT:
1. For investors who have used their CPF monies to buy the shares of Huan Hsin Holdings Ltd, the Annual Report 2016 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees

I/We ______________________________

of ______________________________

being a *Member/Members of the abovenamed Company hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

Or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company, to be held at Re!joice 1 Ballroom, Hotel Re @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879 on Friday, April 28, 2017 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the Meeting.

No.	RESOLUTIONS	For	Against
	ORDINARY BUSINESS		
1.	To receive and adopt the Directors' Statements and Financial Statements for the financial year ended December 31, 2016 and the Auditors' Report thereon.		
2.	To approve Directors' Fees of S$220,000/- for the year ended December 31, 2016. (2015: S$220,000/-).		
3.	To re-elect Mr Hsu Cheng Chien as a Director and to note the retirement of Mr Chang Shih Hsing.		
4.	To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
5.	To authorise the Directors to issue/allot shares in the Company.		

Dated this ______________ day of ______________ 2017

Total Number of Shares Held

____

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

* Delete Accordingly

Important

1. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and where there is more than one proxy, the proportion of Shares to be represented by each proxy must be stated.

2. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his shareholdings to be represented by each proxy.

3. This instrument of proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.

4. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

5. The instrument appointing a proxy or proxies (together with the power of attorney [if any] under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 77 Robinson Road #13-00 Robinson 77, Singapore 068896 not less than 48 hours before the time fixed for holding the Annual General Meeting.

6. The Company shall be entitled to reject this instrument of proxy 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 this instrument of proxy. In addition, in the case of Members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such Member 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 Annual General Meeting as certified by CDP to the Company.

HUAN HSIN HOLDINGS LTD ANNUAL REPORT 2016

HUAN HSIN HOLDINGS LTD
奐鑫控股有限公司

HUAN HSIN HOLDINGS LTD
Company Registration Number 199509142R

77 Robinson Road
#13-00 Robinson 77
Singapore 068896