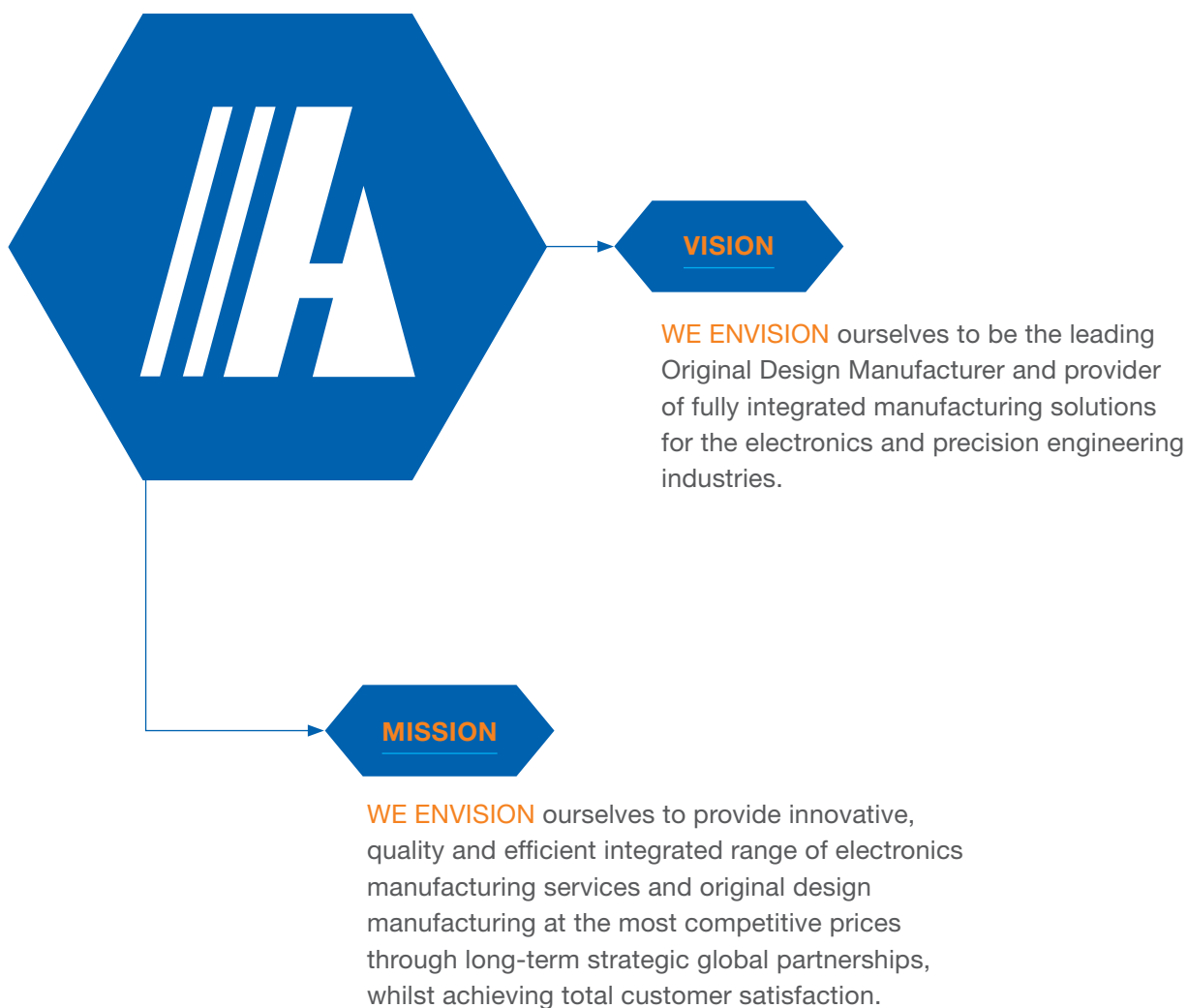




8TELECOM INTERNATIONAL  
HOLDINGS CO. LTD.

# Communicating Excellence, Delivering Results

ANNUAL REPORT 2014



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# Corporate Profile

8Telecom International Holdings Co. Ltd. (“8Telecom” or “The Group”) is a leading telecommunication infrastructure solution provider and an emerging property developer in China. It is principally engaged in the design, manufacturing and distribution of telecommunication pipes, telecommunication and other towers, the provision of telecommunication engineering services, as well as the development of commercial property. Listed on the SGX-ST Mainboard in 2004, 8Telecom is the first high-tech enterprise from Zhejiang Province to publicly trade its shares in Singapore.

8Telecom International Holdings Co. Ltd. (“8Telecom” or “The Group”) is a leading telecommunication infrastructure solution provider and an emerging property developer in China. It is principally engaged in the design, manufacturing and distribution of telecommunication pipes, telecommunication and other towers, the provision of telecommunication engineering services, as well as the development of commercial property. Listed on the SGX-ST Mainboard in 2004, 8Telecom is the first high-tech enterprise from Zhejiang Province to publicly trade its shares in Singapore.

With more than 18 years of experience in the telecommunication infrastructure industry, 8Telecom’s products are sold to over 30 provinces in China. The Group has, over the years, established close ties with China’s major telecommunication operators namely, China Telecom, China Mobile and China Unicom. Leveraging on its extensive distribution network covering more than 30 provinces, efficient customer service network and industry track record, 8Telecom has undertaken a number of key national projects and was actively involved in implementing industry standards for these projects.

As a testament to its product quality and strong R&D capabilities, the Group has secured 125 patents and registered 72 trademarks to date, ranking it number one in the industry in terms of the total number of patents and trademarks. Through intensive R&D, the Group

continues to strengthen its technological innovation and has successfully developed 5 major series comprising more than 30 different kinds of telecommunication infrastructure related products.

Since its inception in 1997, 8Telecom has constantly place emphasis on its pursuit of achieving zero defect quality and high quality service.

As one of the four winners being awarded the “First-class Qualification of Contractor for Telecommunication Engineering Project” (电信工程专业承包一级) in Zhejiang Province, China, 8Telecom has reinforced its foothold in the area and is poised to further expand its reach to other untapped telecommunication engineering markets in China.

8Telecom has also made a strategic move to include property development as one of its core businesses. This is following the Group’s successful development and sales of its high-end commercial property in Linping District, Hangzhou City, Zhejiang Province as well as the acquisition of another larger-scale raw land located in Wuchang District, Hangzhou City, Zhejiang Province.

# CEO's Statement

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DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of 8Telecom International Holdings Co. Ltd. ("8Telecom" or "the Group") for the financial year ended 31 December 2014 ("FY2014").

## Reforming and Investing for the Future

The year in review witnessed significant changes in business environment in China. As the Ministry of Industry and Information Technology ("MIIT") had issued 4G licenses to the three operators: China Mobile, China Unicom and China Telecom at the end of 2013, the market for telecommunication has rebounded rapidly in the year 2014.

Faced with more sophisticated telecommunication demand in the sector, we are striving for the diversification of telecommunication-related products, aiming to remain competitive and dynamic and better cater to the ever-changing demand. As such, we will continuously reinforce

research and development ("R&D") to increase the product range and innovation.

At the same time, the Group shall continue to invest the effort to support the property business as our secondary core business segment. With property forming a major pillar of China's economy, we anticipate that the rapid urbanization trend and the lowered interest rate in China shall continue to spur primary demand for quality properties in second-tier cities. Therefore, we will increase the investment on property segment, believing that it will positively contribute to the performance in the future.

**Ye Tian Yun**

*Executive Chairman and CEO*

## The Year in Review

2014 was a challenging year with the slowdown of the China's macro economy, the Group managed to achieve a 31.46% yoy increase in revenue from RMB428.2 million for FY2013 to RMB562.9 million for FY2014. The higher revenue is largely attributable to telecommunication sector, which registered a 31.6% year-on-year ("yoy") increase up to RMB555.0 million. Apart from that, property segment achieved an 18.6% increase in revenue from RMB6.6 million for FY2013 to RMB7.9 million for FY 2014. As a result, gross profit increased 20.7% yoy from RMB95.3 million for FY2013 to RMB115.0 for FY2014.

However, the Group's net profit descended from RMB17.2 million for FY2013 to RMB8.0 million for FY2014, mainly due to the increase of finance costs and administrative expenses, which resulted from higher interest expense and increased administrative expenses.

## Telecommunications Business Segment

During the year, Telecommunication & other towers business segment surged 53.4% yoy to RMB334.9 million for FY2014. Telecommunication engineering services business segment increased 20.8% yoy to RMB154.0 million for FY2014. The Group's telecommunications pipes business segment slipped down 12.7% yoy to RMB66.1 million.

Research cost increased 25.2% yoy to RMB30.2 million for FY2014 for the purpose of stepping up the research and development efforts.

According to a telecommunication market research for 2014 by China Communication Industry Association (CCIA), the telecommunication market size for 2015 is expected to increase over 15%. Therefore, the coming year still presents opportunities for the Group and the Groups is well prepared to ride on the higher growth of the sector in the coming years.

## Product Innovation and Market Developments

Boasting 110 patents and 71 registered trademarks,



innovation has always been the competitiveness we are leveraging on. Up till now, the Group has already been undertaking national key projects and received several national awards related to new product development. Given the more sophisticated demands accompanying China's roll-out of 4G networks, we are dedicated to reinforce our R&D and drive further product innovation to meet the increasing demand of the telecommunication market.

Possessing long-term corporate partnerships with



China Mobile, China Telecom and China Unicom, the Group has successfully expanded its distribution network throughout around 30 areas including provinces, municipalities and autonomous regions and fostered reputable relationship with customers within the sector. Meanwhile, we are looking out for alliances with major telecommunication operators in other provincial markets, hoping to extend our footprint to other areas with foreseeable growing demand for telecommunications in China.

#### Property Arm

Revenue from the Group's property business segment increased 18.63% to RMB7.88 million for FY2014. The Group's commercial property project in Lin Ping, Hangzhou Zhejiang province continues to deliver recurring and stable rental income.

In 2010, with the second piece of land joining the Group, we made a new strategic initiative that

the real estate development was taken as one of the core businesses of the Group in the future. This new land is Bafang City • Urban Complex Project, which is planned to be built into a high-end commercial real estate project. The total floor area is 386,000 square meters, of which the floor area is approximately 291,200 square meters, and ground floor area is approximately 94,800 square meters. The standard office is approximately 108,000 square meters, SOHO office (storey height of 4.79 m) is approximately 165,000 square meters, and commercial area (storey height of 6.85 m) is approximately 18,000 square meters. The project will be divided into six development, a project which was successfully started in December 2013, the expected completion time will be in 2015. II project was successfully started in December 2014, is expected to be completed by 2016.



### Dividend

The Group regards the interests of our shareholders as our top priorities. As such, the Directors have proposed a final dividend and a special dividend of 0.26 Singapore cents per ordinary share for FY2014. The final dividend of 0.12 Singapore cents per ordinary share for the financial year ended 31 December 2013 was paid on 20 May 2014.

### Appreciation

On behalf of our Board of Directors, I would like to thank our shareholders, customers, directors and business partners for your loyalty and belief. We hope to count on your continued support. I would also like to thank every member in the Groups for your effort, dedication and commitment.

We will continue to enhance our competitiveness and strive to achieve greater performance in the coming year.

### Ye Tian Yun

*Executive Chairman and CEO*

# 主席致辞

尊敬的股东，

我很高兴代表董事会向大家介绍八方电信国际控股有限公司（以下用“八方”或“集团”表示）截止2014年12月31日（以下用“2014年”表示）的年度报告。

## 即将进行的改革和投资

回顾这一年，中国商业环境的变化显著。由于工业和信息化部（“工信部”）已在2013年底向三家运营商，即中国移动、中国联通、中国电信发出4G牌照，电信市场在2014年迅速回升。

面对该行业更复杂的通信需求，我们正在努力追求电信相关产品的多样化，目的是保持竞争力和活力，更好地满足不断变化的需求。因此，我们将继续加强研究和开发（“R&D”），以增加产品种类和创新。

同时，本集团将继续投资、倾力支持房地产商业作为我们的二级核心业务板块。房地产正在形成中国经济的一大支柱，我们预计，快速的城市化发展趋势和降息在中国将继续推动二线城市的优质房地产的主要需求。因此，我们将加大对房地产板块的投资，并相信这将积极地对未来的表现做出贡献。

## 年度回顾

2014年是中国宏观经济的放缓的一年，也是充满挑战的一年，本集团成功地实现收入人民币562.9百万元，同比2013年的人民币428.2百万元，增加了31.45%。较高的收入，主要是来自于电信业务，这部分收入在2014年增加到人民币555百万元，同比增加31.6%。此外，房地产部分实现收入人民币7.9百万元，同比2013年的人民币6.6百万元增加了18.6%。最终，2014年营业利润达到人民币115百万元，同比2013年的人民币95.3百万元增长了20.7%。

然而，集团的净利润从2013年的人民币17.2百万元下降到2014年人民币8百万元，这主要是因为投资性房产评估值的下降及财务费用较上年有所增加。

## 电信业务部门

2014年，铁塔分公司的收入同比增长了53.4%至人民币334.9百万元。工程分公司同比增长20.8%至人民币154.0百万元。器材分公司同比下跌12.7%至人民币66.1百万元。

2014年为加强研究和开发工作，研发成本同比增长25.2%至人民币30.2百万元。

据中国通信工业协会（CCIA）2014年的一项电信市场研究表明，电信市场规模预计到2015年将扩展15%以上。因此，集团在未来一年仍存在机会，并且集团已作好准备在未来几年在该领域以更高的速度发展。

## 产品创新和市场发展

创新一直是我们正在利用的竞争力，我们现在拥有110项专利和71个注册商标，截至目前，集团已承担国家重点项目，并获得相关新产品研发的多项国家奖项。考虑到更为复杂的要求将会伴随中国4G网络的推出，我们正致力于加强研发和推动产品创新，以满足电信市场日益增长的需求。

我们与中国移动，中国电信和中国联通拥有长期的合作伙伴关系，集团已成功地在包括省，市，自治区遍的30多个区域扩大分销网络，

并促进了与行业内的客户良好的信誉关系。同时，我们正积极与各大电信运营商在其他省级市场联盟，希望我们的足迹在中国电信可预见的不断增长的需求中扩展到其他领域。

#### 房地产

2014年集团的房地产业务租金收入7.88百万元人民币，收入增长了18.63%。临平时代广场项目为集团继续提供了循环稳定的租金收入。

集团第二块土地于2010年加入，我们作出了新的战略举措，将房地产开发作为集团以后的核心业务之一。这块新增的土地即八方城•城市综合体项目，我们计划将其建成高档商业地产项目。总建筑面积38.6万平方米，其中地上面积约29.12万平方米，地下面积约9.48万平方米。标准办公约10.8万平方米、SOHO办公（层高4.79米）约16.5万平方米、商业（层高6.85米）约1.8万平方米。项目将分成6期开发，其中一期项目已于2013年12月顺利开工，2015年将完工。二期项目已于2014年12月顺利开工，预计2016年将完工。

#### 红利

维护集团有关股东的利益作为我们的首要任务，因此，董事已提议派发2014年度末期股息及特别股息每股普通股新币0.26分。

截至2013年12月31日派发末期股息每股普通股新币0.12分，已于2014年5月20日支付。

#### 感谢

我代表我们的董事会，对我们的股东、客户、

董事和商业合作伙伴的忠诚和信任表示深深的谢意。我们希望能得到你们一如既往的支持。我还要感谢集团每一位成员的努力、奉献和承诺。

我们将继续加强我们的竞争力，力争在新的一年里取得更好的成绩

#### 叶天云

执行主席兼首席执行官

# Corporate Structure



# STRONGER ALLIANCE, STRONGER GROWTH

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We are committed to secure new partnerships with major telecommunication operators which will accelerate our development as a leading telecommunication infrastructure solution provider in the Zhejiang province.



# Operations & Financial Review

The Group registered total revenue of RMB562.9 million for the full year ended 31 December 2014 (“FY2014”), an increase of 31.5% year-on-year (“yoy”) from RMB428.2 million for the full year ended 31 December 2013 (“FY2013”).

## TELECOMMUNICATIONS

The Group recorded a 31.7% yoy increase in revenue to RMB555.0 million for FY2014 from RMB421.6 million for FY2013 in telecommunications segment. The higher revenue mainly came from a 53.4% yoy increase in telecommunication & other towers business to RMB334.9 million and a 20.8% yoy increase in telecommunication engineering services to RMB154.0 million.

Telecommunications pipes business segment dropped 12.7% yoy in revenue to RMB66.1 million.

## PROPERTY

Revenue from the Group’s property business segment increased 18.6% to RMB7.9 million for FY2014.

The Group’s commercial property project in Lin Ping, Hangzhou city, Zhejiang province, currently 90% leased out, continues to deliver recurring and stable rental income. Its other commercial property project development in Wuchang, Hangzhou city, Zhejiang province, also known as ‘Bafang City • Urban Complex Project’, is under development for its Phase 1 and scheduled for completion by the end of 2015.

| (RMB 'Mil)                           | FY2014 | FY2013 | % Chg  |
|--------------------------------------|--------|--------|--------|
| <b>REVENUE BY BUSINESS SEGMENTS:</b> |        |        |        |
| <b>Total Revenue</b>                 | 562.9  | 428.2  | 31.5   |
| <b>Telecommunications revenue</b>    | 555.0  | 421.6  | 31.6   |
| a) Telecom pipes                     | 66.1   | 75.7   | (12.7) |
| b) Telecom & other towers            | 334.9  | 218.4  | 53.4   |
| c) Telecom engineering services      | 154.0  | 127.5  | 20.8   |
| <b>Property revenue</b>              | 7.9    | 6.6    | 18.6   |

## OVERALL COSTS

In line with the growth in business operation, the Group saw a 29.1% yoy increase in selling and administrative expenses and finance costs to RMB99.7 million for FY2014 as compared to RMB77.3 million for FY2013. Finance costs for FY2014 increased 197.4%, mainly due to lower capitalization of interest for properties under development during the year.

There was a fair value loss on the investment properties of RMB13.8 million for FY2014 as compared to a fair value gain of RMB3.9 million for FY2013.

As a result, the Group achieved total comprehensive income attributable to equity holders of RMB14.8 million for FY2014.

## DIVIDEND

To reward shareholders, the Group has proposed a final dividend of 0.13 Singapore cents per ordinary

share and a special dividend of 0.13 Singapore cents per ordinary share for FY2014.

The final dividend of 0.12 Singapore cents for FY 2013 was paid on 20 May 2014.

## FINANCIAL POSITION

Trade receivables as at 31 December 2014 fell by RMB19.9 million to RMB140.5 million as compared to RMB160.4 million for the same period ended last year, mainly due to improvement of collection from customers during the year.

Other receivables and prepayments amounted to RMB56.3 million as 31 December 2014 which fell slightly by RMB2.2 million as compared to RMB58.5 million as at 31 December 2013.

Construction contracts fell by RMB24.1 million to RMB69.5 million at 31 December 2014 as compared with RMB93.6 million as at 31 December 2013. This decrease was mainly attributable to completion of

more projects yet to be billed during the year.

Inventory stood at RMB45.8million as at 31 December 2014, an increase of RMB13.6 million from RMB32.2 million as at end 31 December 2013 as the Group kept higher inventory level to cope with higher demand from telecommunication and other towers segment.

Development costs for the Group's Wuchang property project amounted to RMB384.5 million as at 31 December 2014, an increase of RMB98.5 million, due to construction expenses and interest capitalised during the year.

Property, plant and equipment amounted to RMB87.1 million as at 31 December 2014, a decrease of RMB2.3 million. This is mainly due to depreciation of RMB7.6 million as well as the transfer of office units of, previously classified as property, plant and equipment to investment properties, amounting to RMB6.5 million in book value, and was offset by the additions of RMB12.0 million during the year.

Investment properties increased RMB8.3 million as at 31 December 2014. This was largely contributed by additional office units which were primarily classified as property, plant and equipment, and offset by the loss in fair value of RMB13.8 million during the year.

Non-current assets stood at RMB304.2 million as at 31 December 2014, an increase of RMB8.4 million over the same period of previous year.

Short term bank borrowings accounted for RMB352.2 million as at end 31 December 2014, an increase of RMB50.4 million as compared to RMB301.8 million as at 31 December 2013.

Trade payable increased RMB31.9 million yoy, amounting to RMB114.7 million as at 31 December 2014.

Long-term bank loans were obtained during the current year, resulting in a loan balance of RMB101.6 million as at end 31 December 2014, an increase of RMB42.6 million compared to the year end 31 December 2014.

Balance of deferred tax liabilities as at 31 December 2014 increased slightly to RMB57.3 million as compared to RMB56.1 million for the same period ended last year. This is primarily due to the additional deferred tax liabilities of RMB8.9 million arising from fair value gain of property, plant & equipment which were reclassified to investment properties during the year, offset by the decrease of RMB7.6 million resulted from fair value loss on investment properties during the year.



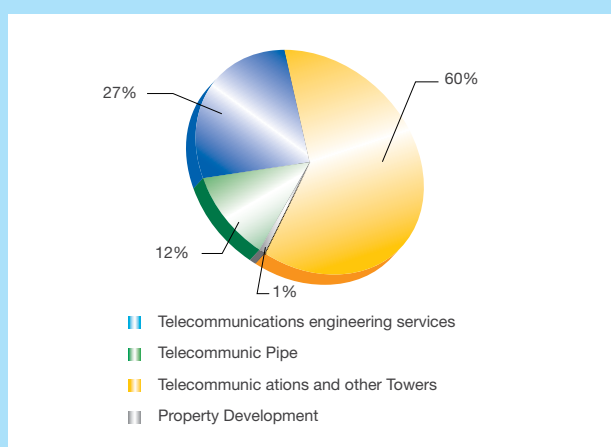
Cash generated from operating activities for FY2014 increased to RMB29.1 million as compared to an inflow of RMB19.4 million for FY2013.

Cash and cash equivalents as at 31 December 2014 was recorded as RMB108.0 million, an increase of RMB5.0 million, as compared to RMB103.0 million as at 31 December 2013.

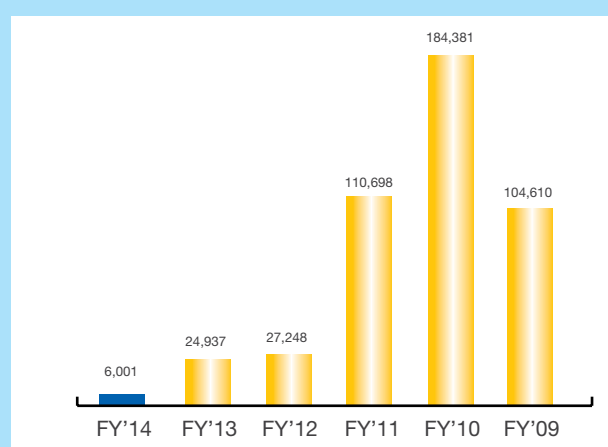
# Financial Highlights

| Segmental Business Revenue              | FY'14   |         | FY'13   |         | FY'12   |         |
|-----------------------------------------|---------|---------|---------|---------|---------|---------|
|                                         | RMB'000 | %       | RMB'000 | %       | RMB'000 | %       |
| Telecommunications Pipe                 | 66,034  | 11.73%  | 75,660  | 17.67%  | 100,562 | 24.37%  |
| Telecommunications Engineering Services | 154,025 | 27.37%  | 127,510 | 29.78%  | 123,795 | 30.01%  |
| Telecommunications and other Towers     | 334,920 | 59.50%  | 218,385 | 51.00%  | 181,820 | 44.07%  |
| Property Development                    | 7,877   | 1.40%   | 6,640   | 1.55%   | 6,387   | 1.55%   |
| Total                                   | 562,856 | 100.00% | 428,195 | 100.00% | 412,563 | 100.00% |

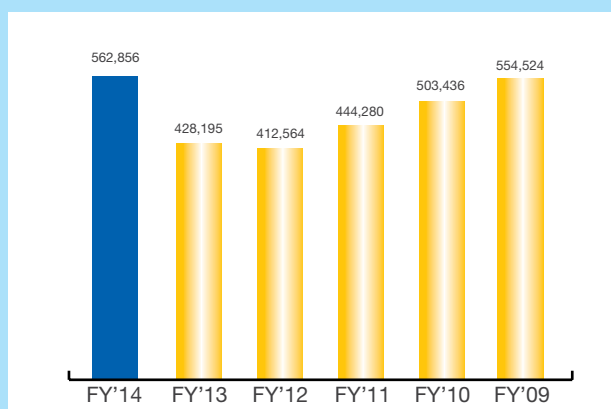
Segmental Business Revenue



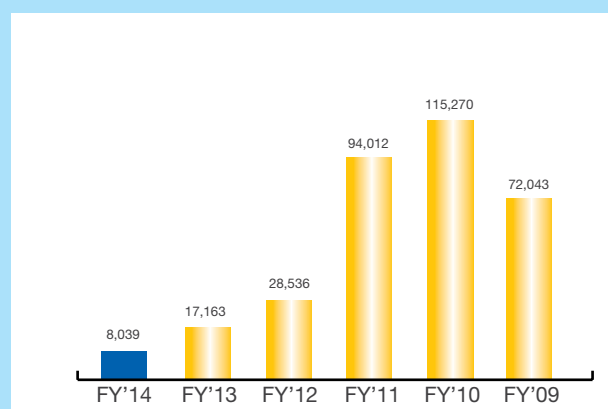
Consolidated Profit Before Income Tax



Consolidated Revenue



Consolidated Profit Attributable to Shareholders



# GROWTH IS THE FRUIT OF INNOVATION

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We are on a continuing quest of researching and developing new products to create innovative and sustainable value for our shareholders. Till date, we have obtained 110 patents and 71 registered trademarks for our telecommunication products and services



# Board of Directors

## MR YE TIANYUN (叶天云)

Mr Ye Tianyun (叶天云) founded our Group in 1997 and is currently the Executive Chairman and CEO of our Group and a member of Nominating Committee. Mr Ye is responsible for formulating the Group's strategies and plans and management of our Group as well as overseeing the development and manufacturing operations of our Group's products. Between September 1992 and June 1994, Mr Ye acted as the head of Yuhang Chang Le Plastics Packaging Factory. Thereafter, he acted as the general manager of Hangzhou Lehua Plastics Co., Ltd from June 1994 to June 1997 before setting up 8Telecom.

Mr. Ye is an executive member of Yuhang District, Commerce Association, member of Hangzhou Youth Entrepreneur Society, vice chairman of Yuhang District, Youth Union and member of Yuhang District Commercial and Industrial Union. Further, between 2000 and 2002, Mr Ye applied for and was awarded five PRC new design patents and nine exterior design patents. Mr Ye holds a Bachelor Degree in Computer Science and Technology from China University of Geosciences. Mr Ye further obtained a Certificate of Completion in Technical Economics and Management (Business Administration) in January 2004 from Zhejiang University of Technology.



## MR CHEN XIANGJING (陈向京)

Mr Chen Xiangjing (陈向京) joined our Group in August 1998 as an Executive Director and is responsible for overseeing our telecommunications and other towers and related products business. From August 1985 to February 1995, Mr Chen acted as the head of the planning department of Hangzhou Pinshan Dairy Products Factory. Between 1996 and July

1998, Mr Chen was a manager of Yu Hang Xian Ling Electric Cables Factory. Mr Chen holds a Bachelor Degree in Business Administration from Zhejiang University of Technology and a Bachelor Degree in Computer Science and Technology from China University of Geosciences.



## MR YU CHUNXIANG (俞春祥)

Mr Yu Chunxiang (俞春祥) joined our Group in April 2001 as an Executive Director and is responsible for overseeing our telecommunications engineering projects business. Between July 1989 and April 2001, Mr Yu was the assistant to the manager of PRC's Construct Bank,

Yuhang Branch. Mr Yu holds a Bachelor Degree in Technical Economics from Zhejiang University of Technology and have graduated from Zhejiang Jiaotong University as a MBA in 2005.



#### **MR LIEN KAIT LONG (连克农)**

**Mr Lien Kait Long (连克农)** was appointed as an Independent Director of our Company on 25 May 2004. He is the Chairman of the Audit Committee and a member of Remuneration Committee. Mr Lien has more than 40 years experience in accounting and finance, corporate management and business investment. He has held a number of senior management positions as well as executive directorships in various public and private corporations in Singapore, Hong Kong and China. He currently serves as an Independent Director

on the boards of several Singapore and Chinese companies listed on the Singapore Exchange.

The listed companies that he has present and prior experience in are from diverse industries including manufacturing, telecommunications, renewable energy, oil & gas, consumer goods, textile and food & beverage. Mr Lien holds a Bachelor of Commerce Degree from Nanyang University and is a fellow member of the CPA Australia and Institute of Singapore Chartered Accountants.



#### **MR CHEN JIN (陈劲)**

**Mr Chen Jin (陈劲)** was appointed as our Independent Director on 25 May 2004. He is a member of Nominating, Audit and Remuneration Committees. At present, Mr Chen is the professor of innovation and entrepreneurship and the Assistant Dean, School of Economics and Management of Tsinghua University and Director of Research Center of Technological Innovation at Tsinghua University. Mr Chen's illustrious background also includes being the Vice Chairman of the China Science of Science and Science & Technology Policy Research Association,

Member of the 4th Education Committee of the Chinese Academy of Engineering. He was the Visiting Scholar of Sloan Management Institute of MIT of USA, Visiting Researcher at the Scientific Strategy Research Centre in the University of Sussex in UK as well as the Visiting Professor at PREST Research Centre in the University of Manchester. Mr Chen holds both a Bachelor's Degree in Chemical Automation as well as a Ph.D Degree in Management Engineering, from Zhejiang University.



#### **MR CARTEL YEO SEE MENG (杨时明)**

**Mr Cartel Yeo See Meng (杨时明)** was appointed as an Independent Director of our Company on 15 August 2011. He is the Chairman of the Nominating Committee and Remuneration Committee as well as a member of the Audit Committee. Mr Yeo has extensive experience in accounting and finance, corporate management and business investment. Mr Yeo graduated from the National University of Singapore with a Bachelor in Accountancy, Honor Degree. He worked as an auditor in

Deloitte and Touche, one of the big international accounting firms before joining the finance/securities industry. Over the span of 20 years, he has held positions involving research, institutional sales, business development and management in senior capacities with various local and international securities and investment companies. Mr Yeo is currently a Vice President in the equity sales department of RHB Securities Singapore Pte. Ltd. (f.k.a. DMG & Partners Securities Pte Ltd.).



# Key Management

## MR. SHEN GUANQIN (沈冠勤)

Mr. Shen Guanqin (沈冠勤) joined our Group as Vice President in January 2006 and is responsible for business development for our telecommunication pipe products. Mr. Shen began his telecommunications career at Zhejiang Jiaxin Post Office with a stint spanning August 1984 and July 1991. Between July 1991 and April 1996, Mr. Shen was the chief engineer for Guangdong Shenzhen Huamai Communications LTD. Between

April 1996 and December 2000, Mr. Shen was the engineering manager of China Network Jiaxin Branch, followed by an internal promotion to deputy general manager, a post Mr. Shen held between January 2001 and March 2003. Mr. Shen holds a Degree in Wireless Communication Engineering from Beijing University of Post and Telecommunications.



# Key Information of Directors

## YE TIANYUN

### Executive Chairman and CEO

*Date of first appointment as a Director*

18 January 2004

*Date of first appointment as a Chairman*

18 January 2004

*Date of last re-election as a Director*

22 April 2013

*Length of Service as a Director (as at 31 December 2014)*

10 years 11 months

*Board Committee(s) served on*

Nominating Committee (Member)

*Present directorship/chairmanship in other listed companies*

Nil

*Present principal commitments*

*(other than directorships in other listed companies)*

- Manfaith Investments Ltd.
- East Jade International Limited
- Hangzhou Le Hua Plastics Co., Ltd
- Hangzhou Yuhang Chang Le Plastics Packaging Factory
- Zhejiang Andison Information and Technology Co., Ltd
- Guoding (Nantong) Concrete Pile Co. Ltd
- Hangzhou Xuchi Technology Co., Ltd
- Nation Top Limited
- Hangzhou Yuhang Ideal Small Loan Co., Ltd.
- Yuhang District RiTong Small Loan Co., Ltd

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies*

*(from 1 January 2012 to 31 December 2014)*

Nil

## CHEN XIANGJING

### Executive Director

*Date of first appointment as a Director*

18 January 2004

*Date of last re-election as a Director*

23 April 2012

*Length of Service as a Director (as at 31 December 2014)*

10 years 11 months

*Board Committee(s) served on*

Nil

*Present directorship/chairmanship in other listed companies*

Nil

*Present principal commitments*

*(other than directorships in other listed companies)*

- Zhejiang Andison Information and Technology Co., Ltd

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies*

*(from 1 January 2012 to 31 December 2014)*

Nil

## YU CHUNXIANG

### Executive Director

*Date of first appointment as a Director*

18 January 2004

*Date of last re-election as a Director*

21 April 2014

*Length of Service as a Director (as at 31 December 2014)*

10 years 11 months

*Board Committee(s) served on*

Nil

*Present directorship/chairmanship in other listed companies*

Nil

*Present principal commitments*

*(other than directorships in other listed companies)*

- Zhejiang Andison Information and Technology Co., Ltd

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies*

*(from 1 January 2012 to 31 December 2014)*

Nil

## LIEN KAIT LONG

### Lead Independent Director

*Date of first appointment as a Director*  
25 May 2004

*Date of last re-election as a Director*  
22 April 2013

*Length of Service as a Director*  
(as at 31 December 2014)  
10 years 7 months

*Board Committee(s) served on*  
Audit Committee (Chairman)  
Remuneration Committee (Member)

*Present directorship/chairmanship in other listed companies*

- China Enterprises Limited [OTC USA]
- China Jishan Holdings Limited (Lead Independent Director and Chairman of Audit and Risk Committee and Nominating Committee)
- Hanwell Holdings Limited (Independent Director and Chairman of Nominating Committee)
- Falcon Energy Group Limited (Lead Independent Director and Chairman of Audit Committee)
- Tat Seng Packaging Group Ltd (Independent Director and Chairman of Audit Committee)

- Viking Offshore and Marine Ltd (Independent Director and Chairman of Audit Committee)
- IPC Corporation Ltd (Independent Director)
- Pacific Healthcare Holdings Ltd (Non- Executive Director)
- Renewable Energy Asia Group Ltd (Independent Director and Chairman of Audit Committee)

*Present principal commitments (other than directorships in other listed companies)*

Nil

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies (from 1 January 2012 to 31 December 2014)*

- Intraco Ltd (Non-Executive Director)
- CMZ Ltd (Lead Independent Director and Chairman of Audit Committee)
- YouYue International Limited (Independent Director and Chairman of Audit Committee and Remuneration Committee)

## CHEN JIN

### Independent Director

*Date of first appointment as a Director*  
25 May 2004

*Date of last re-election as a Director*  
21 April 2014

*Length of Service as a Director*  
(as at 31 December 2014)  
10 years 7 months

*Board Committee(s) served on*

- Audit Committee (Member)
- Remuneration Committee (Member)
- Nominating Committee (Member)

*Present directorship/chairmanship in other listed companies*

Nil

*Present principal commitments (other than directorships in other listed companies)*

- Zhejiang Semir Clothing Co., Ltd.
- Baida Group Co., Ltd

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies (from 1 January 2012 to 31 December 2014)*

Nil

## CARTEL YEO SEE MENG

### Independent Director

*Date of first appointment as a Director*  
15 August 2011

*Date of last re-election as a Director*  
21 April 2014

*Length of Service as a Director*  
(as at 31 December 2014)  
3 years 4 months

*Board Committee(s) served on*

- Remuneration Committee (Chairman)
- Nominating Committee (Chairman)
- Audit Committee (Member)

*Present directorship/chairmanship in other*

*listed companies*

Nil

*Present principal commitments (other than directorships in other listed companies)*

Nil

*Past principle directorships/chairmanship held over the preceding 3 years in other listed companies (from 1 January 2012 to 31 December 2014)*

Nil

# Corporate Information

## BOARD OF DIRECTORS

Mr. Ye Tianyun  
(Executive Chairman and CEO)

Mr. Yu ChunXiang  
(Executive Director)

Mr. Chen Xiangjing  
(Executive Director)

Mr. Lien Kait Long  
(Lead Independent Director)

Mr. Chen Jin  
(Independent Director)

Mr. Cartel Yeo See Meng  
(Independent Director)

## AUDIT COMMITTEE

Mr. Lien Kait Long  
(Chairman)

Mr. Chen Jin  
Mr. Cartel Yeo See Meng

## REMUNERATION COMMITTEE

Mr. Cartel Yeo See Meng  
(Chairman)

Mr. Chen Jin  
Mr. Lien Kait Long

## NOMINATING COMMITTEE

Mr. Cartel Yeo See Meng  
(Chairman)

Mr. Ye Tianyun  
Mr. Chen Jin

## COMPANY SECRETARIES

Mr. Teo Meng Keong  
Ms. He Qi

## ASSISTANT SECRETARY

Appleby Corporate Services(Bermuda) Ltd  
Canon's Court, 22 Victoria Street, Hamilton HM 12,  
Bermuda

## REGISTERED OFFICE

Canon's Court, 22 Victoria Street, PO Box HM 1179  
Hamilton HM 12, Bermuda

Tel: +1 441 295 2244

Fax: +1 441 292 8666

## BUSINESS OFFICE

6/F and Units A and B 18/F, Tianyuan Building,  
508 Wensan Road  
Hangzhou City, Zhejiang Province,  
People's Republic of China  
Tel: +86 0571-88225288  
Fax: +86 0571-88225291  
<http://www.8telecom.cn>

## RESIDENT REPRESENTATIVE

Appleby Corporate Services (Bermuda) Ltd  
Canon's Court, 22 Victoria Street, Hamilton HM 12,  
Bermuda

## PRINCIPAL SHARE REGISTRAR

Reid Management Limited,  
Argyle House, 41a Cedar Avenue,  
Hamilton HM 12,  
Bermuda

## SHARE TRANSFER AGENT

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

## AUDITORS

Deloitte & Touche LLP,  
Public Accountants and Chartered Accountants  
6 Shenton Way,  
OUE Downtown 2, #33-00,  
Singapore 068809

## PARTNER -IN-CHARGE

Lee Boon Teck (Appointed since financial year 2010)

## PRINCIPAL BANKER

Hangzhou City Commercial Bank, Gaoxin Branch  
413 Gudun Road Hangzhou City, Zhejiang Province,  
People's Republic of China

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# Corporate Governance Report

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Year ended December 31, 2014

8Telecom International Holdings Co. Ltd. (the “Company”) and its subsidiaries (collectively known as the “Group”) are committed to observe high standard of corporate governance with a view of enhancing corporate transparency and safeguarding interest of the shareholders. This statement outlines the main corporate governance practices followed by the Company during the financial year ended 31 December 2014 with reference to the Code of Corporate Governance 2012 (the “Code”) except where otherwise stated. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual.

## BOARD MATTERS

### Principle 1 – The Board's Conduct of Affairs

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

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

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

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

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

The names of the members and principal responsibilities of Audit Committee (AC), Remuneration Committee (RC) and Nominating Committee (NC) are set out in this Report.

### Board attendance

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

# Corporate Governance Report

Year ended December 31, 2014

The number of Board and Board committees meetings held during the financial year ended 2014 and the attendance of each Director and Committees members are set out as follows:

|                             | Board    | Audit Committee | Remuneration Committee | Nominating Committee |
|-----------------------------|----------|-----------------|------------------------|----------------------|
| <b>No. of meetings held</b> | <b>4</b> | <b>4</b>        | <b>1</b>               | <b>1</b>             |
| Ye Tianyun                  | 4        | NA              | NA                     | 1                    |
| Yu Chunxiang                | 4        | NA              | NA                     | NA                   |
| Chen Xiangjing              | 4        | NA              | NA                     | NA                   |
| Chen Jin                    | 4        | 4               | 1                      | 1                    |
| Lien Kait Long              | 4        | 4               | 1                      | NA                   |
| Yeo See Meng                | 4        | 4               | 1                      | 1                    |

## Training for Directors

During the year, the Company had arranged site visit to the Group's operations centres and the Directors received updates on regulatory changes from its legal advisors and auditors (in writing or disseminated by way of briefings, presentations and/or handouts) in respect of the new rules and regulations implemented by the SGX-ST, the Bermuda Companies Act and changes to the accounting standards, industry developments, business initiatives. The Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors and SGX-ST.

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

## Principle 2 – Board Composition and Guidance

The Board of Directors comprises the following members:

- |    |                |                            |
|----|----------------|----------------------------|
| 1. | Ye Tianyun     | Executive Chairman and CEO |
| 2. | Yu Chunxiang   | Executive Director         |
| 3. | Chen Xiangjing | Executive Director         |
| 4. | Lien Kait Long | Lead Independent Director  |
| 5. | Chen Jin       | Independent Director       |
| 6. | Yeo See Meng   | Independent Director       |

The Board comprises six directors of whom three are independent. The Chairman is not an independent director, and the Company has complied with the Guideline 2.2 of the Code on the requirement that at least half of the Board is made up by independent directors. Mr. Lien Kait Long is the Lead Independent Director of the Company and he will be available to shareholders where they have concerns and for which contact through normal channels of the Chairman, the CEO or the Chief Financial Officer has failed to resolve or is inappropriate.

There is therefore a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board. The requirement of the Code that at least one-third of the Board consists of independent directors is satisfied.

Mr. Chen Jin, Mr. Lien Kait Long and Mr. Yeo See Meng have confirmed that they do not have any relationship with the Company or its related corporations or its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

# Corporate Governance Report

Year ended December 31, 2014

Mr. Chen Jin and Mr. Lien Kait Long have each served on the Board for more than 9 years. Mr. Lien Kait Long will be subjected to re-election at the Annual General Meeting. The NC adopts the Code's definitions that constitute an independent director in its review. The NC has taken into consideration Guideline 2.4 of the Code and conducted rigorous review of their contributions to the Board to determine if they have maintained the independence status as defined by Guideline 2.3 of the Code. The NC is satisfied that the said Directors have remained independent in their character, judgment and continue to discharge their duties objectively.

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

The composition of the Board and Board Committees will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise, experience and competencies. The current Board consists of accounting or finance, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group.

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

## **Principle 3 – Chairman and Chief Executive Officer (“CEO”)**

Mr Ye Tianyun holds the positions of Chairman of the Board and CEO of the Company.

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

The Chairman's responsibilities include:

- (a) providing the Group with leadership and vision;
- (b) setting Board meeting agenda in consultation with the Board members and ensure time is available for discussion for all agenda items, in particular strategic issues;
- (c) encouraging constructive relations among the Directors and their interactions with management;
- (d) takes a lead role in promoting high standards of corporate governance, with the full support of the Directors and Management;
- (e) ensuring the Group is always compliance with SGX-ST Listing Manual, Bermuda Companies Act, and applicable regulations; and
- (f) developing and expanding the business of the Group.

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

The Company has not adopted the recommendation of the Code to have different individuals appointed as the Chairman and the CEO. The Board is of the view that there is already a sufficient strong independent element in the Board which could enable the independent exercise of objective judgment on corporate affairs of the Group, taking into account factors such as the number of independent directors on the Board, as well as the size and scope of the affairs and operations of the Group.

# Corporate Governance Report

Year ended December 31, 2014

## Principle 4 – Board Membership

The NC comprises three members, a majority of whom including the Chairman, are independent. They are:

Mr Yeo See Meng (Chairman)  
Mr Chen Jin  
Mr Ye Tianyun

The NC meets at least once a year. The principal functions of the NC include, but are not limited to, the following:

- (a) recommending the nomination or re-nomination of the directors having regard to the director's contribution and performance;
- (b) reviewing and determining the independence of each director on an annual basis;
- (c) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
- (d) reviewing and approving any new employment of related persons and proposed terms of their employment;
- (e) reviewing and recommending the training and professional development programmes for the Board;
- (f) recommending to the Board the review of board succession plans for Directors, in particular, the Chairman and the CEO;
- (g) recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group.

During FY2014, the NC also reviews and determines whether directors who have multiple board representations and other principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a director of the Company.

Despite some of the directors having other board representations, the NC takes into account the results of the assessment of the effectiveness of the individual Director and his actual conduct on the Board, attendance and participation, in making his determination, is satisfied that these directors are able to and have adequately carried out their duties as directors of the Company. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorship a director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

There was no additional director appointed during the financial year. The NC reviews the need for appointment of additional director(s) from time to time. The process for the search, selection and appointment of new directors is as follows:

- a) to source and identify candidates from network of contacts based on the needs of the relevant skills, experience, knowledge and expertise.
- b) The NC meets the short-listed candidates to assess their suitability taking into consideration the existing composition of the Board and strives to ensure that the Board has an appropriate balance of independent directors as well as the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.
- c) The NC makes recommendations to the Board for approval.

Under the Company's Bye-Laws, a newly appointed Director shall retire at the Annual General Meeting following his/her appointment and he/she shall be eligible for re-election.

# Corporate Governance Report

Year ended December 31, 2014

The Company's Bye-Laws also provide that one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third to retire by rotation at each Annual General Meeting, with each director retiring at least once in every three years.

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

Mr Lien Kait Long  
Mr Chen Xiangjing

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

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

Key information regarding the Directors such as academic, professional qualifications, shareholding in the Company and its related corporations, board committees served on (as a member or Chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies, and other principal commitments is disclosed in the "Board of Directors" section of the annual report.

## Principle 5 – Board Performance

The Board's performance is a function of the experience and expertise that each of the directors bring with them. Factors taken into consideration for the assessment of each director include attendance at meetings, adequacy of preparation, participation, industry knowledge and functional expertise. Factors for assessment of the Board as a whole include the board structure, conduct of meetings, corporate strategy, risk management and internal controls, business and financial performance, compensation, financial reporting and communication with shareholders.

During the financial year under review, the Board evaluation exercise is carried out by way of a board assessment checklist, which is circulated to the Board members for completion and thereafter, for the NC to review and determine the actions required to improve the corporate governance and effectiveness of the Board as a whole.

The NC is of the opinion that the present Board has given sufficient time and attention to the Group and reasonably and effectively discharged its duties. The NC will review the appropriateness of the Board size, taking into consideration changes in the nature of the Group's business, the scope of operations, as well as changing regulatory requirements.

## Principle 6 – Access to Information

The Directors are always provided with relevant information on a timely manner prior to each Board meeting and committee meeting. This is to give the Directors sufficient time to review and consider the matters being tabled and/or discussed. The Senior Management will be also invited to attend Board Meetings to provide additional insights into matters being discussed, and to respond to any queries that the Directors may have.

In respect of the annual budgets, any material variances between the projections and actual results are disclosed and explained to the Board by the Management during the Board Meetings.

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

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

# Corporate Governance Report

Year ended December 31, 2014

## REMUNERATION MATTERS

### Principle 7 – Procedures for developing remuneration policies

The RC comprises three members of whom including the Chairman, are independent. They are:

Mr Yeo See Meng (Chairman)  
Mr Chen Jin  
Mr Lien Kait Long

The RC meets at least once a year. The principal functions of the RC include, but are not limited to, the following:

- a) review and approve the general remuneration framework of the directors and key management personnel of the Company and its subsidiaries;
- b) structure a significant and appropriate proportion of executive directors and key management personnel's remuneration;
- c) review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;
- d) determine, review and approve the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement;
- e) review the remuneration of employees who are related to the Directors and 10% shareholders;
- f) review and recommend to the Board the eligibility of the executive directors and key management personnel under long-term incentive schemes and to evaluate the costs and benefits of such long-term incentive schemes.

The RC may from time to time, where necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management, so that the Group remains competitive in this regard.

### Principle 8 – Level and mix of remuneration

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director. The recommendations of the RC on remuneration of directors would be submitted for endorsement by the entire Board.

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

The Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board committees. The Chairman of each committee is compensated for his additional responsibilities. The RC recommends the payment of such fees in accordance with the contributions of the Non-Executive Directors, which will then be endorsed by the Board and subjected to approval by the shareholders of the Company at the AGM. Such fees are payable quarterly in arrears.

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

The Company had entered into separate Service Agreements with all Executive Directors ("EDs"), namely, Ye TianYun, Yu Chunxiang and Chen Xiangjing. These service agreements were renewed during the financial year and are renewable, in accordance with the terms as set out in the respective service agreements.

# Corporate Governance Report

Year ended December 31, 2014

## Principle 9 – Disclosure on Remuneration

### Directors' remuneration

A breakdown showing the level and mix of remuneration paid to each director for the financial year ended 31 December 2014 is as follows:

| Name of Directors | Remuneration (RMB/S\$) | Directors' Fees (%) | Fixed Salary (%) | Variable Bonus (%) | Benefits in Kind (%) | Total |
|-------------------|------------------------|---------------------|------------------|--------------------|----------------------|-------|
| Ye Tianyun        | RMB388,180.52          | –                   | 100              | –                  | –                    | 100   |
| Yu Chunxiang      | RMB566,458.13          | –                   | 45               | 55                 | –                    | 100   |
| Chen Xiangjing    | RMB826,608.67          | –                   | 21               | 79                 | –                    | 100   |
| Chen Jin          | RMB50,000.00           | 100                 | –                | –                  | –                    | 100   |
| Lien Kait Long    | S\$50,000.00           | 100                 | –                | –                  | –                    | 100   |
| Yeo See Meng      | S\$50,000.00           | 100                 | –                | –                  | –                    | 100   |

*Note:*

*The remuneration for all directors are paid in RMB, except for Mr Lien Kait Long and Mr Yeo See Meng, whom the directors' fees are paid in SGD.*

### Key Management Personnel's remuneration

A breakdown of the level and mix of top five key management personnel's remuneration for the financial year ended 31 December 2014 are as follows:

| Remuneration Band  | Fixed Salary (%) | Variable Bonus (%) | Benefits in Kind (%) | Total |
|--------------------|------------------|--------------------|----------------------|-------|
| Below S\$250,000/- |                  |                    |                      |       |
| Shen Guanjin       | 18               | 82                 | –                    | 100   |
| Huang Yongxiang    | 67               | 33                 | –                    | 100   |
| Li Hong Wei        | 16               | 84                 | –                    | 100   |
| Wang Chunbiao      | 59               | 41                 | –                    | 100   |
| Chen Meixia        | 61               | 39                 | –                    | 100   |

The annual aggregate remuneration paid to the Group's key management personnel (excluding the CEO) for the FY2014 is S\$ 379,004.05.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or any key management personnel.

There is an employee of the Company who is an immediate family member of a director. However, her remuneration did not exceed S\$50,000 for the financial year ended 31 December 2014.

During the financial year, the Board had agreed to terminate the "8Telecom Performance Share Plan" ("the Plan") which was approved by the shareholders in an Extraordinary General Meeting held on 30 April 2010. The reason for the termination is that the plan was not effective and no shares have been awarded since its inception. The board has reviewed the situation and decided to terminate it.

# Corporate Governance Report

Year ended December 31, 2014

## ACCOUNTABILITY AND AUDIT

### Principle 10 – Accountability

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

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

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

Management provides the Board with financial statements of the Group's performance, position and prospects on a quarterly basis.

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

### Principle 11 – Risk Management and Internal Controls

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

An Enterprise Risk Management ("ERM") programme has been implemented to identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, inter alia, financial, operational, information technology and compliance risks faced by the Group. The key risks identified are deliberated by Senior Management, and reported to the AC on a quarterly basis.

The Board had received assurance from the CEO and Finance Manager that the financial records as at 31 December 2014 have been properly maintained and the financial statements for the financial year ended 31 December 2014 give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

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

### Principle 12 – Audit Committee (AC)

The AC comprises three members, all of whom including the Chairman are independent. They are:

Mr Lien Kait Long (Chairman)  
Mr Chen Jin  
Mr Yeo See Meng

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

# Corporate Governance Report

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Year ended December 31, 2014

The AC, which has written terms of reference, meets periodically to perform the following functions:

- a) review with the external auditors, the audit plans, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- b) review the internal controls and internal procedures and ensure coordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- c) review the external auditors' reports;
- d) review the co-operation given by the Company's officers to the external auditors;
- e) review the annual and quarterly financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, going concern basis of the Company, compliance with accounting standards as well as compliance with the Listing Rules and other relevant statutory/regulatory requirements;
- f) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- g) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- h) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Rules (if any);
- i) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- j) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;
- k) review the key financial risk areas, with a view to providing independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, immediately announced via SGXNET;
- l) 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;
- m) generally to undertake such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time;
- n) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- o) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Rules, including such amendments made thereto from time to time.

# Corporate Governance Report

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Year ended December 31, 2014

The AC carried out the following activities during the year ended 31 December 2014 in the discharge of its functions and duties including the deliberation and review of:

- the unaudited quarterly financial results of the Group and announcements prior submission to the Board for approval and release the results to SGX.
- the internal and external audit plans in terms of their scope of audit prior to their commencement of their annual audit.
- the external auditors' report in relation to audit and accounting issues arising from the audit matters from audit of the Group in meeting with the external auditors without presence of the executive board members and management.
- the adequacy and effectiveness of the Group's internal audit function.
- the audited financial statements of the Group and of the Company prior to submission to the Board of Directors for consideration and approval.
- the external audit and internal audit fees for the financial year ended 31 December 2014 and recommended to the Board for approval.
- the independence and re-appointment of the external auditors and recommended to the Board for approval.
- Interested person transactions falling within scope of Chapter 9 and 10 of Listing Rules and any potential conflicts of interests.
- the performance of the Finance Manager.
- the Whistle-Blowing Policy of the Group and procedures by which employees of the Group could report the possible improprieties to the AC Chairman.

Apart from the duties listed above, the AC also meets with external auditors and internal auditors at least once a year without the presence of Management.

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

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

The AC has full access to and co-operation by the Management and full discretion to invite directors or management to attend AC meetings, and reasonable resources to enable it to discharge its functions properly.

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

The aggregate amount of audit fees and non-audit fees paid and/or payable to the external auditors for the financial year ended 31 December 2014 amounted to approximately SGD345,870 and SGD5,000 respectively.

The external auditors have unrestricted access to the AC.

In appointing the audit firms for the Group, the AC is satisfied with that the Company has complied with the Listing Rules 712 and 715.

# Corporate Governance Report

Year ended December 31, 2014

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

## Whistle-Blowing Policy

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

## Principle 13 – Internal Audit

The Group has an in-house internal audit function. The aim of the internal audit function is to promote internal control in the Group and to monitor the performance and effective application of internal control procedures. The internal audit function reports functionally to the Chairman of the AC and administratively to the CEO.

The AC is responsible to approve the hiring, removal, evaluation and compensation of the head of internal audit function. The internal auditors have full access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC is satisfied that the internal audit function is staffed with persons with the relevant qualifications and experience and reviews the adequacy and effectiveness of the internal audit function on annual basis.

The Internal Auditors is expected to meet or exceed the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14 – Shareholder Rights

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

All shareholders of the Company receive the Annual report, and notice of AGM, which is held within four months after the close of the financial year. The notice is also advertised in the newspapers. The annual report is also available on the Company's corporate website, [www.8telecom.cn](http://www.8telecom.cn).

The Directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures.

### Principle 15 – Communication with Shareholder

Pursuant to SGX-ST's Listing Rules and in line with the continuing disclosure obligations of the Company, the Board's policy is to ensure the shareholders be informed promptly of all major developments of the Group.

Information is communicated to shareholders on a timely basis, through annual reports that are prepared and sent to all shareholders within mandatory period. The full year and quarterly financial result announcements, notice of and explanatory memoranda for general meetings, press releases and newly corporate developments are released to the SGX-ST via SGXNET. The Company does not practice selective disclosure as all material price-sensitive information, except for confidential information, is always released through SGXNET to public as soon as possible.

For FY2014, the Directors have proposed a final dividend of SGD0.0013 per ordinary share (tax not applicable) and a special dividend of SGD0.0013 per ordinary share (tax not applicable). The details of the final and special dividends are disclosed under Book Closure Notice.

# Corporate Governance Report

Year ended December 31, 2014

## Principle 16 – Conduct of Shareholder Meetings

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

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

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

At AGMs, each substantial issue is deliberated on separate resolutions in general meetings. Besides the external auditors, the CEO, Singapore Independent Directors and Management are normally present and available to address queries from shareholders.

## Dealing in Securities

In line with Chapter 12, Rule 1207(19) of the Listing Manual of the SGX-ST on dealings in securities, the Company has in place a policy prohibiting share dealings by directors and employees of the Group during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the financial year, as the case may be, and ending on the date of the announcement of the relevant results.

Directors and employees of the Group are observed not to deal in the Company's shares on short term consideration and when he or she is in possession of unpublished price-sensitive information relating to the Group. They are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

## Interested Person Transactions ("IPT")

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

The Company's disclosure according to Rule 907 of the SGX-ST's Listing Manual in respect of IPT for the financial year ended 31 December 2014 is stated as follows:-

| Name of Interested Person        | Aggregate value of all IPTs under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
|                                  | RMB                                                                                                                                                               | RMB                                                                                                                                 |
| Mr Ye TianYun and his associates | 2,899,000 <sup>Note 1</sup>                                                                                                                                       | N/A                                                                                                                                 |
| Mr. Ye TianYun and his associate | 219,860,000 <sup>Note 2</sup>                                                                                                                                     | NA                                                                                                                                  |

N/A: Not Applicable

# Corporate Governance Report

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Year ended December 31, 2014

Notes:

- 1) The amount of RMB2,850,000 was the electrical charge payable by an associate of Mr Ye TianYun, Zhejiang Andison Information and Technology Co., Ltd. ("Zhejiang Andison"). When Zhejiang Andison was a wholly-owned subsidiary of the Group, both factories each owned by Zhejiang Andison and the Group have been using a common transformer installed by the Group for electricity supply. Nevertheless, they are two separate electricity meters installed at the respective factories. The Electricity Supply Board issues monthly billing to the Group as the transformer is installed under the name of the Group. Therefore, the Group will be liable for the whole amount of monthly billing while Zhejiang Andison will pay its portion of the electricity bill to the Group based on its usage. An amount of RMB49,000 was the electrical charge payable by an associate of Mr Ye TianYun, Hangzhou Lehua Plastic Company Limited operating in the same compound, which is also using the common transformer installed by the Group for electricity supply. There were no additional charges levied on such arrangements, therefore, the aggregate value of the IPT is technically zero.
- 2) The amount of RMB122,860,000 was the provision of a guarantee by Mr Ye Tianyun in respect the loan granted to the Company's subsidiary, Zhejiang 8Telecom Co., Ltd. ("Zhejiang 8Telecom") and the balance of RMB97,000,000 was the provision of guarantee by Zhejiang Andison, in respect to the loans granted to Zhejiang 8Telecom. These two guarantees were provided free of compensation and fee since 2005 and are in the best interest of the Company and its Group. Therefore, the aggregate value of the IPT is technically zero.

## Material Contract

Saved as disclosed, there were no other material contract of the Group involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended 31 December 2014.

## Risk Management

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

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

## Corporate Social Responsibility

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

# Report of the Directors

The directors present their report 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, 2014.

## 1 DIRECTORS

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

Ye Tianyun  
Yu Chunxiang  
Chen Xiangjing  
Chen Jin  
Lien Kait Long  
Cartel Yeo See Meng

## 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 except as follows:

| Names of directors and companies<br>in which interests are held | Shareholdings registered<br>in the name of directors |                   | Shareholdings in which a director<br>is deemed to have interest |                   |
|-----------------------------------------------------------------|------------------------------------------------------|-------------------|-----------------------------------------------------------------|-------------------|
|                                                                 | At beginning<br>of year                              | At end<br>of year | At beginning<br>of year                                         | At end<br>of year |
| The Company                                                     |                                                      |                   |                                                                 |                   |
| - <u>Number of ordinary shares of US\$0.02 each</u>             |                                                      |                   |                                                                 |                   |
| Ye Tianyun                                                      | 14,479,000                                           | 14,479,000        | 332,212,250                                                     | 332,212,250       |
| Chen Xiangjing                                                  | –                                                    | –                 | 1,500,000                                                       | 1,500,000         |
| Cartel Yeo See Meng                                             | –                                                    | –                 | 13,163,000                                                      | 13,780,000        |
| Manfaith Investments Ltd.                                       |                                                      |                   |                                                                 |                   |
| (The ultimate holding company) <sup>(1)</sup>                   |                                                      |                   |                                                                 |                   |
| - <u>Number of ordinary shares of US\$1.00 each</u>             |                                                      |                   |                                                                 |                   |
| Ye Tianyun                                                      | 8,750                                                | 8,750             | 1,250                                                           | 1,250             |

(1) At December 31, 2014, Manfaith Investments Ltd. held 71.73% (2013 : 71.73%) interest in the ordinary shares, excluding treasury shares of the Company.

There were no other changes in the above directors' interest as at January 21, 2015.

# Report of the Directors

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## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## 5 SHARE OPTIONS

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

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

### (b) *Options exercised*

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

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

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

## 6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lien Kait Long, and includes Messrs Chen Jin and Cartel Yeo See Meng. All three members are non-executive directors.

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

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

# Report of the Directors

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## **7 AUDITORS**

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

ON BEHALF OF THE DIRECTORS

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Ye Tianyun

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Yu Chunxiang

March 26, 2015

# Statement of Directors

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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 set out on pages 39 to 85 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, 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 as and when they fall due.

ON BEHALF OF THE DIRECTORS

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Ye Tianyun

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Yu Chunxiang

March 26, 2015

# Independent Auditors' Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of 8Telecom International Holdings Co. 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, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 85.

## Directors' Responsibility for the Financial Statements

Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the International Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

## Auditors' Responsibility

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

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

## Opinion

In our opinion, the 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 International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Deloitte & Touche LLP**  
Public Accountants and  
Chartered Accountants  
Singapore

Lee Boon Teck  
Partner

March 26, 2015

# Statement of Financial Position

December 31, 2014

|                                   |      | Group            |                  | Company        |                |
|-----------------------------------|------|------------------|------------------|----------------|----------------|
|                                   | Note | 2014             | 2013             | 2014           | 2013           |
|                                   |      | RMB'000          | RMB'000          | RMB'000        | RMB'000        |
| <b>ASSETS</b>                     |      |                  |                  |                |                |
| <b>Current assets</b>             |      |                  |                  |                |                |
| Cash and bank balances            | 7    | 218,765          | 177,259          | 1,047          | 366            |
| Other financial assets            | 8    | 63,469           | 466              | –              | –              |
| Trade receivables                 | 9    | 140,499          | 160,408          | –              | –              |
| Amounts due from subsidiaries     | 10   | –                | –                | 153,090        | 148,117        |
| Other receivables and prepayments | 11   | 56,298           | 58,534           | 185            | 92             |
| Construction contracts            | 12   | 69,536           | 93,579           | –              | –              |
| Inventories                       | 13   | 45,753           | 32,215           | –              | –              |
| Properties under development      | 14   | 384,543          | 286,013          | –              | –              |
| Total current assets              |      | 978,863          | 808,474          | 154,322        | 148,575        |
| <b>Non-current assets</b>         |      |                  |                  |                |                |
| Investment in subsidiaries        | 15   | –                | –                | 60,000         | 60,000         |
| Investment properties             | 16   | 194,590          | 186,260          | –              | –              |
| Property, plant and equipment     | 17   | 87,070           | 89,351           | –              | –              |
| Prepayments                       | 18   | 21,870           | 19,428           | –              | –              |
| Intangible assets                 |      | 714              | 769              | –              | –              |
| Total non-current assets          |      | 304,244          | 295,808          | 60,000         | 60,000         |
| <b>Total assets</b>               |      | <b>1,283,107</b> | <b>1,104,282</b> | <b>214,322</b> | <b>208,575</b> |

See accompanying notes to financial statements

# Statement of Financial Position (cont'd)

December 31, 2014

|                                                                                 | Note | Group            |                  | Company        |                |
|---------------------------------------------------------------------------------|------|------------------|------------------|----------------|----------------|
|                                                                                 |      | 2014             | 2013             | 2014           | 2013           |
|                                                                                 |      | RMB'000          | RMB'000          | RMB'000        | RMB'000        |
| <b>LIABILITIES AND EQUITY</b>                                                   |      |                  |                  |                |                |
| <b>Current liabilities</b>                                                      |      |                  |                  |                |                |
| Short-term bank borrowings                                                      | 19   | 352,160          | 301,800          | –              | –              |
| Trade payables                                                                  | 20   | 114,727          | 82,840           | –              | –              |
| Amounts due to subsidiaries                                                     | 10   | –                | –                | 26,955         | 14,529         |
| Other payables and accrued expenses                                             | 21   | 90,189           | 50,271           | 762            | 8,362          |
| Income tax payable                                                              |      | 2,315            | 1,497            | –              | –              |
| Provision for land appreciation tax                                             | 22   | 34,055           | 34,055           | –              | –              |
| Total current liabilities                                                       |      | 593,446          | 470,463          | 27,717         | 22,891         |
| <b>Non-current liabilities</b>                                                  |      |                  |                  |                |                |
| Deferred tax liabilities                                                        | 23   | 57,297           | 56,052           | –              | –              |
| Long term bank loans                                                            | 24   | 101,600          | 59,000           | –              | –              |
| Total non-current liabilities                                                   |      | 158,897          | 115,052          | –              | –              |
| <b>Capital and reserves</b>                                                     |      |                  |                  |                |                |
| Issued capital                                                                  | 25   | 79,369           | 79,369           | 79,369         | 79,369         |
| Treasury shares                                                                 | 26   | (12,883)         | (12,883)         | (12,883)       | (12,883)       |
| Share premium                                                                   | 27   | 118,574          | 118,574          | 118,574        | 118,574        |
| Other reserves                                                                  | 28   | 66,864           | 63,766           | –              | –              |
| Capital reserve                                                                 | 29   | (10,925)         | (10,925)         | –              | –              |
| Share-based payment reserve                                                     | 30   | 1,527            | 1,527            | 1,527          | 1,527          |
| Asset revaluation reserve                                                       | 31   | 20,692           | 13,966           | –              | –              |
| Accumulated profits (losses)                                                    |      | 267,546          | 265,373          | 18             | (903)          |
| Total equity, representing equity attributable to equity holders of the Company |      | 530,764          | 518,767          | 186,605        | 185,684        |
| <b>Total liabilities and equity</b>                                             |      | <b>1,283,107</b> | <b>1,104,282</b> | <b>214,322</b> | <b>208,575</b> |

See accompanying notes to financial statements

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

Year ended December 31, 2014

|                                                                                               |           | Group         |               |
|-----------------------------------------------------------------------------------------------|-----------|---------------|---------------|
|                                                                                               | Note      | 2014          | 2013          |
|                                                                                               |           | RMB'000       | RMB'000       |
| <b>Revenue</b>                                                                                | 32        | 562,856       | 428,195       |
| Cost of sales                                                                                 |           | (447,860)     | (332,891)     |
| <b>Gross profit</b>                                                                           |           | 114,996       | 95,304        |
| Other operating income                                                                        | 33        | 4,367         | 2,829         |
| Other gains and losses:                                                                       |           |               |               |
| Changes in fair value of other financial assets                                               | 8         | 190           | 144           |
| Changes in fair value of investment properties                                                | 16        | (13,820)      | 3,930         |
| Subtotal                                                                                      |           | (13,630)      | 4,074         |
| Selling expenses                                                                              |           | (16,688)      | (21,430)      |
| Administrative expenses                                                                       |           | (65,258)      | (49,859)      |
| Finance costs                                                                                 | 34        | (17,786)      | (5,981)       |
| <b>Profit before income tax</b>                                                               |           | 6,001         | 24,937        |
| Income tax credit (expense)                                                                   | 35        | 2,038         | (7,774)       |
| <b>Profit for the year</b>                                                                    | <b>36</b> | <b>8,039</b>  | <b>17,163</b> |
| <b>Other comprehensive income</b>                                                             |           |               |               |
| <i>Item that will not be reclassified subsequently to profit or loss:</i>                     |           |               |               |
| Revaluation gain of property (net of tax), representing total other comprehensive income      |           | 6,726         | –             |
| <b>Total comprehensive income for the year, attributable to equity holders of the company</b> |           | <b>14,765</b> | <b>17,163</b> |
| <b>Earnings per share (RMB cents)</b>                                                         | <b>37</b> |               |               |
| - Basic                                                                                       |           | 1.74          | 3.71          |
| - Diluted                                                                                     |           | 1.74          | 3.71          |

See accompanying notes to financial statements

# Statement of Changes in Equity

Year ended December 31, 2014

|                                                         | Note | Attributable to equity holders of the Company |                 |               |                |                 |                             |                           | Total equity |
|---------------------------------------------------------|------|-----------------------------------------------|-----------------|---------------|----------------|-----------------|-----------------------------|---------------------------|--------------|
|                                                         |      | Issued capital                                | Treasury shares | Share premium | Other reserves | Capital reserve | Share-based payment reserve | Asset revaluation reserve |              |
|                                                         |      | RMB'000                                       | RMB'000         | RMB'000       | RMB'000        | RMB'000         | RMB'000                     | RMB'000                   | RMB'000      |
| Group                                                   |      |                                               |                 |               |                |                 |                             |                           |              |
| Balance as at January 1, 2013                           |      | 79,369                                        | (12,883)        | 118,574       | 62,434         | (10,925)        | 1,527                       | 13,966                    | 504,163      |
| Total comprehensive income for the year                 |      | -                                             | -               | -             | -              | -               | -                           | -                         | 17,163       |
| Transfer                                                | 28   | -                                             | -               | -             | 1,332          | -               | -                           | -                         | -            |
| Transactions with owners, recognised directly in equity |      |                                               |                 |               |                |                 |                             |                           |              |
| Dividends paid                                          | 41   | -                                             | -               | -             | -              | -               | -                           | -                         | (2,559)      |
| Balance as at December 31, 2013                         |      | 79,369                                        | (12,883)        | 118,574       | 63,766         | (10,925)        | 1,527                       | 13,966                    | 518,767      |
| Total comprehensive income for the year                 |      | -                                             | -               | -             | -              | -               | -                           | 6,726                     | 14,765       |
| Transfer                                                | 28   | -                                             | -               | -             | 3,098          | -               | -                           | -                         | -            |
| Transactions with owners, recognised directly in equity |      |                                               |                 |               |                |                 |                             |                           |              |
| Dividends paid                                          | 41   | -                                             | -               | -             | -              | -               | -                           | -                         | (2,768)      |
| Balance as at December 31, 2014                         |      | 79,369                                        | (12,883)        | 118,574       | 66,864         | (10,925)        | 1,527                       | 20,692                    | 530,764      |

Information on the nature of treasury shares, share premium, other reserves, capital reserve, share-based payment reserve and asset revaluation reserve are provided in Notes 26 to 31.

See accompanying notes to financial statements

# Statement of Changes in Equity (cont'd)

Year ended December 31, 2014

|                                                         | Note | Issued<br>capital<br>RMB'000 | Treasury<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Share-<br>based<br>payment<br>reserve<br>RMB'000 | Accumulated<br>(losses)<br>profits<br>RMB'000 | Total<br>equity<br>RMB'000 |
|---------------------------------------------------------|------|------------------------------|-------------------------------|-----------------------------|--------------------------------------------------|-----------------------------------------------|----------------------------|
| Company                                                 |      |                              |                               |                             |                                                  |                                               |                            |
| Balance as at January 1, 2013                           |      | 79,369                       | (12,883)                      | 118,574                     | 1,527                                            | 1,622                                         | 188,209                    |
| Total comprehensive income for the year                 |      | -                            | -                             | -                           | -                                                | 34                                            | 34                         |
| Transactions with owners, recognised directly in equity |      |                              |                               |                             |                                                  |                                               |                            |
| Dividends paid                                          | 41   | -                            | -                             | -                           | -                                                | (2,559)                                       | (2,559)                    |
| Balance as at December 31, 2013                         |      | 79,369                       | (12,883)                      | 118,574                     | 1,527                                            | (903)                                         | 185,684                    |
| Total comprehensive income for the year                 |      | -                            | -                             | -                           | -                                                | 3,689                                         | 3,689                      |
| Transactions with owners, recognised directly in equity |      |                              |                               |                             |                                                  |                                               |                            |
| Dividends paid                                          | 41   | -                            | -                             | -                           | -                                                | (2,768)                                       | (2,768)                    |
| Balance as at December 31, 2014                         |      | 79,369                       | (12,883)                      | 118,574                     | 1,527                                            | 18                                            | 186,605                    |

See accompanying notes to financial statements

# Consolidated Statement of Cash flows

Year ended December 31, 2014

|                                                   | Group    |          |
|---------------------------------------------------|----------|----------|
|                                                   | 2014     | 2013     |
|                                                   | RMB'000  | RMB'000  |
| <b>Operating activities</b>                       |          |          |
| Profit before income tax                          | 6,001    | 24,937   |
| Adjustments for:                                  |          |          |
| Depreciation and amortisation expense             | 8,217    | 6,805    |
| Finance costs                                     | 17,786   | 5,981    |
| Interest income                                   | (1,137)  | (848)    |
| Doubtful trade receivables recovered              | (2,100)  | —        |
| Allowance for doubtful trade receivables          | 5,320    | 44       |
| Allowance for doubtful non-trade receivables      | 549      | —        |
| Loss on disposal of property, plant and equipment | 25       | 1,155    |
| Changes in fair value of other financial assets   | (190)    | (144)    |
| Changes in fair value of investment properties    | 13,820   | (3,930)  |
| Operating profit before working capital changes   | 48,291   | 34,000   |
| Trade receivables                                 | 16,689   | 14,500   |
| Other receivables and prepayments                 | 1,749    | 4,312    |
| Construction contracts                            | 24,043   | 29,149   |
| Inventories                                       | (13,538) | 7,510    |
| Properties under development                      | (62,112) | (27,218) |
| Trade payables                                    | 31,887   | (11,932) |
| Other payables and accrued expenses               | 10,198   | (7,623)  |
| Cash generated from operations                    | 57,207   | 42,698   |
| Interest received                                 | 1,137    | 848      |
| Interest paid                                     | (24,484) | (21,769) |
| Income tax paid                                   | (4,786)  | (2,340)  |
| Net cash from operating activities                | 29,074   | 19,437   |

See accompanying notes to financial statements

# Consolidated Statement of Cash flows

Year ended December 31, 2014

|                                                                                 | Group          |                |
|---------------------------------------------------------------------------------|----------------|----------------|
|                                                                                 | 2014           | 2013           |
|                                                                                 | RMB'000        | RMB'000        |
| <b>Investing activities</b>                                                     |                |                |
| Purchase of property, plant and equipment                                       | (11,946)       | (13,728)       |
| Additions to land use rights                                                    | (13,472)       | –              |
| Proceed from disposal of land use rights                                        | 10,443         | –              |
| Purchase of intangible asset                                                    | –              | (334)          |
| Addition of financial asset at fair value through profit or loss                | (62,900)       | –              |
| Proceeds from disposal of financial assets at fair value through profit or loss | 87             | 720            |
| Proceeds from disposal of available-for-sale investment                         | –              | 1,000          |
| Proceeds from disposal of plant and equipment                                   | 28             | 282            |
| Advances to a related party                                                     | (44,400)       | –              |
| Repayment of advances by a related party                                        | 44,400         | –              |
| Net cash used in investing activities                                           | (77,760)       | (12,060)       |
| <b>Financing activities</b>                                                     |                |                |
| Repayment of short-term bank loans                                              | (353,000)      | (288,000)      |
| Increase in short-term bank borrowings                                          | 401,360        | 301,800        |
| Increase in long-term bank loans                                                | 44,600         | 59,000         |
| Advances from a related party                                                   | 25,670         | –              |
| Repayment of advances to a related party                                        | (25,670)       | –              |
| Dividends paid                                                                  | (2,768)        | (2,559)        |
| Pledged fixed deposits                                                          | (36,461)       | (50,439)       |
| Net cash from financing activities                                              | 53,731         | 19,802         |
| Net increase in cash and cash equivalents                                       | 5,045          | 27,179         |
| Cash and cash equivalents at beginning of year                                  | 102,953        | 75,774         |
| <b>Cash and cash equivalents at end of year (Note A)</b>                        | <b>107,998</b> | <b>102,953</b> |

Note A:

|                                          | Group     |          |
|------------------------------------------|-----------|----------|
|                                          | 2014      | 2013     |
|                                          | RMB'000   | RMB'000  |
| Cash and bank balances (Note 7)          | 218,765   | 177,259  |
| Less: Pledged deposits (Note 7)          | (110,767) | (74,306) |
| Cash and cash equivalents at end of year | 107,998   | 102,953  |

See accompanying notes to financial statements

# Notes to Financial Statements

December 31, 2014

## 1 GENERAL

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

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12 Bermuda. Its principal place of business is at 6/F, Tianyuan Building, 508 Wensan Road, Hangzhou City, Zhejiang Province, People's Republic of China. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited. The financial statements of the Group and of the Company are expressed in Chinese Renminbi ("RMB").

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

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on March 26, 2015.

## 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 International Financial Reporting Standards ("IFRS").

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 for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 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.

# Notes to Financial Statements

December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**ADOPTION OF NEW AND REVISED STANDARDS** - In the current financial year, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("INT IFRIC") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2014. The adoption of these new/revised IFRSs and INT IFRICs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

### ***Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities***

The Group has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amount recognised in the Group's consolidated financial statements. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

|                                              |   |                                       |
|----------------------------------------------|---|---------------------------------------|
| IFRS 9                                       | - | Financial Instruments                 |
| IFRS 15                                      | - | Revenue from Contracts with Customers |
| Annual Improvements to IFRSs 2010-2012 Cycle |   |                                       |
| Annual Improvements to IFRSs 2011-2013 Cycle |   |                                       |

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 IFRSs, INT IFRSs and amendments to IFRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

### ***IFRS 15 Revenue from Contracts with Customers***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 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.

# Notes to Financial Statements

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December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Under IFRS 15, 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. For more perspective guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors are still evaluating the impact of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when 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 reassess 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

**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 basis for debt instruments.

# Notes to Financial Statements

December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits less pledged fixed deposits, and are subject to an insignificant risk of changes in value.

#### Loans and receivables

Trade receivables, other receivables and amount due from subsidiaries 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.

#### Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 4.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, 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 affected.

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.

# Notes to Financial Statements

December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that 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.

### 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.

### **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.

#### Financial liabilities

Trade payables, other payables and amount due to subsidiaries 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, unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest-bearing bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. 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).

#### Derecognition of financial liabilities

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

# Notes to Financial Statements

December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

When a property is transferred from property, plant and equipment to investment property, any revaluation increase arising on the revaluation of a property at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a impairment loss for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the loss previously charged.

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

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

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

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

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

# Notes to Financial Statements

December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

**INVESTMENT PROPERTIES** - Investment properties are properties held to earn rental income and/or for capital appreciation. They are measured initially at cost, including transaction costs and subsequent to initial recognition, measured at fair value. The fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Professional valuations are obtained at least once every year. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

**INTANGIBLE ASSET** - Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, which is 10 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**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.

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.

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

# Notes to Financial Statements

December 31, 2014

## 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 lessor

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### 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 benefits 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 benefits 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 assets are consumed.

**FOREIGN CURRENCY TRANSACTIONS** - 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 functional currency of the Company and its subsidiaries is RMB. The consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are presented in RMB.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates 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 directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

**RESEARCH COSTS** - Research expenditure is recognised as an expense when incurred.

**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.

# Notes to Financial Statements

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December 31, 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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.

### Construction contracts

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

### Interest income

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

### Dividend income

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

### Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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

**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.

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

**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 income statement 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 subsidiaries operate by the end of the reporting period.

# Notes to Financial Statements

December 31, 2014

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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 for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

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.

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.

**SHARE-BASED PAYMENTS** - The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant and is recognised as an expense in profit or loss.

## **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, directors are 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.

### **Critical judgements in applying the Group's accounting policies**

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

# Notes to Financial Statements

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December 31, 2014

## **3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

### Revenue recognition

The Group recognises revenue from construction contracts based on the stage of completion method (Note 32). The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contracts. Significant judgement is required in determining the stage of completion and the estimated total contract costs. In making the judgement, the Group evaluates by relying on past experience.

### **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 year, are discussed below:

### Allowance for bad and doubtful receivables

The Group makes allowances for bad and doubtful receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful receivables expenses in the period in which such estimate has been changed. The carrying amount of trade and other receivables at the end of the reporting period is disclosed in Notes 9 and 11.

### Carrying amount of construction contracts

The carrying amount of construction contracts in Note 12 includes attributable profit less any foreseen losses and is therefore subject to judgement and estimation uncertainties regarding revenue recognised and estimated total contract cost to complete the contract work. In assessing recoverable amounts of contract work, management takes into consideration the progress of the work as well as collection of progress billings from customers.

### Allowance for inventories

Allowance for inventories are made in the financial statements based on directors' best estimate of the net realisable value of inventories that are subject to obsolescence and review of aging analysis at the end of each reporting period. The carrying amount of inventories at the end of the reporting period is disclosed in Note 13.

### Carrying amounts of properties under development

When it is probable that the total project costs will exceed the total projected revenue net of selling expenses, i.e. net realisable value, the amount in excess of net realisable value is recognised as an expense immediately.

The process of evaluating the net realisable value for the properties is subject to management's judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for the properties, taking into account the costs incurred to date, the development status and costs to complete the development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the properties.

The carrying amount of properties under development at the end of the reporting period is disclosed in Note 14.

# Notes to Financial Statements

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December 31, 2014

## **3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

### Investment in subsidiaries and receivables due from subsidiaries

Investment in subsidiary is stated at cost less impairment loss. The Company follows the guidance of IAS 36 *Impairment of Assets* to determine when its investment in subsidiary is impaired. This determination requires significant judgement and estimates.

The Company evaluates if there exist any indication of impairment, among other factors, the market and economic environment in which the subsidiary operates, including the economic performance of the subsidiary.

The carrying amount of amounts due from subsidiaries and investment in subsidiaries at the end of the reporting period is disclosed in Notes 10 and 15 respectively.

Where necessary, the Company makes allowances for bad and doubtful receivables on its receivables due from subsidiaries based on an assessment of their recoverability where events or changes in circumstances indicate that the balances may not be collectible.

### Valuation of investment properties

As disclosed in Note 16, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair values, the valuer has made reference to both the comparable sales transactions as available in the relevant market of these properties and the capitalisation of the existing and reversionary rental income potential.

In relying on the independent professional valuation report, management considered the method of valuation and is of the view that the estimated values are reasonable.

### Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, such appreciation being calculated based on the excess of values at which the completed properties developed by the Group are sold over deductible expenditures including sales charges, borrowing costs and all property development expenditures.

Significant estimation is required in determining the amount of land appreciation and its related taxes. The Group recognised these liabilities based on directors' best estimate. Should the final assessment of land appreciation tax by the authority be different from the amounts that were initially recorded, such differences will impact the provision for land appreciation tax in the period in which such determination is made. The provision for land appreciation tax at the end of the reporting period is disclosed in the statement of financial position and in Note 22.

# Notes to Financial Statements

December 31, 2014

## 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 |         |
|----------------------------------------------------------------------------|---------|---------|---------|---------|
|                                                                            | 2014    | 2013    | 2014    | 2013    |
|                                                                            | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets                                                           |         |         |         |         |
| Designated as at fair value through profit or loss                         | 63,469  | 466     | –       | –       |
| Loans and receivables at amortised cost (including cash and bank balances) | 378,580 | 365,621 | 154,153 | 148,575 |
| <b>Financial liabilities</b>                                               |         |         |         |         |
| Amortised cost                                                             | 639,908 | 477,347 | 27,717  | 22,891  |

### (b) Financial risk management policies and objectives

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The overall financial risk management includes market risk (including foreign exchange risk), credit risk, liquidity risk and interest rate risk.

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 dollar and Singapore dollar, and therefore is exposed to foreign exchange risk.

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

|                      | Group       |         |         |         | Company     |         |         |         |
|----------------------|-------------|---------|---------|---------|-------------|---------|---------|---------|
|                      | Liabilities |         | Assets  |         | Liabilities |         | Assets  |         |
|                      | 2014        | 2013    | 2014    | 2013    | 2014        | 2013    | 2014    | 2013    |
|                      | RMB'000     | RMB'000 | RMB'000 | RMB'000 | RMB'000     | RMB'000 | RMB'000 | RMB'000 |
| United States dollar | 124,872     | 128,821 | 126,438 | 129,187 | 306         | 305     | 89,971  | 93,368  |
| Singapore dollar     | 7,749       | 7,956   | 6,996   | 7,231   | 7,749       | 7,956   | 10      | –       |

# Notes to Financial Statements

December 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

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

|         | US dollar impact |         | Singapore dollar impact |         |
|---------|------------------|---------|-------------------------|---------|
|         | 2014             | 2013    | 2014                    | 2013    |
|         | RMB'000          | RMB'000 | RMB'000                 | RMB'000 |
| Group   | 157              | 37      | (75)                    | (73)    |
| Company | 8,967            | 9,306   | (774)                   | (796)   |

For a 10% weakening of the relevant foreign currency against the functional currency of each group entity, there would be an equal and opposite impact on profit.

#### (ii) Interest rate risk management

The Group's exposure to interest rate risk is limited to those bank borrowings with variable interest rates. The interest rates of the short-term and long-term bank borrowings of the Group are disclosed in Note 19 and Note 24 respectively.

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 reasonably possible change in interest rates. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2014 would decrease/increase by RMB633,000 (2013: RMB500,000).

#### (iii) Credit risk management

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group. The Group has made allowance for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

Further details of credit risks on trade receivables are disclosed in Note 9.

# Notes to Financial Statements

December 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

#### (iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The board of directors review the liquidity management strategy for the Group, taking into consideration capital commitments, operating cash flow requirements and due dates for payment of loans. Where necessary, the Group will obtain external financing from financial institutions to finance its liquidity needs.

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

#### *Liquidity and interest risk analyses*

#### Non-derivative financial liabilities

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

|                                       | Weighted<br>average<br>effective<br>interest rate | On<br>demand<br>or within<br>1 year | More than<br>1 year to<br>5 years | Adjustments | Total   |
|---------------------------------------|---------------------------------------------------|-------------------------------------|-----------------------------------|-------------|---------|
|                                       | %                                                 | RMB'000                             | RMB'000                           | RMB'000     | RMB'000 |
| <u>GROUP</u>                          |                                                   |                                     |                                   |             |         |
| <b>2014</b>                           |                                                   |                                     |                                   |             |         |
| Non-interest bearing                  | –                                                 | 186,148                             | –                                 | –           | 186,148 |
| Variable interest rate<br>instruments | 6.21                                              | 31,768                              | 109,577                           | (14,745)    | 126,600 |
| Fixed interest rate<br>instruments    | 6.55                                              | 332,817                             | –                                 | (5,657)     | 327,160 |
| Total                                 |                                                   | 550,733                             | 109,577                           | (20,402)    | 639,908 |
| <b>2013</b>                           |                                                   |                                     |                                   |             |         |
| Non-interest bearing                  | –                                                 | 116,547                             | –                                 | –           | 116,547 |
| Variable interest rate<br>instruments | 6.27                                              | 43,645                              | 68,855                            | (12,500)    | 100,000 |
| Fixed interest rate<br>instruments    | 6.60                                              | 278,013                             | –                                 | (17,213)    | 260,800 |
| Total                                 |                                                   | 438,205                             | 68,855                            | (29,713)    | 477,347 |

# Notes to Financial Statements

December 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

(iv) Liquidity risk management (cont'd)

|                      | Weighted<br>average<br>effective<br>interest rate | On<br>demand<br>or within<br>1 year | More than<br>1 year to<br>5 years | Adjustments | Total   |
|----------------------|---------------------------------------------------|-------------------------------------|-----------------------------------|-------------|---------|
|                      | %                                                 | RMB'000                             | RMB'000                           | RMB'000     | RMB'000 |
| <u>COMPANY</u>       |                                                   |                                     |                                   |             |         |
| <b>2014</b>          |                                                   |                                     |                                   |             |         |
| Non-interest bearing | –                                                 | 27,717                              | –                                 | –           | 27,717  |
| <b>2013</b>          |                                                   |                                     |                                   |             |         |
| Non-interest bearing | –                                                 | 22,891                              | –                                 | –           | 22,891  |

(v) Fair value of financial assets and financial liabilities

The Group 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*

| Financial<br>assets/<br>financial<br>liabilities | Fair value as at |             |         |             | Fair<br>value<br>hierarchy | Valuation<br>technique(s)<br>and key input(s) |
|--------------------------------------------------|------------------|-------------|---------|-------------|----------------------------|-----------------------------------------------|
|                                                  | 2014             |             | 2013    |             |                            |                                               |
|                                                  | Assets           | Liabilities | Assets  | Liabilities |                            |                                               |
|                                                  | RMB'000          | RMB'000     | RMB'000 | RMB'000     |                            |                                               |

### GROUP

#### Other financial asset (Note 8)

|                    |     |   |     |   |         |                                          |
|--------------------|-----|---|-----|---|---------|------------------------------------------|
| Quoted<br>equities | 569 | – | 466 | – | Level 1 | Quoted bid prices in an<br>active market |
|--------------------|-----|---|-----|---|---------|------------------------------------------|

Management has assessed the nature of other financial asset as described in Note 8 and estimated that the fair value approximated its book value of RMB62,900,000 (2013: RMBNil) at the end of the reporting period.

The Company had no other financial assets or liabilities carried at fair value in 2013 and 2014.

# Notes to Financial Statements

December 31, 2014

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

#### (v) Fair value of financial assets and financial liabilities (cont'd)

There was no transfer between Level 1 and Level 2 of the fair value hierarchy in the period.

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)

Directors have determined that the carrying amounts of cash and bank balances, fixed deposits with banks, trade and other receivables, amounts due from (to) subsidiaries, trade and other payables and interest bearing loans and borrowings approximate their fair values because these are mostly short-term in nature. The directors estimate that the carrying amounts of the long-term bank loans approximate their fair values as the directors expect the borrowing rates to be similar to those made available to the Group at the end of the reporting period.

### (c) *Capital risk 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.

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

The group is not subject to any externally imposed capital requirements.

The Group's overall strategy remains unchanged from 2013.

## 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Manfaith Investments Ltd., incorporated in British Virgin Islands, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements are with the holding company and the effect of these transactions on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Details of transaction with the holding company during the financial year is as follows:

|                                   | Group   |         |
|-----------------------------------|---------|---------|
|                                   | 2014    | 2013    |
|                                   | RMB'000 | RMB'000 |
| Dividends paid to holding company | 1,985   | 1,836   |

# Notes to Financial Statements

December 31, 2014

## 6 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these transactions on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions other than those discussed elsewhere in these financial statements are as follows:

|                                                                                                   | Group    |         |
|---------------------------------------------------------------------------------------------------|----------|---------|
|                                                                                                   | 2014     | 2013    |
|                                                                                                   | RMB'000  | RMB'000 |
| Recharge of electrical expenses to companies in which a director has interest in                  | 2,899    | 2,629   |
| Advances to a company in which a director has equity interest subsequently repaid                 | 44,400   | –       |
| Advances from a company in which a director has equity interest subsequently repaid               | (25,670) | –       |
| Guarantees of bank loans by a director and his associate                                          | 122,860  | 100,000 |
| Guarantees of bank credit facilities by a company in which a director has interest in (Note 19) * | 97,000   | 127,000 |

\* Relates to a maximum guarantee of RMB34 million (2013 : RMB127 million) and RMB63 million (2013: NIL) on the short-term bank loans (Note 19) and long term bank loans (Note 24) respectively of the Group.

### *Compensation of Directors and key management personnel*

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

|                          | Group   |         |
|--------------------------|---------|---------|
|                          | 2014    | 2013    |
|                          | RMB'000 | RMB'000 |
| Short-term benefits      | 4,157   | 3,820   |
| Post-employment benefits | 132     | 121     |
|                          | 4,289   | 3,941   |

## 7 CASH AND BANK BALANCES

|                        | Group   |         | Company |         |
|------------------------|---------|---------|---------|---------|
|                        | 2014    | 2013    | 2014    | 2013    |
|                        | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fixed deposits         | 110,767 | 74,306  | –       | –       |
| Cash and bank balances | 107,998 | 102,953 | 1,047   | 366     |
| Total                  | 218,765 | 177,259 | 1,047   | 366     |

Fixed deposits of the Group earn interest at rates ranging from 2.20% to 3.50% (2013 : 2.20% to 3.30%) per annum and for tenure of 180 days (2013 : 180 days).

The fixed deposits are pledged to secure short-term bank loans and discounted notes (Note 19), notes payable (Note 20) and certain performance guarantees provided by banks to its customers respectively.

# Notes to Financial Statements

December 31, 2014

## 8 OTHER FINANCIAL ASSETS

|                                      | Group   |         | Company |         |
|--------------------------------------|---------|---------|---------|---------|
|                                      | 2014    | 2013    | 2014    | 2013    |
|                                      | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Quoted equities, at fair value       | 569     | 466     | –       | –       |
| Other financial asset, at fair value | 62,900  | –       | –       | –       |
|                                      | 63,469  | 466     | –       | –       |

The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Other financial asset as of December 31, 2014 represents an investment product purchased from the Bank of China near the end of December 2014, for which the underlying funds are used by the bank to invest mainly in fixed income products such as government bonds, corporate bonds, money market funds, etc. The product is not capital protected, has no fixed tenure, is redeemable at any time and has an effective return of 2.3%. Subsequent to the end of the reporting date, the investment was fully redeemed by the Group and cash of RMB62,923,000 was received.

Changes in the fair value of the above assets, amounting to RMB190,000 (2013 : RMB144,000) have been included in profit or loss for the year.

## 9 TRADE RECEIVABLES

|                                                | Group    |          | Company |         |
|------------------------------------------------|----------|----------|---------|---------|
|                                                | 2014     | 2013     | 2014    | 2013    |
|                                                | RMB'000  | RMB'000  | RMB'000 | RMB'000 |
| Outside parties                                | 156,304  | 172,993  | –       | –       |
| Less: Allowance for doubtful trade receivables | (15,805) | (12,585) | –       | –       |
| Net                                            | 140,499  | 160,408  | –       | –       |

The average credit period on sales of goods and revenue from construction contracts is 360 days (2013 : 360 days). No interest is charged on the overdue trade receivables. The Group has made full allowance for all receivables over 3 years because historically receivables that are past due beyond 3 years are generally not recoverable. Allowance for trade receivables between 7 months to 3 years are made based on estimated irrecoverable amounts determined by reference to past default experience and current assessment of results of collection efforts and collection prospects.

As at December 31, 2014, trade receivables of approximately RMB36,667,000 (2013: RMB35,727,000) are pledged to secure short-term bank loans of RMB33,000,000 (2013: RMB30,000,000) (Note 19).

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB61,819,000 (2013 : RMB71,000,000) which are past due at the end of the reporting period for which the Group has not made any allowance 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. These past due receivables exceed credit terms by 3 months to 6 months (2013 : 4 months to 7 months).

Management has also assessed that balances that are not past due at the end of the reporting period to be collectible.

# Notes to Financial Statements

December 31, 2014

## 9 TRADE RECEIVABLES (cont'd)

The concentration of credit risk is limited due to the customer base being large and unrelated. As at December 31, 2013, one customer accounted for more than 10% of the total balance of trade receivables. An allowance of RMB2,100,000 had been made on the outstanding balance due from this customer for certain receivables aged between 7 to 18 months which were assessed by the directors to be uncollectible. This amount was fully collected during the year ended December 31, 2014.

Movement in the allowance for doubtful debts:

|                                             | Group   |         | Company |         |
|---------------------------------------------|---------|---------|---------|---------|
|                                             | 2014    | 2013    | 2014    | 2013    |
|                                             | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at beginning of the year            | 12,585  | 12,541  | –       | –       |
| Amounts recovered during the year (Note 36) | (2,100) | –       | –       | –       |
| Increase in allowance (Note 36)             | 5,320   | 44      | –       | –       |
| Balance at end of the year                  | 15,805  | 12,585  | –       | –       |

## 10 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

## 11 OTHER RECEIVABLES AND PREPAYMENTS

|                                                                    | Group   |         | Company |         |
|--------------------------------------------------------------------|---------|---------|---------|---------|
|                                                                    | 2014    | 2013    | 2014    | 2013    |
|                                                                    | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances to staff                                                  | 5,489   | 16,725  | –       | –       |
| Advances to suppliers                                              | 36,297  | 23,206  | –       | –       |
| Tax recoverable                                                    | 7,279   | 6,921   | –       | –       |
| Prepayments for land use rights (Note 18)                          | 516     | 453     | –       | –       |
| Deposits and other prepayments                                     | 7,167   | 11,020  | 169     | 38      |
| Others                                                             | 879     | 989     | 16      | 54      |
| Less: Allowance for doubtful other receivables – advances to staff | (1,329) | (780)   | –       | –       |
| Total                                                              | 56,298  | 58,534  | 185     | 92      |

Movement in the allowance for doubtful debts:

|                                                              | Group   |         | Company |         |
|--------------------------------------------------------------|---------|---------|---------|---------|
|                                                              | 2014    | 2013    | 2014    | 2013    |
|                                                              | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at beginning of the year                             | 780     | 780     | –       | –       |
| Increase in allowance recognised in profit or loss (Note 36) | 549     | –       | –       | –       |
| Balance at end of the year                                   | 1,329   | 780     | –       | –       |

# Notes to Financial Statements

December 31, 2014

## 12 CONSTRUCTION CONTRACTS

Construction contracts at end of the reporting period:

|                                                                     | Group     |           | Company |         |
|---------------------------------------------------------------------|-----------|-----------|---------|---------|
|                                                                     | 2014      | 2013      | 2014    | 2013    |
|                                                                     | RMB'000   | RMB'000   | RMB'000 | RMB'000 |
| Contract costs incurred plus recognised profits less losses to date | 580,439   | 415,999   | –       | –       |
| Less: Progress billings                                             | (510,903) | (322,420) | –       | –       |
| Net                                                                 | 69,536    | 93,579    | –       | –       |

## 13 INVENTORIES

|                  | Group   |         | Company |         |
|------------------|---------|---------|---------|---------|
|                  | 2014    | 2013    | 2014    | 2013    |
|                  | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Raw materials    | 14,823  | 12,367  | –       | –       |
| Finished goods   | 10,286  | 19,848  | –       | –       |
| Work-in-progress | 20,644  | –       | –       | –       |
| Total            | 45,753  | 32,215  | –       | –       |

## 14 PROPERTIES UNDER DEVELOPMENT

|                              | Group   |         | Company |         |
|------------------------------|---------|---------|---------|---------|
|                              | 2014    | 2013    | 2014    | 2013    |
|                              | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Properties under development | 384,543 | 286,013 | –       | –       |

During the year, interest capitalised for properties under development amounted to RMB6,698,000 (2013 : RMB15,788,000) (Note 34) based on a capitalisation rate of 6.5% (2013 : 6.5%).

## 15 INVESTMENT IN SUBSIDIARIES

|                                                   | Company |         |
|---------------------------------------------------|---------|---------|
|                                                   | 2014    | 2013    |
|                                                   | RMB'000 | RMB'000 |
| Unquoted equity shares, at cost                   | 60,414  | 60,414  |
| Allowance for impairment loss                     | (414)   | (414)   |
| Net carrying value of investments in subsidiaries | 60,000  | 60,000  |
| Movement in the allowance for impairment loss:    |         |         |
| Balance at beginning and end of the year          | 414     | 414     |

# Notes to Financial Statements

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## 15 INVESTMENT IN SUBSIDIARIES (cont'd)

Information relating to subsidiaries is as follows:

| Name of company                                                                                        | Country of incorporation/<br>Place of business        | Principal activities                                                                                                                                                                                                    | Effective equity interest and voting power held by the Group |           |
|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------|
|                                                                                                        |                                                       |                                                                                                                                                                                                                         | 2014<br>%                                                    | 2013<br>% |
| Aim Tech Network Investment Limited <sup>(1)</sup>                                                     | British Virgin Islands/<br>People's Republic of China | Investment holding                                                                                                                                                                                                      | 100                                                          | 100       |
| East Jade International Limited <sup>(1)</sup>                                                         | British Virgin Islands/<br>People's Republic of China | Investment holding                                                                                                                                                                                                      | 100                                                          | 100       |
| <u>Subsidiaries of Aim Tech Network Investment Limited</u>                                             |                                                       |                                                                                                                                                                                                                         |                                                              |           |
| Jiaxin East Jade Information Technology Infrastructure Investment Construction Co., Ltd <sup>(2)</sup> | People's Republic of China                            | Construction of telecommunications pipes network                                                                                                                                                                        | 100                                                          | 100       |
| Zhejiang Adison Network Construction Co., Ltd <sup>(2)</sup>                                           | People's Republic of China                            | Construction of telecommunications pipes network                                                                                                                                                                        | 100                                                          | 100       |
| Hangzhou Anterson Network Co., Ltd <sup>(2)</sup>                                                      | People's Republic of China                            | Construction of telecommunications pipes network                                                                                                                                                                        | 100                                                          | 100       |
| <u>Subsidiaries of East Jade International Limited</u>                                                 |                                                       |                                                                                                                                                                                                                         |                                                              |           |
| Zhejiang 8Telecom Technology Co., Ltd <sup>(2)</sup>                                                   | People's Republic of China                            | Sales and installation of communications materials, development service and consultation of computer science                                                                                                            | 100                                                          | 100       |
| Zhejiang 8Telecom Co., Ltd <sup>(2)</sup>                                                              | People's Republic of China                            | Manufacture and sales of underground telecommunications pipes, installation services for telecommunications engineering projects, manufacture and installation of telecommunications towers and other related products. | 100                                                          | 100       |
| Zhejiang Eight Adison Telecommunication Equipment Co., Ltd <sup>(2)</sup>                              | People's Republic of China                            | Manufacturing and selling of telecommunications equipment                                                                                                                                                               | 100                                                          | 100       |
| <u>Subsidiaries of Zhejiang 8Telecom Co., Ltd</u>                                                      |                                                       |                                                                                                                                                                                                                         |                                                              |           |
| Hangzhou Eight Adison Industrial Co., Ltd <sup>(2)</sup>                                               | People's Republic of China                            | Development and sale of office properties                                                                                                                                                                               | 100                                                          | 100       |

# Notes to Financial Statements

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## 15 INVESTMENT IN SUBSIDIARIES (cont'd)

| Name of company                                                    | Country of incorporation/<br>Place of business | Principal activities                                                                                                         | Effective equity interest and voting power held by the Group |           |
|--------------------------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------|
|                                                                    |                                                |                                                                                                                              | 2014<br>%                                                    | 2013<br>% |
| Hangzhou 8Telecom H-Tech Co., Ltd <sup>(2)</sup>                   | People's Republic of China                     | Manufacture, sales and set up of communications materials, plastics and other related products                               | 100                                                          | 100       |
| Hangzhou Bafang De Zhou Technology Co., Ltd <sup>(2) (3)</sup>     | People's Republic of China                     | Manage the Group's technology development and consulting services                                                            | 100                                                          | 100       |
| Guangzhou 8Telecom Communication Equipment Co., Ltd <sup>(2)</sup> | People's Republic of China                     | Design and manufacture telecommunication equipment & PVC pipes, and provide telecommunication technology consulting services | 100                                                          | 100       |
| Hangzhou Proud Wish Industry Co., Ltd <sup>(2)</sup>               | People's Republic of China                     | Network communications integrated systems design, development and property management                                        | 100                                                          | 100       |

- (1) Not required to be audited by law in country of incorporation. Reviewed by Deloitte & Touche LLP, Singapore for consolidation purposes.
- (2) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, registered in Shanghai, the People's Republic of China, for consolidation purposes.
- (3) Presently dormant.

## 16 INVESTMENT PROPERTIES

|                                                                                      | Group           |                 | Company         |                 |
|--------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                      | 2014<br>RMB'000 | 2013<br>RMB'000 | 2014<br>RMB'000 | 2013<br>RMB'000 |
| Balance at beginning of year                                                         | 186,260         | 182,330         | —               | —               |
| Transferred of property from property, plant and equipment (Note 17)                 | 6,536           | —               | —               | —               |
| Changes in fair value of transferred property included in other comprehensive income | 15,614          | —               | —               | —               |
| Changes in fair value included in profit or loss (Note 36)                           | (13,820)        | 3,930           | —               | —               |
| Balance at end of year                                                               | 194,590         | 186,260         | —               | —               |

The fair values of the Group's investment properties as at December 31, 2014 and December 31, 2013 have been determined on the basis of valuations carried out at the respective year end dates by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties and the capitalisation of the existing and reversionary rental income potential. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

# Notes to Financial Statements

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## 16 INVESTMENT PROPERTIES (cont'd)

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2014 are as follows:

|                | Commercial properties                                                                   | Office units                                                                    |
|----------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Description :  | Properties with mixture of commercial units, office units and car parks.                | Several office units in a 20-storey building.                                   |
| Location :     | 263 South Street, Yuhang, Hangzhou City, Zhejiang Province, People's Republic of China. | 508 Wensan Road, Hangzhou City, Zhejiang Province, People's Republic of China.  |
| Existing use : | Letting out of properties for rental income.                                            | Letting out of properties for rental income.                                    |
| Tenure :       | Leasehold (46 years from April 2010).                                                   | Leasehold (45 years from August 2006).<br>Leasehold (47 years from April 2004). |

|                                          | Level 1 | Level 2 | Level 3 | Fair value<br>as at<br>December 31,<br>2014 |
|------------------------------------------|---------|---------|---------|---------------------------------------------|
|                                          | RMB'000 | RMB'000 | RMB'000 | RMB'000                                     |
| <b>GROUP</b>                             |         |         |         |                                             |
| Investment properties located in the PRC | –       | –       | 194,590 | 194,590                                     |

|                                          | Level 1 | Level 2 | Level 3 | Fair value<br>as at<br>December 31,<br>2013 |
|------------------------------------------|---------|---------|---------|---------------------------------------------|
|                                          | RMB'000 | RMB'000 | RMB'000 | RMB'000                                     |
| <b>GROUP</b>                             |         |         |         |                                             |
| Investment properties located in the PRC | –       | –       | 186,260 | 186,260                                     |

# Notes to Financial Statements

December 31, 2014

## 16 INVESTMENT PROPERTIES (cont'd)

The following table shows the significant unobservable inputs used in the valuation model:

| Description           | Fair value<br>as at<br>December 31,<br>2014<br>RMB'000 | Valuation<br>technique(s)   | Significant<br>unobservable<br>input(s)              | Range                    |
|-----------------------|--------------------------------------------------------|-----------------------------|------------------------------------------------------|--------------------------|
| Commercial properties | 173,560                                                | Direct comparison<br>method | price per square meter <sup>(1)</sup>                | RMB13,560 -<br>RMB18,870 |
|                       |                                                        | Investment method           | long-term net rental<br>income margin <sup>(1)</sup> | 75%                      |
|                       |                                                        |                             | capitalisation rate <sup>(2)</sup>                   | 4.5%-5.0%                |
| Office units          | 21,030                                                 | Direct comparison<br>method | price per square meter <sup>(1)</sup>                | RMB17,360 -<br>RMB17,530 |
|                       |                                                        | Investment method           | long-term net rental<br>income margin <sup>(1)</sup> | 75%                      |
|                       |                                                        |                             | capitalisation rate <sup>(2)</sup>                   | 4.5%-5.5%                |
| Total                 | <u>194,590</u>                                         |                             |                                                      |                          |
| Description           | Fair value<br>as at<br>December 31,<br>2013<br>RMB'000 | Valuation<br>technique(s)   | Significant<br>unobservable<br>input(s)              | Range                    |
| Commercial properties | <u>186,260</u>                                         | Direct comparison<br>method | price per square meter <sup>(1)</sup>                | RMB18,000-<br>RMB18,500  |
|                       |                                                        | Investment method           | long-term net rental<br>income margin <sup>(1)</sup> | 72%                      |
|                       |                                                        |                             | capitalisation rate <sup>(2)</sup>                   | 4.5%-5.5%                |

(1) Any increases/decreases in these inputs would result in higher/lower fair values measurement respectively.

(2) Any increases/decreases in these inputs would result in lower/higher fair values measurement respectively.

The rental income earned by the Group from its investment properties under operating leases amounted to approximately RMB7,877,000 (2013 : RMB6,640,000). Direct operating expenses incurred in connection with the investment properties during the year amounted to RMB602,000 (2013 : RMB985,000).

The Group has pledged investment properties with aggregate fair value of RMB194,590,000 (2013 : RMB186,260,000) to secure short-term bank loans (Note 19) and long term bank loans (Note 24) granted to the Group.

# Notes to Financial Statements

December 31, 2014

## 17 PROPERTY, PLANT AND EQUIPMENT

|                                   | Buildings | Machinery | Motor<br>vehicles | Fixtures<br>and<br>equipment | Construction-<br>in-progress | Total    |
|-----------------------------------|-----------|-----------|-------------------|------------------------------|------------------------------|----------|
|                                   | RMB'000   | RMB'000   | RMB'000           | RMB'000                      | RMB'000                      | RMB'000  |
| <b>Group</b>                      |           |           |                   |                              |                              |          |
| Cost:                             |           |           |                   |                              |                              |          |
| At January 1, 2013                | 57,736    | 42,435    | 6,103             | 4,451                        | 17,374                       | 128,099  |
| Additions                         | 226       | 2,466     | 2,673             | 187                          | 8,176                        | 13,728   |
| Transfer                          | 25,357    | –         | –                 | –                            | (25,357)                     | –        |
| Disposals                         | (2,452)   | (12,927)  | (669)             | (53)                         | –                            | (16,101) |
| At December 31, 2013              | 80,867    | 31,974    | 8,107             | 4,585                        | 193                          | 125,726  |
| Additions                         | 313       | 4,418     | 746               | 185                          | 6,284                        | 11,946   |
| Transfer to investment properties | (10,537)  | –         | –                 | –                            | –                            | (10,537) |
| Disposals                         | –         | –         | (178)             | (38)                         | –                            | (216)    |
| At December 31, 2014              | 70,643    | 36,392    | 8,675             | 4,732                        | 6,477                        | 126,919  |
| Accumulated depreciation:         |           |           |                   |                              |                              |          |
| At January 1, 2013                | 15,199    | 22,280    | 3,673             | 3,590                        | –                            | 44,742   |
| Depreciation for the year         | 2,424     | 2,722     | 920               | 231                          | –                            | 6,297    |
| Disposals                         | (1,474)   | (12,816)  | (325)             | (49)                         | –                            | (14,664) |
| At December 31, 2013              | 16,149    | 12,186    | 4,268             | 3,772                        | –                            | 36,375   |
| Depreciation for the year         | 3,551     | 2,815     | 1,039             | 233                          | –                            | 7,638    |
| Transfer to investment properties | (4,001)   | –         | –                 | –                            | –                            | (4,001)  |
| Disposals                         | –         | –         | (128)             | (35)                         | –                            | (163)    |
| At December 31, 2014              | 15,699    | 15,001    | 5,179             | 3,970                        | –                            | 39,849   |
| Carrying amount:                  |           |           |                   |                              |                              |          |
| At December 31, 2013              | 64,718    | 19,788    | 3,839             | 813                          | 193                          | 89,351   |
| At December 31, 2014              | 54,944    | 21,391    | 3,496             | 762                          | 6,477                        | 87,070   |

Buildings with carrying amount of approximately RMB54,944,000 (2013 : RMB31,335,000) are pledged to secure short-term bank loans (Note 19).

# Notes to Financial Statements

December 31, 2014

## 18 PREPAYMENTS

|                                          | Group<br>RMB'000 | Company<br>RMB'000 |
|------------------------------------------|------------------|--------------------|
| Cost:                                    |                  |                    |
| At January 1, 2013 and December 31, 2013 | 23,564           | –                  |
| Additions                                | 13,472           | –                  |
| Disposal                                 | (10,958)         | –                  |
| At December 31, 2014                     | 26,078           | –                  |
| Accumulated amortisation:                |                  |                    |
| At January 1, 2013                       | 3,230            | –                  |
| Amortisation for the year                | 453              | –                  |
| At December 31, 2013                     | 3,683            | –                  |
| Amortisation for the year                | 524              | –                  |
| Disposal                                 | (515)            | –                  |
| At December 31, 2014                     | 3,692            | –                  |
| Carrying amount:                         |                  |                    |
| At December 31, 2013                     |                  |                    |
| - Current (Note 11)                      | 453              | –                  |
| - Non-current                            | 19,428           | –                  |
|                                          | 19,881           | –                  |
| At December 31, 2014                     |                  |                    |
| - Current (Note 11)                      | 516              | –                  |
| - Non-current                            | 21,870           | –                  |
|                                          | 22,386           | –                  |

The prepayments are for land use rights.

Land use rights with carrying amount of approximately RMB22,386,000 (2013 : RMB4,195,000) are pledged to secure short-term bank loans (Note 19).

## 19 SHORT-TERM BANK BORROWINGS

|                  | Group           |                 | Company         |                 |
|------------------|-----------------|-----------------|-----------------|-----------------|
|                  | 2014<br>RMB'000 | 2013<br>RMB'000 | 2014<br>RMB'000 | 2013<br>RMB'000 |
| Bank loans       | 254,300         | 270,800         | –               | –               |
| Discounted notes | 97,860          | 31,000          | –               | –               |
| Total            | 352,160         | 301,800         | –               | –               |

As at December 31, 2014, the bank loans bear market interest rates ranging from 5.88% to 6.90% (2013 : 6.15% to 6.90%) per annum. Bank loans of RMB25,000,000 (2013 : RMB41,000,000) are contracted with interest rates which are referenced to the rate quoted by the People's Bank of China and are subject to revision. Interest rates for other bank loans are fixed at the inception of the loans. The bank loans are repayable within a year and secured by charges over certain fixed deposits (Note 7), trade receivables (Note 9), investment properties (Note 16), buildings (Note 17), land use rights (Note 18), and/or covered by guarantees from a director and his associate (Note 6) and a related party (Note 6).

# Notes to Financial Statements

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## 19 SHORT-TERM BANK BORROWINGS (cont'd)

Certain bank borrowings relate to notes discounted by banks in connection with trade transactions between related companies within the Group. Discounted notes have a maturity period of 180 days (2013: 180 days) and are secured by fixed deposits (Note 7). The interest rates earned by the pledged deposits range from 2.4% to 3.2% (2013 : 2.6% to 3.0%) per annum, while the interest rates on the discounted notes range from 5.2% to 6.2% (2013 : 5.5 % to 6.1%) per annum.

As at December 31, 2014, the total amount of notes discounted by banks relating to trade transactions between two related companies is approximately RMB97,860,000 (2013 : RMB31,000,000).

The following is an analysis of borrowings arising from the notes issued and subsequently discounted by the Group, presented based on remaining contractual period at the end of the reporting period:

|                      | Group   |         |
|----------------------|---------|---------|
|                      | 2014    | 2013    |
|                      | RMB'000 | RMB'000 |
| Discounted Notes     |         |         |
| <90 days             | 60,000  | —       |
| >90 days to 180 days | 37,860  | 31,000  |
| Total                | 97,860  | 31,000  |

## 20 TRADE PAYABLES

|                 | Group   |         | Company |         |
|-----------------|---------|---------|---------|---------|
|                 | 2014    | 2013    | 2014    | 2013    |
|                 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Outside parties | 71,473  | 67,586  | —       | —       |
| Notes payable   | 43,254  | 15,254  | —       | —       |
| Total           | 114,727 | 82,840  | —       | —       |

As at December 31, 2014,

- (a) notes payable of RMB43,254,000 (2013 : RMB15,254,000) were secured by certain fixed deposits (Note 7) of the Group; and
- (b) all notes payable are non-interest bearing.

The average credit period on purchases of goods is 3 months (2013 : 3 months). No interest is charged on the outstanding trade payables.

# Notes to Financial Statements

December 31, 2014

## 21 OTHER PAYABLES AND ACCRUED EXPENSES

|                                                                | Group   |         | Company |         |
|----------------------------------------------------------------|---------|---------|---------|---------|
|                                                                | 2014    | 2013    | 2014    | 2013    |
|                                                                | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances from customers                                        | 7,758   | 7,294   | –       | –       |
| Accrued expenses                                               | 23,621  | 19,202  | 759     | 532     |
| Accrued costs for construction of properties under development | 29,720  | –       | –       | –       |
| Due to directors                                               | –       | –       | –       | 7,830   |
| Tax payable                                                    | 11,010  | 9,270   | –       | –       |
| Deposits from suppliers                                        | 7,294   | 7,686   | –       | –       |
| Payable to staff                                               | 2,092   | 1,132   | –       | –       |
| Outside parties                                                | 8,694   | 5,687   | 3       | –       |
| Total                                                          | 90,189  | 50,271  | 762     | 8,362   |

As at December 31, 2014 and 2013, the amounts due to outside parties and payables to staff are unsecured, interest-free and repayable on demand. Tax payable mainly pertains to value-added taxes payable to the tax authorities.

As at December 31, 2013, the amounts due to directors were unsecured, interest-free and repayable on demand.

## 22 PROVISION FOR LAND APPRECIATION TAX

Pursuant to the laws and regulations in the PRC, all income earned from the sale of state-owned land, buildings and associated structures are subject to land appreciation tax ("LAT"). Progressive tax rates ranging from 30% to 60% are applicable to the appreciation on land value, calculated as the sales value of the completed properties less deductible cost.

The provision at the end of the financial year ended December 31, 2014 and December 31, 2013 represents the LAT provision which the Group is required to make on the sale of properties.

# Notes to Financial Statements

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## 23 DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

|                                                                                                                   | Group   |         |
|-------------------------------------------------------------------------------------------------------------------|---------|---------|
|                                                                                                                   | 2014    | 2013    |
|                                                                                                                   | RMB'000 | RMB'000 |
| <u>Deferred tax liability arising from temporary differences <sup>(1)</sup></u>                                   |         |         |
| At beginning of year                                                                                              | 23,630  | 21,431  |
| Charge to profit or loss for the year*                                                                            | –       | 2,199   |
| At end of year                                                                                                    | 23,630  | 23,630  |
| <u>Deferred tax asset arising from provision for land appreciation tax <sup>(2)</sup></u>                         |         |         |
| At beginning and end of year                                                                                      | (9,069) | (9,069) |
| <u>Deferred tax liabilities arising from land appreciation and changes in fair value of investment properties</u> |         |         |
| At beginning of year                                                                                              | 41,491  | 39,330  |
| Charge to comprehensive income for the year <sup>(3)</sup>                                                        | 8,888   | –       |
| (Credit) Charge to profit or loss for the year in respect of land appreciation tax of investment properties*      | (5,657) | 1,572   |
| (Credit) Charge to profit or loss for the year in respect of changes in fair value of investment properties*      | (1,986) | 589     |
| At end of year                                                                                                    | 42,736  | 41,491  |
| * Net deferred tax (credit) charge for the year (Note 35)                                                         | (7,643) | 4,360   |

Certain deferred tax assets and liabilities have been offset in accordance with the Group accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

|                          | Group   |         |
|--------------------------|---------|---------|
|                          | 2014    | 2013    |
|                          | RMB'000 | RMB'000 |
| Deferred tax liabilities | 66,366  | 65,121  |
| Deferred tax asset       | (9,069) | (9,069) |
|                          | 57,297  | 56,052  |

- (1) Pertains to deferred tax liability arising from the temporary differences associated with the undistributed earnings of subsidiaries incorporated in People's Republic of China ("PRC") which would be subject to PRC withholding tax if remitted out of PRC.
- (2) Pertains to deferred tax benefit on recognition of land appreciation tax as a tax-deductible expense, deductible in future years' taxable income.
- (3) Pertains to deferred tax arising from fair value gain of property, plant and equipment which were reclassified to investment properties during the year.

# Notes to Financial Statements

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## 24 LONG TERM BANK LOANS

|            | Group   |         | Company |         |
|------------|---------|---------|---------|---------|
|            | 2014    | 2013    | 2014    | 2013    |
|            | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank loans | 101,600 | 59,000  | –       | –       |

As at December 31, 2014, bank loans amounting to RMB57,000,000 bear interest at 6.15% per annum and are repayable in September 2016. The remaining loan of RMB44,600,000 bear interest at 6.30% per annum and are repayable from June 2016 to December 2017. The interest rate is referenced to the rate quoted by the People's Bank of China and is subjected to revision.

As at December 31, 2013, bank loans amounting to RMB59,000,000 bear interest at 6.15% per annum. RMB2,000,000 is repayable in September 2015, while the remaining RMB57,000,000 is repayable in September 2016. The interest rate is referenced to the rate quoted by the People's Bank of China and is subjected to revision.

The bank loans are secured by charges over the Group's investment properties (Note 16), properties under development (Note 14) and guarantees from a director, his associate and a related party (Note 6).

The directors estimate that the carrying amounts of the bank loans approximate their fair values as the directors expect the borrowing rates to be similar to those made available to the Group at the end of the reporting period.

## 25 ISSUED CAPITAL

|                    | Group and Company                             |               |         |         |
|--------------------|-----------------------------------------------|---------------|---------|---------|
|                    | 2014                                          | 2013          | 2014    | 2013    |
|                    | Number of ordinary shares of<br>US\$0.02 each |               | RMB'000 | RMB'000 |
| Authorised         | 5,000,000,000                                 | 5,000,000,000 | 828,650 | 828,650 |
| Issued and paid up | 478,904,250                                   | 478,904,250   | 79,369  | 79,369  |

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

## 26 TREASURY SHARES

|                                          | Group and Company                             |            |         |         |
|------------------------------------------|-----------------------------------------------|------------|---------|---------|
|                                          | 2014                                          | 2013       | 2014    | 2013    |
|                                          | Number of ordinary shares of<br>US\$0.02 each |            | RMB'000 | RMB'000 |
| Balance at beginning and end of the year | 15,750,000                                    | 15,750,000 | 12,883  | 12,883  |

## 27 SHARE PREMIUM

The share premium relates to the issue of shares at a premium to par value of US\$0.02 per share pursuant to its initial public offer during the financial year ended December 31, 2004.

# Notes to Financial Statements

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## 28 OTHER RESERVES

Pursuant to the laws and regulations in the PRC, certain subsidiaries of the Group are required to make appropriation from profit after income tax at rates determined by the board of directors.

These companies are required to make appropriation from profit after income tax as reported in the PRC statutory financial statements to statutory surplus reserve at rates determined by the board of directors.

The statutory surplus reserve fund may be used to make up losses incurred and, with approval from relevant government authority, to increase capital for expansion of production.

## 29 CAPITAL RESERVE

The capital reserve represents the excess of consideration over the value of the assets and liabilities acquired, relating to the acquisition of the remaining 10% of equity interest in Hangzhou Adison Industry Co., Ltd from the non-controlling shareholder during the financial year ended December 31, 2008.

## 30 SHARE-BASED PAYMENT RESERVE

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

## 31 ASSET REVALUATION RESERVE

The asset revaluation reserve arose from upward revaluation of properties, based on the fair valuation provided by an independent valuer, DTZ Debenham Tie Leung International Property Advisor. Fair value was determined by making reference to both the comparable sales transactions as available in the relevant market of these properties and the capitalisation of the existing and reversionary rental income potential. These properties were reclassified as investment properties in 2011.

During the year ended December 31, 2014, additional properties previously classified as property, plant and equipment were reclassified as investment properties as these properties were leased out in 2014 under a long term lease. The asset revaluation reserve is not available for dividend distribution.

## 32 REVENUE

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2014           | 2013           |
|                                     | RMB'000        | RMB'000        |
| Sale of goods                       | 66,034         | 75,655         |
| Revenue from construction contracts | 488,945        | 345,900        |
| Revenue from rental of properties   | 7,877          | 6,640          |
|                                     | <u>562,856</u> | <u>428,195</u> |

# Notes to Financial Statements

December 31, 2014

## 33 OTHER OPERATING INCOME

|                             | Group   |         |
|-----------------------------|---------|---------|
|                             | 2014    | 2013    |
|                             | RMB'000 | RMB'000 |
| Rental income               | 10      | 268     |
| Sale of raw materials       | 227     | 401     |
| Interest income             | 1,137   | 848     |
| Government grants           | 3,071   | 1,312   |
| Foreign exchange gain – net | 81      | –       |
| Others                      | (159)   | –       |
| Total                       | 4,367   | 2,829   |

## 34 FINANCE COSTS

|                                                                     | Group   |          |
|---------------------------------------------------------------------|---------|----------|
|                                                                     | 2014    | 2013     |
|                                                                     | RMB'000 | RMB'000  |
| Bank interest                                                       | 22,868  | 18,694   |
| Interests on discounted notes                                       | 1,616   | 3,075    |
| Less: Capitalised as cost of properties under development (Note 14) | (6,698) | (15,788) |
|                                                                     | 17,786  | 5,981    |

## 35 INCOME TAX (CREDIT) EXPENSE

|                                | Group   |         |
|--------------------------------|---------|---------|
|                                | 2014    | 2013    |
|                                | RMB'000 | RMB'000 |
| Income tax                     |         |         |
| - Current tax                  | 7,035   | 4,930   |
| - Overprovision in prior years | (1,430) | (1,516) |
| Deferred tax (Note 23)         | (7,643) | 4,360   |
| Net                            | (2,038) | 7,774   |

The domestic PRC income tax is calculated at 25% (2013 : 25%) of the estimated assessable profit for the year.

# Notes to Financial Statements

December 31, 2014

## 35 INCOME TAX (CREDIT) EXPENSE (cont'd)

The total (credit) charge for the year can be reconciled to the accounting profit as follows:

|                                                                                                                      | Group   |         |
|----------------------------------------------------------------------------------------------------------------------|---------|---------|
|                                                                                                                      | 2014    | 2013    |
|                                                                                                                      | RMB'000 | RMB'000 |
| Profit before income tax                                                                                             | 6,001   | 24,937  |
| Tax at PRC's statutory income tax rate of 25%                                                                        | 1,500   | 6,234   |
| Non-allowable items                                                                                                  | 4,425   | 1,703   |
| Tax concession                                                                                                       | (2,867) | (3,932) |
| Overprovision in prior years                                                                                         | (1,430) | (1,516) |
| Deferred tax arising from temporary differences associated with the undistributed earnings of subsidiaries (Note 23) | –       | 2,199   |
| Deferred tax and land appreciation tax on investment properties                                                      | (8,992) | 2,554   |
| Effect of tax deduction on deferred tax and land appreciation on investment properties                               | 1,349   | (393)   |
| Effect of tax loss not recognised as deferred tax asset                                                              | 3,579   | 621     |
| Others                                                                                                               | 398     | 304     |
| Net                                                                                                                  | (2,038) | 7,774   |

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

Under the EIT law, except for certain qualifying small-scale/small-profit enterprises and hi-tech enterprises (which are subject to EIT rates of 20% and 15%, respectively), the general applicable EIT rate in the PRC is 25%. The Group's wholly-owned subsidiary, Zhejiang 8Telecom Co., Ltd, qualifies as a high-tech enterprise and is being taxed at a rate of 15% for the current year (2013 : 15%).

Pursuant to PRC tax regulations, at the end of the reporting period, the Group has unutilised tax losses of approximately RMB19,270,000 (2013 : RMB4,954,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward for 5 years from the year after the losses are incurred, subject to the conditions imposed by law including the retention of majority shareholders as defined.

# Notes to Financial Statements

December 31, 2014

## 36 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

|                                                                      | Group   |         |
|----------------------------------------------------------------------|---------|---------|
|                                                                      | 2014    | 2013    |
|                                                                      | RMB'000 | RMB'000 |
| Depreciation and amortisation expense <sup>(1)</sup>                 | 8,217   | 6,805   |
| Staff costs (including directors' and key management's remuneration) | 28,876  | 37,521  |
| Cost of defined contribution included in total staff costs           | 2,124   | 2,686   |
| Cost of inventories recognised as expenses                           | 158,699 | 115,793 |
| Audit fees                                                           | 1,799   | 1,840   |
| Non-audit fees                                                       | 24      | –       |
| Interest income                                                      | (1,137) | (848)   |
| Government grants                                                    | (3,071) | (1,312) |
| Foreign exchange (gain) loss – net                                   | (81)    | 269     |
| Research costs <sup>(2)</sup>                                        | 30,167  | 24,094  |
| Doubtful trade receivables recovered                                 | (2,100) | –       |
| Allowance for doubtful trade receivables                             | 5,320   | 44      |
| Allowance for doubtful other receivables                             | 549     | –       |
| Change in fair value of other financial assets                       | (190)   | (144)   |
| Loss on disposal of property, plant and equipment                    | 25      | 1,155   |
| Loss (Gain) on fair valuation of investment properties               | 13,820  | (3,930) |

(1) Depreciation and amortisation expense, which includes depreciation charges for property, plant and equipment and amortisation charges for intangible assets and land use rights, is included in cost of sales, selling and administrative expenses.

(2) Research costs are included in administrative expenses.

## 37 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the Group's profit after income tax of RMB8,039,000 (2013 : RMB17,163,000) divided by the number of ordinary shares of 463,154,250 (2013 : 463,154,250) in issue during the year, excluding treasury shares.

Fully diluted earnings per ordinary share is the same as basic earnings per ordinary shares as there is no dilutive shares outstanding at the end of the financial years ended December 31, 2014 and December 31, 2013.

# Notes to Financial Statements

December 31, 2014

## 38 CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

|                                                                                             | Group         |                |
|---------------------------------------------------------------------------------------------|---------------|----------------|
|                                                                                             | 2014          | 2013           |
|                                                                                             | RMB'000       | RMB'000        |
| Contracted for future capital expenditure but not provided for in the financial statements: |               |                |
| - contracted cost in relation to properties under development (Note 14)                     | 36,457        | 210,000        |
| - contracted cost in relation to construction-in-progress (Note 17)                         | 16,800        | 4,000          |
|                                                                                             | <u>53,257</u> | <u>214,000</u> |

## 39 CONTINGENT LIABILITIES

|                                                       | Group        |              |
|-------------------------------------------------------|--------------|--------------|
|                                                       | 2014         | 2013         |
|                                                       | RMB'000      | RMB'000      |
| Potential additional tax relating to transfer pricing | <u>8,097</u> | <u>8,097</u> |

There is exposure to potential additional tax payable if the transfer pricing policy for transactions between entities within the Group is not agreed to by the PRC tax authority. The directors are of the opinion that such tax exposure, if any, and the related liabilities are uncertain. In accordance with IAS 37 *Provision, Contingent Liabilities and Contingent Assets*, such potential obligations are estimated and disclosed as contingent liabilities.

## 40 OPERATING LEASE COMMITMENTS

The Group as lessee

|                                                                                    | Group      |              |
|------------------------------------------------------------------------------------|------------|--------------|
|                                                                                    | 2014       | 2013         |
|                                                                                    | RMB'000    | RMB'000      |
| Minimum lease payments under operating leases recognised as an expense in the year | <u>860</u> | <u>1,546</u> |

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are fixed for the duration of the leases.

At the end of the reporting period, the Group had commitments in respect of operating non-cancellable operating leases for office premises with a term of more than one year are as follows:

|                          | Group        |            |
|--------------------------|--------------|------------|
|                          | 2014         | 2013       |
|                          | RMB'000      | RMB'000    |
| Within one year          | 523          | 210        |
| Within two to five years | 703          | –          |
| After fifth years        | 12           | –          |
|                          | <u>1,238</u> | <u>210</u> |

# Notes to Financial Statements

December 31, 2014

## 40 OPERATING LEASE COMMITMENTS (cont'd)

### The Group as lessor

The Group lease out its investment properties with lease terms of between 2 to 10 years (2013: 2 to 7 years). The lessees do not have an option to purchase the properties at the expiry of the lease period.

Rental income earned by the Group from its investment properties and direct operating expenses arising on the investment properties for the year are set out in Note 16.

At the end of the reporting period, the Group had commitments in respect of operating non-cancellable operating leases for its investment properties as follows:

|                          | Group         |               |
|--------------------------|---------------|---------------|
|                          | 2014          | 2013          |
|                          | RMB'000       | RMB'000       |
| Within one year          | 8,367         | 6,602         |
| Within two to five years | 22,140        | 20,514        |
| More than five years     | 3,297         | 6,199         |
|                          | <u>33,804</u> | <u>33,315</u> |

## 41 DIVIDENDS

The final dividend of \$0.00114 per share (amounting to approximately RMB2,559,000 for the financial year ended December 31, 2012) has been paid to shareholders during the financial year ended December 31, 2013.

The final dividend of \$0.00120 per share (amounting to approximately RMB2,768,000 for the financial year ended December 31, 2013) has been paid to shareholders during the financial year ended December 31, 2014.

Subsequent to December 31, 2014, the directors of the Company recommended a final dividend and special dividend be paid at S\$0.00130 per share each (equivalent to approximately RMB5,588,000 in total) for the financial year just ended on the ordinary shares of the Company. The proposed dividends are not accrued as a liability for the current financial year in accordance with IAS 10 - *Events After The Reporting Period*.

## 42 SEGMENT INFORMATION

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### (i) Business segments

The Group is currently primarily engaged in six business segments namely, telecommunications pipes, telecommunications engineering services, telecommunications and other towers, computer integrated system, property development and others.

# Notes to Financial Statements

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December 31, 2014

## 42 SEGMENT INFORMATION

### (i) Business segments (cont'd)

Principal activities are as follows:

|                                         |                                                                             |
|-----------------------------------------|-----------------------------------------------------------------------------|
| Telecommunications pipes                | - manufacture and selling of communications materials                       |
| Telecommunications engineering services | - installation services for various telecommunications engineering products |
| Telecommunications and other towers     | - manufacture and installation of telecommunications and other towers       |
| Computer integrated system              | - design, integration and installation of hardware and software             |
| Property                                | - development, sale and rental of properties                                |
| Others                                  | - investment holding                                                        |

#### Segment revenue and expenses

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

#### Segment assets and liabilities

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

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

# Notes to Financial Statements

December 31, 2014

## 43 SEGMENT INFORMATION (cont'd)

### (i) Business segments (cont'd)

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

|                                                        | Tele-communications pipes |         | Tele-communications engineering services |         | Tele-communications and other towers |         | Computer integrated system |         | Property |         | Others  |         | Total     |           |
|--------------------------------------------------------|---------------------------|---------|------------------------------------------|---------|--------------------------------------|---------|----------------------------|---------|----------|---------|---------|---------|-----------|-----------|
|                                                        | 2014                      | 2013    | 2014                                     | 2013    | 2014                                 | 2013    | 2014                       | 2013    | 2014     | 2013    | 2014    | 2013    | 2014      | 2013      |
|                                                        | RMB'000                   | RMB'000 | RMB'000                                  | RMB'000 | RMB'000                              | RMB'000 | RMB'000                    | RMB'000 | RMB'000  | RMB'000 | RMB'000 | RMB'000 | RMB'000   | RMB'000   |
| Revenue from external customers                        | 66,034                    | 75,660  | 154,025                                  | 127,510 | 334,920                              | 218,385 | -                          | -       | 7,877    | 6,640   | -       | -       | 562,856   | 428,195   |
| Results:                                               |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         |           |           |
| Segment results                                        | 3,156                     | 926     | 3,249                                    | 4,354   | 33,425                               | 28,875  | -                          | -       | 5,581    | 3,206   | -       | -       | 45,411    | 37,361    |
| Unallocated corporate expenses                         |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | (7,804)   | (10,373)  |
| (Loss) Gain on fair valuation of investment properties | -                         | -       | -                                        | -       | -                                    | -       | -                          | -       | (13,820) | 3,930   | -       | -       | (13,820)  | 3,930     |
| Finance costs                                          |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | (17,786)  | (5,981)   |
| Profit before income tax                               |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | 6,001     | 24,937    |
| Income tax credit (expense)                            |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | 2,038     | (7,774)   |
| Profit for the year                                    |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | 8,039     | 17,163    |
| Assets:                                                |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         |           |           |
| Segment assets                                         | 233,238                   | 215,258 | 143,736                                  | 134,663 | 465,535                              | 345,542 | -                          | 2,807   | 347,133  | 334,494 | 93,465  | 30,154  | 1,283,107 | 1,062,918 |
| Unallocated corporate assets                           |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | -         | 41,364    |
| Consolidated total assets                              |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | 1,283,107 | 1,104,282 |
| Liabilities:                                           |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         |           |           |
| Segment liabilities                                    | 92,132                    | 64,745  | 45,988                                   | 40,120  | 199,759                              | 113,180 | -                          | 188     | 110,025  | 46,142  | 304,439 | 205,089 | 752,343   | 469,464   |
| Unallocated corporate liabilities                      |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | -         | 116,051   |
| Consolidated total liabilities                         |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         | 752,343   | 585,515   |
| Other information:                                     |                           |         |                                          |         |                                      |         |                            |         |          |         |         |         |           |           |
| Capital expenditure                                    | 731                       | 10,668  | 35                                       | 163     | 23,470                               | 46      | -                          | -       | 167      | 2,686   | 745     | 165     | 25,148    | 13,728    |
| Depreciation and amortisation expense                  | 2,875                     | 3,168   | 78                                       | 744     | 2,627                                | 2,084   | -                          | -       | 782      | 462     | 1,855   | 347     | 8,217     | 6,805     |
| Other non-cash expenses <sup>1</sup>                   | 1,860                     | 239     | 312                                      | -       | 3,722                                | -       | -                          | -       | -        | 68      | -       | 892     | 5,894     | 1,199     |

1 Other non-cash expenses pertain to allowance for doubtful trade and non-trade receivables and changes in fair value of other financial assets.

# Notes to Financial Statements

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December 31, 2014

## **43 SEGMENT INFORMATION (cont'd)**

### (ii) Geographical segments

All assets, operations and customers of the Group are substantially located in PRC.

#### **Information about major customers**

There is no single customer which contributes 10% or more of the revenue in 2014 and 2013 respectively.

## **44 EVENTS AFTER THE REPORTING PERIOD**

On March 25, 2015, the Company announced that it intends to undertake a share consolidation exercise to consolidate every five existing ordinary shares (including treasury shares) into 1 consolidated share. This share consolidation exercise is subject to approval by shareholders at the Annual General Meeting. The share consolidation is not expected to have any impact on the issued and paid-up capital of the Company.

# Shareholdings Statistics

As at March 16, 2015

|                                                |   |                                  |
|------------------------------------------------|---|----------------------------------|
| Authorised share capital                       | : | US\$100,000,000                  |
| Issued and fully paid up capital               | : | US\$9,578,085                    |
| Class of shares                                | : | Ordinary shares of US\$0.02 each |
| Voting rights                                  | : | One vote per ordinary share      |
| No. of issued shares                           | : | 478,904,250                      |
| No. of issued shares excluding treasury shares | : | 463,154,250                      |
| No. of treasury shares                         | : | 15,750,000                       |
| Percentage of treasury shares                  | : | 3.40%                            |

## DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2015

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | %      | NO. OF SHARES | %      |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 99                | 2                   | 0.18   | 50            | 0.00   |
| 100 - 1,000           | 28                  | 2.56   | 27,950        | 0.01   |
| 1,001 - 10,000        | 449                 | 41.04  | 1,995,000     | 0.43   |
| 10,001 - 1,000,000    | 595                 | 54.39  | 49,094,300    | 10.60  |
| 1,000,001 and above   | 20                  | 1.83   | 412,036,950   | 88.96  |
|                       | 1,094               | 100.00 | 463,154,250   | 100.00 |

\* Shareholdings exclusive of 15,750,000 treasury shares

## TOP TWENTY HOLDERS OF SHARES AS AT 16 MARCH 2015

|    | SHAREHOLDER'S NAME                 | NO OF SHARES | %     |
|----|------------------------------------|--------------|-------|
| 1  | MANFAITH INVESTMENTS LTD           | 271,232,250  | 58.56 |
| 2  | RAFFLES NOMINEES (PTE) LTD         | 40,955,000   | 8.84  |
| 3  | KGI FRASER SECURITIES PTE LTD      | 31,225,000   | 6.74  |
| 4  | YE TIANYUN                         | 14,479,000   | 3.13  |
| 5  | DBS NOMINEES PTE LTD               | 13,645,000   | 2.95  |
| 6  | ASDEW ACQUISITIONS PTE LTD         | 7,606,700    | 1.64  |
| 7  | TAN KIA HONG                       | 5,552,000    | 1.20  |
| 8  | YAP CHIN KOK                       | 4,295,000    | 0.93  |
| 9  | MAYBANK KIM ENG SECURITIES PTE LTD | 3,568,000    | 0.77  |
| 10 | PHEE CHENG KOON                    | 3,520,000    | 0.76  |
| 11 | RHB SECURITIES SINGAPORE PTE LTD   | 3,179,000    | 0.69  |
| 12 | LIE TJOEI TJOE                     | 2,660,000    | 0.57  |
| 13 | OCBC SECURITIES PRIVATE LTD        | 2,294,000    | 0.50  |
| 14 | KWA CHING TZE                      | 1,898,000    | 0.41  |
| 15 | GAY SOON WATT                      | 1,287,000    | 0.28  |
| 16 | CHAN SOH KWAN CECILIA              | 1,200,000    | 0.26  |
| 17 | PUK SOH KWAN                       | 1,200,000    | 0.26  |
| 18 | NG BOON GUAT                       | 1,141,000    | 0.25  |
| 19 | WANG JUNG HSIN                     | 1,100,000    | 0.24  |
| 20 | JADE PROJECTS PTE LTD              | 920,000      | 0.20  |
|    | Total                              | 412,956,950  | 89.18 |

Notes:

The percentages are computed based on 463,154,250 ordinary shares, excluding treasury shares, as at 16 March 2015.

# Shareholdings Statistics

As at March 16, 2015

## SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2015

| Name of substantial shareholders |                           | No. of shares in which substantial shareholder has a direct interest | No. of shares in which substantial shareholder is deemed to have an interest |
|----------------------------------|---------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------|
| 1                                | Manfaith Investments Ltd. | 271,232,250                                                          | 60,980,000 <sup>(1)</sup>                                                    |
| 2                                | Ye Tianyun                | 14,479,000                                                           | 332,212,250 <sup>(2)</sup>                                                   |

Notes:

(1) Deemed interest in 60,980,000 shares include:

- a) 25,880,000 shares held by its nominee, KGI Fraser Securities Pte. Ltd.
- b) 35,100,000 shares held by its nominee, Raffles nominees (Pte) Ltd.

(2) Deemed to have an interest in 332,212,250 ordinary shares of US\$0.02 each held by Manfaith Investments Ltd. (100% owned by Mr Ye Tianyun).

On the basis of the information available to the Company as at 16 March 2015, approximately 21.826% of the Company's total number of issued shares excluding treasury shares are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's total number of issued shares excluding treasury shares at all times held by the public.

# Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Meeting Room 306, SUNTEC SINGAPORE Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 on Wednesday, 29 April 2015 at 9 a.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Reports of the Directors' and Auditors' thereon. **(Resolution 1)**
2. To approve the Final Dividend of S\$0.0013 per ordinary share (tax not applicable) and Special Dividend of S\$0.0013 per ordinary share (tax not applicable) for the financial year ended 31 December 2014. **(Resolution 2)**
3. To re-elect Mr Chen Xiangjing who is retiring pursuant to Bye-Law 104 of the Company's Bye-Laws. **(Resolution 3)**
4. To re-elect Mr Lien Kait Long who is retiring pursuant to Bye-Law 104 of the Company's Bye-Laws. **(Resolution 4)**  
  
*Mr Lien will, upon re-election as a Director of the Company, remain as the Chairman of Audit Committee and member of Remuneration Committee. He is considered as independent for the purpose of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual").*
5. To approve the payment of Directors' fees of SGD110,300 for the financial year ended 31 December 2014 (2013: SGD120,599.64). **(Resolution 5)**
6. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## AS SPECIAL BUSINESS

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

### 7. Renewal of the Share Purchase Mandate

"That:

**(Resolution 7)**

- (a) for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and pursuant to Bye-Laws 7(B) and 7(C), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price, whether by way of:
  - (i) market purchases (each a "Market Purchase") on the SGX-ST; and/or

# Notice of Annual General Meeting

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- (ii) off-market purchases (each an **“Off-Market Purchase”**) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Bermuda Companies Act 1981 of Bermuda as amended from time to time (the **“Bermuda Companies Act”**), and otherwise in accordance with all other provisions of the Bermuda Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **“Share Purchase Mandate”**);
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
  - (i) the date on which the next annual general meeting is held or required by law to be held;
  - (ii) the date on which the share purchases are carried out to the full extent mandated; or
  - (iii) the date on which the Share Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders;
- (c) in this Resolution:

**“Prescribed Limit”** means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Bermuda Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any Treasury Shares that may be held by the Company from time to time);

**“Relevant Period”** means the period commencing from the date on which this annual general meeting is to be held and expiring on the earliest of (i) the date on which the next annual general meeting of the Company is held or is required to be held; (ii) the date on which the share purchases are carried out to the full extent mandated; or (iii) the date the said mandate is revoked or varied by an ordinary resolution of the Shareholders; and

**“Maximum Price”** in relation to a fully-paid ordinary share in the share capital of the Company (a **“Share”**) to be purchased, means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

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“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) Shares bought by the Company may be held and dealt with as treasury shares; and
- (e) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient, necessary or desirable to give effect to the transactions contemplated by this Resolution.”

[See Explanatory Note 1]

## 8. Authority to allot and issue shares

- (a) “That pursuant to the Bye-Laws and the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
  - (i) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise;
  - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, “Instruments”) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
  - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force,

**(Resolution 8)**

provided always that:

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company’s total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

# Notice of Annual General Meeting

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- (a) new shares arising from the conversion or exercise of convertible securities; or
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of the Company's shares.
- (ii) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note 2]

## 9. Proposed Share Consolidation

(Resolution 9)

"That :

- (A) every five (5) existing issued ordinary shares of par value US\$0.02 each in the authorized and issued share capital of the Company (including treasury shares) as at the books closure date (to be determined by the Directors) ("**Books Closure Date**") be consolidated into one (1) ordinary share of par value US\$0.10 ("**Consolidated Share**") with effect from the Share Consolidation Effective Date (as hereinafter defined), resulting in an authorized and issued share capital of US\$9,578,085 comprising 92,630,850 Consolidated Shares (excluding 3,150,000 treasury shares on a post-consolidated basis) (subject to rounding) ("**Proposed Share Consolidation**"). For the purposes of this paragraph (A), "**Share Consolidation Effective Date**" shall mean the market day immediately following the Books Closure Date, being the date on which the register of members of the Company and the depository register maintained by the Central Depository (Pte) Limited in respect of book-entry securities will be updated to reflect the number of Consolidated Shares held by each Shareholder respectively based on the number of existing Shares held by them as at the Books Closure Date;
- (B) any fractional entitlements of a Consolidated Share which may arise from the Proposed Share Consolidation pursuant to paragraph (A) above shall be disregarded, and the Directors be and are hereby authorized to do all such acts and things and to aggregate or otherwise deal with all fractional entitlements of the Consolidated Shares to which Shareholders would otherwise be entitled in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company; and
- (C) the Directors be and are hereby authorized to do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution."

[See Explanatory Note 3]

10. To transact any other business that may be properly transacted at Annual General Meeting.

# Notice of Annual General Meeting

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## NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2015, for the purpose of determining members' entitlements to the final dividend of SGD0.0013 per ordinary share (tax not applicable) and special dividend of SGD0.0013 per ordinary share (tax not applicable) for the financial year ended 31 December 2014, to be proposed at the Annual General Meeting of the Company to be held on 29 April 2015.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5 p.m. on 11 May 2015 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 will be registered to determine members' entitlements to such proposed final and special dividends. Members whose securities accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5 p.m. on 11 May 2015 will be entitled to such proposed final and special dividends.

The proposed final and special dividends, if approved at the Annual General Meeting, will be paid on 25 May 2015.

By Order of the Board  
Teo Meng Keong  
Company Secretary  
14 April 2015

## Explanatory Notes:-

1. The Ordinary Resolution 7 proposed in item 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares in the capital of the Company at the Maximum Price as defined in the Appendix to the Notice of Annual General Meeting dated 14 April 2015.
2. The Ordinary Resolution 8 proposed in item 8, if passed, will authorise the Directors of the Company to allot and issue shares and convertible securities in the Company in aggregate not more than 50% of the Company's total issued shares excluding treasury shares. The total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the Company's total issued shares excluding treasury shares at the time the resolution is passed. The authority, unless varied or revoked by the Company in a general meeting, shall continue in force from the date of above Meeting to the date of the next annual general meeting, or the date by which the next annual general meeting is required by law to be held, whichever is earlier.
3. The Ordinary Resolution 9 proposed in item 9 above, if passed, will result in the consolidation of every five (5) ordinary shares of par value US\$0.02 each in the authorized and issued share capital of the Company (including treasury shares) as at the Books Closure Date to be determined by the Directors into one (1) ordinary share of par value US\$0.10 with effect from the Share Consolidation Effective Date, fractional entitlements to be disregarded.

Please refer to the Appendix to this Notice of Annual General Meeting of the Company for additional information in relation to the Proposed Share Consolidation.

## Notes:

1. If a Member being a Depositor whose name appears in the Depository Register (as defined in Bye-Laws of the Company) wishes to attend and vote at the Annual General Meeting (the "Meeting"), please complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, at least forty-eight (48) hours before the time appointed for the holding of Annual General Meeting.
2. If a Depositor wishes to appoint a proxy/proxies, the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services at either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, at least forty-eight (48) hours before the time appointed for the holding of Annual General Meeting.

# Notice of Annual General Meeting

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## Personal data privacy:

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

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