



Elec & Eltek 依利安達

ELEC & ELTEK INTERNATIONAL COMPANY LIMITED
依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

Singapore Stock Code: E16.SI

Hong Kong Stock Code: 1151

2014
ANNUAL REPORT



** For identification purpose only*

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Corporate Profile

Established in 1972, Elec & Eltek International Company Limited (“**Elec & Eltek**”) is one of the global leading manufacturers of conventional, as well as technology advanced high density interconnects (HDI), backplane printed circuit board (PCB) up to 50-layer. Quick-Turn Around (QTA) service is also available with short delivery lead time. Elec & Eltek was listed on the Singapore Mainboard in 1994 and achieved dual-listed status on the Hong Kong Mainboard in 2011.

Elec & Eltek operates 5 production sites in Kaiping, Guangzhou, Yangzhou, Thailand and Hong Kong with representative offices across Asia, America and Europe. With its own laminate facilities, Elec & Eltek has sharpened its Group’s competitive edge in cost control and material supply through vertical integration.

Elec & Eltek is dedicated to provide high quality PCBs to customers that include global leaders in different electronics sectors, with main focus on Communication & Networking, Automotive Industries, Computer & Computer Peripherals and Consumer Electronics.

Elec & Eltek will continue to work on product mix upgrade of high-tech and high layer counts printed circuit board products to cope with changing market demand. Moreover, we are ready to capture more business opportunities and demand in emerging markets. Leveraging on regional advantage, advanced technology and equipment, efficient management, we are committed to deliver excellent value to all stakeholders.

Elec & Eltek’s mission is to be a leading PCB manufacturer that supplies high quality and high technology PCBs in mass volume at competitive prices with excellent services.

Financial Highlights and Calendar

31 December 2014

FINANCIAL HIGHLIGHTS

| | Twelve months ended 31 December | | % Change |
|---|---------------------------------|------------------|----------|
| | 2014 US\$'000 | 2013 US\$'000 | |
| Revenue | 517,075 | 504,921 | 2% |
| EBITDA* | 54,681 | 60,713 | -10% |
| EBITDA margin* | 10.6% | 12.0% | |
| Underlying profit before tax* | 9,397 | 14,614 | -36% |
| Net profit attributable to owners of the Company | | | |
| – Underlying net profit* | 6,971 | 13,703 | -49% |
| – Reported profit | 3,501 | 13,703 | -74% |
| Basic earnings per share | | | |
| – Underlying net profit* | US\$3.73 cents | US\$7.33 cents | -49% |
| – Reported profit | US\$1.87 cents | US\$7.33 cents | -74% |
| Full-year dividend per share | | | |
| – Interim dividend per share | US\$3.00 cents | US\$7.00 cents | -57% |
| – Proposed final dividend per share | US\$3.00 cents | US\$7.00 cents | -57% |
| Dividend payout ratio | 320.3% | 191.0% | |
| Net asset value per share | US\$1.83 | US\$1.91 | -4% |
| Net gearing ratio | 19.4% | 14.7% | |

* Excluding the restructuring provision of approximately US\$3.5 million made in September 2014 quarter mainly attributable to the provision for impairment of production facilities and other restructuring cost for the Group.

FINANCIAL CALENDAR

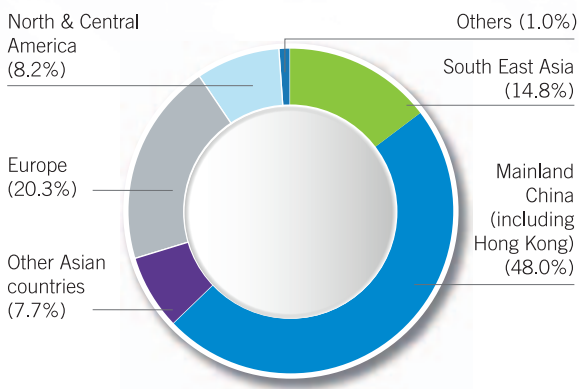
| | 2014 | 2013 |
|--------------------------------------|---|--|
| Financial year results announced on | 27 February 2015 | 26 February 2014 |
| Annual Report and Accounts issued on | 27 March 2015 | 19 March 2014 |
| Annual General Meeting held on | 24 April 2015 | 17 April 2014 |
| Registers of Shareholders closed on | 5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 6 May 2015 | 5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 5 May 2014 |
| Dividend paid/payable on | | |
| Interim | 29 August 2014 | 30 August 2013 |
| Final | 18 May 2015 | 16 May 2014 |

Financial Highlights and Calendar

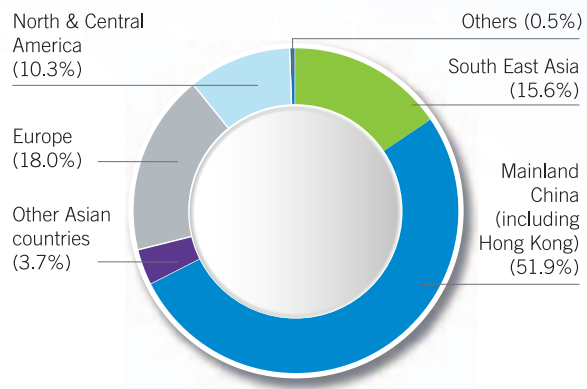
31 December 2014

TURNOVER BY GEOGRAPHICAL LOCATIONS

Financial year 2014

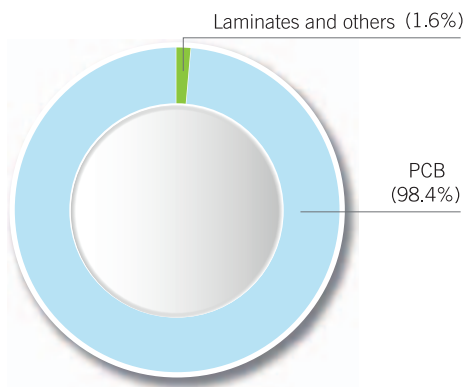


Financial year 2013

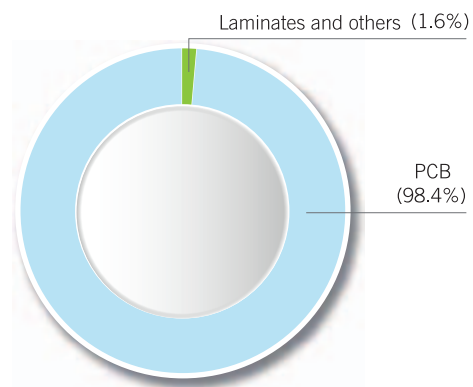


TURNOVER BY PRODUCT

Financial year 2014

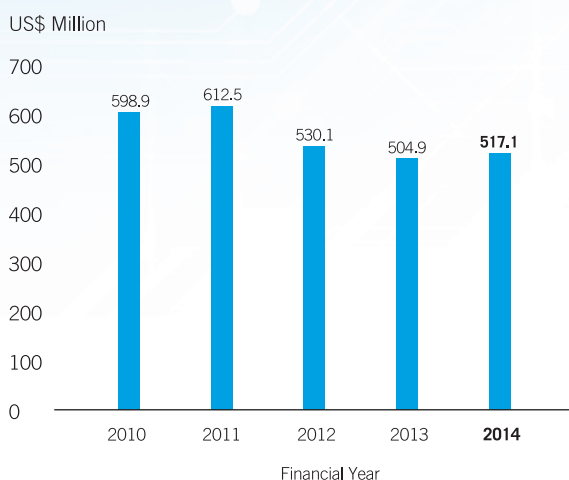


Financial year 2013

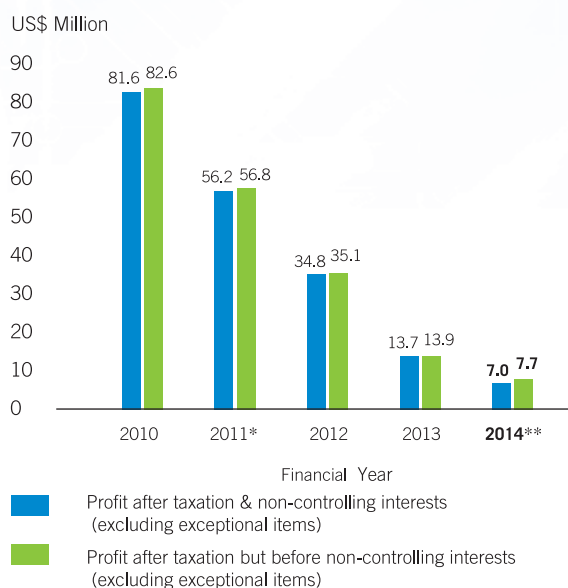


Financial Highlights and Calendar

TURNOVER



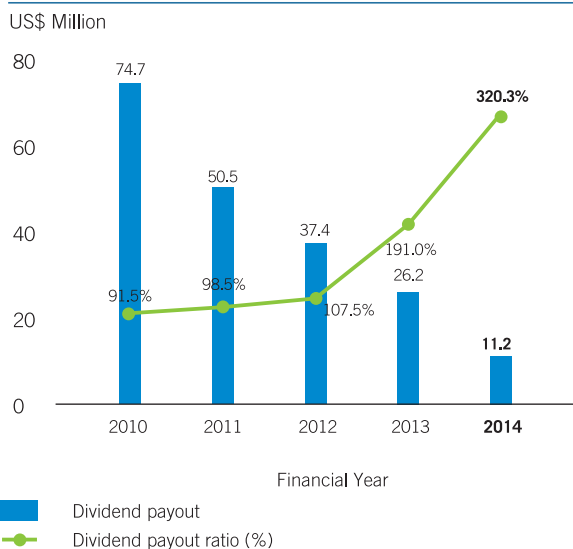
PROFIT TREND



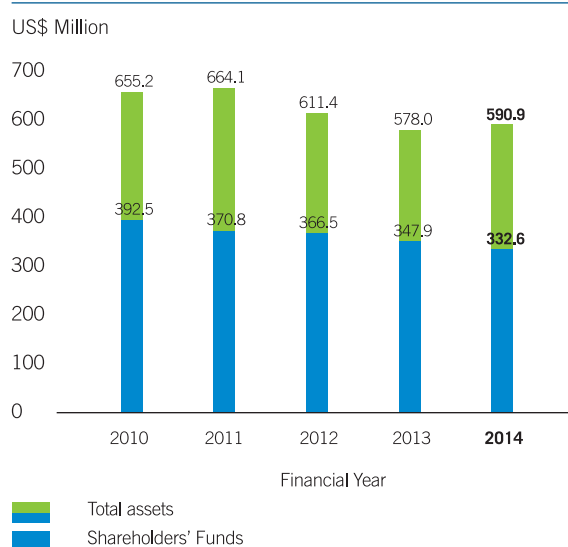
* excluding the professional expenses of approximately US\$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011.

** excluding the restructuring provision of approximately US\$3.5 million made in September 2014 quarter mainly attributable to the provision for impairment of production facilities and other restructuring cost for the Group.

DIVIDEND PAYOUT TREND



COMPARE TOTAL ASSETS WITH SHAREHOLDERS' FUNDS



Five Years' Financial Summary

| | 2014 US\$'000 | 2013 US\$'000 | 2012 US\$'000 | 2011 US\$'000 | 2010 US\$'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Consolidated Results | | | | | |
| Turnover | 517,075 | 504,921 | 530,144 | 612,456 | 598,853 |
| Profit before taxation | 9,397** | 14,614 | 37,681 | 60,759* | 88,420 |
| Taxation | (1,656) | (761) | (2,626) | (4,002) | (5,858) |
| Profit after taxation | 7,741** | 13,853 | 35,055 | 56,757* | 82,562 |
| Non-controlling interest | (770) | (150) | (290) | (534) | (940) |
| Profit for the year | 6,971** | 13,703 | 34,765 | 56,223* | 81,622 |
| Financial Positions | | | | | |
| Property, plant and equipment | 308,017 | 313,788 | 333,590 | 350,879 | 326,218 |
| Prepaid land use rights - non current portion | 12,941 | 13,105 | 14,140 | 14,698 | 14,817 |
| Non-current deposits | 6,263 | 6,189 | 688 | 918 | 1,815 |
| Investment properties | 46,592 | 46,446 | 28,941 | 25,500 | 21,300 |
| Deferred tax assets | 84 | 86 | 166 | 612 | 1,047 |
| Current assets | 217,015 | 198,347 | 233,914 | 271,528 | 290,040 |
| Total assets | 590,912 | 577,961 | 611,439 | 664,135 | 655,237 |
| Non-current liabilities | 44,834 | 32,548 | 41,944 | 69,181 | 54,770 |
| Current liabilities | 203,404 | 187,859 | 193,036 | 214,264 | 198,538 |
| Total liabilities | 248,238 | 220,407 | 234,980 | 283,445 | 253,308 |
| Net assets | 342,674 | 357,554 | 376,459 | 380,690 | 401,929 |
| Represented by: | | | | | |
| Shareholders' funds | 332,567 | 347,855 | 366,536 | 370,756 | 392,513 |
| Non-controlling interests | 10,107 | 9,699 | 9,923 | 9,934 | 9,416 |
| | 342,674 | 357,554 | 376,459 | 380,690 | 401,929 |

* excluding the professional expenses of approximately US\$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011.

** excluding the restructuring provision of approximately US\$3.5 million made in September 2014 quarter mainly attributable to the provision for impairment of production facilities and other restructuring cost for the Group.

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Stephanie Cheung Wai Lin (*Vice-Chairman*)
(*appointed on 1 August 2014*)

Mr. Chang Wing Yiu

(*redesignated on 1 August 2014*)

Mr. Ng Hon Chung

(*appointed on 1 September 2014*)

NON-EXECUTIVE DIRECTOR

Mr. Cheung Kwok Wing (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Larry Lai Chong Tuck

Professor Raymond Leung Hai Ming

Mr. Stanley Chung Wai Cheong

AUDIT COMMITTEE

Mr. Larry Lai Chong Tuck (*Chairman*)

Professor Raymond Leung Hai Ming

Mr. Stanley Chung Wai Cheong

NOMINATION COMMITTEE

Professor Raymond Leung Hai Ming (*Chairman*)

Mr. Larry Lai Chong Tuck

Mr. Stanley Chung Wai Cheong

REMUNERATION COMMITTEE

Professor Raymond Leung Hai Ming (*Chairman*)

Mr. Larry Lai Chong Tuck

Mr. Stanley Chung Wai Cheong

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Mr. Cheung Kwok Wing

Mr. Chang Wing Yiu

EXECUTIVE COMMITTEE

Ms. Stephanie Cheung Wai Lin (*Chairman*)
(*appointed on 1 August 2014*)

Mr. Ng Hon Chung

Mr. Philip Chan Sai Kit

Mr. Clement Sun

Ms. Anna Cheung Po King

SECRETARY

Ms. Marian Ho Wui Mee

ASSOCIATE SECRETARY

(under Hong Kong Laws)

Ms. Anna Cheung Po King

REGISTERED OFFICE

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UOB Plaza 1

Singapore 048624

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Fax: 65 6225 1838

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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Shatin, New Territories

Hong Kong

Tel: 852 2954 3333

Fax: 852 2954 3111

SINGAPORE PRINCIPAL OFFICE

237 Alexandra Road

#06-12 The Alexcier

Singapore 159929

Tel: 65 6226 0488

Fax: 65 6220 2377

PRINCIPAL SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte Ltd

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Corporate Information

STATUTORY AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Partner: Mr. Toh Yew Kuan Jeremy
(appointed since the financial year ended
31 December 2012)

SINGAPORE SOLICITORS

Rodyk & Davidson LLP

HONG KONG LEGAL ADVISORS

Ashurst Hong Kong

PRINCIPAL BANKERS

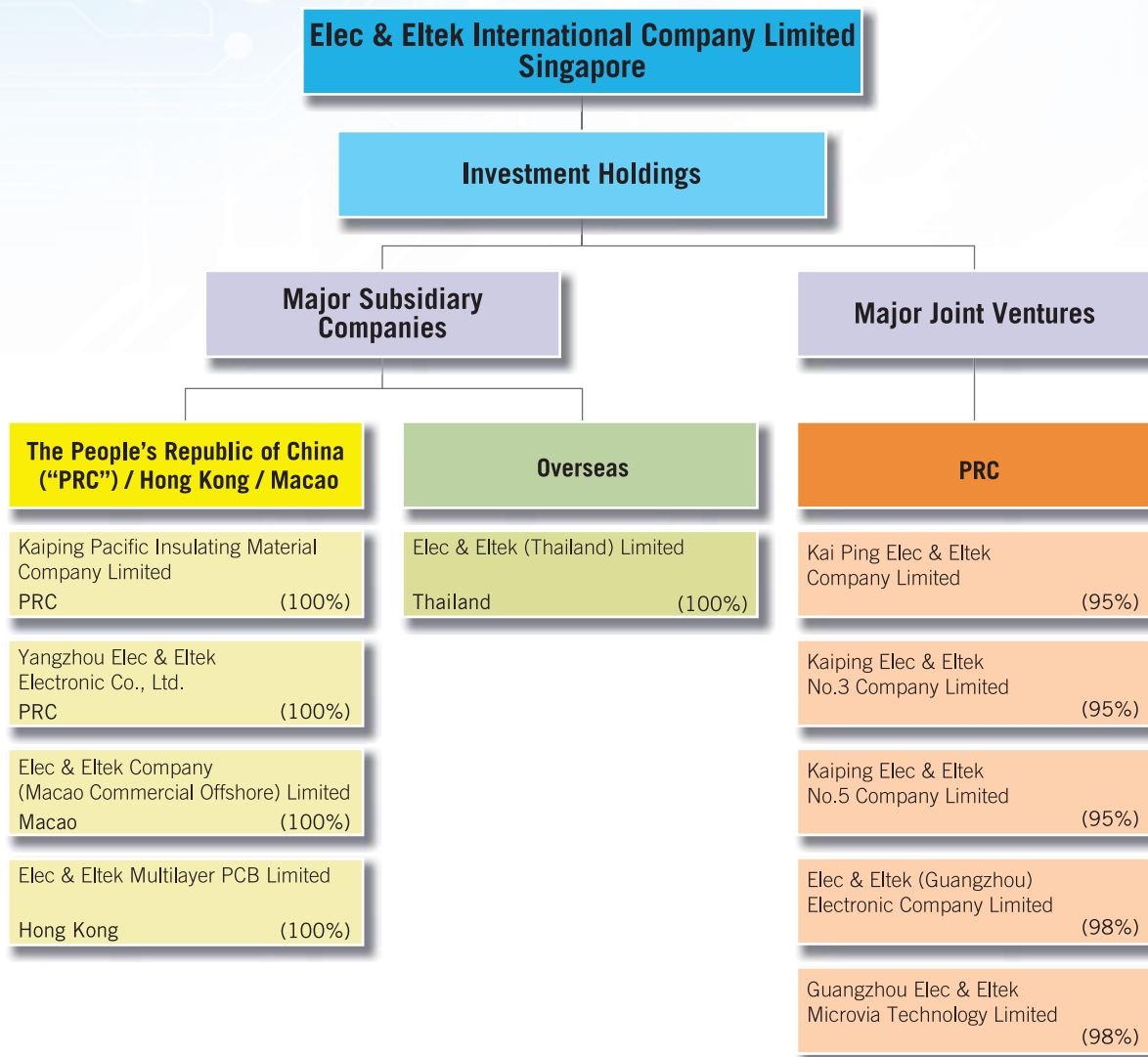
The Hongkong and Shanghai
Banking Corporation Limited
Standard Chartered Bank
Citibank, N.A.
DBS Bank Ltd.
The Bank of Tokyo - Mitsubishi UFJ Ltd.

COMPANY WEBSITE

<http://www.eleceltek.com>

Structure of the Group

31 December 2014



規模化生產 Economy of Scale of Production



Chairman's Statement

On behalf of the board of directors (the “**Board**”), it is my pleasure to present to all of our valued investors the annual results of Elec & Eltek International Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2014 (“**CY2014**”).

BUSINESS REVIEW

The financial performance of Elec & Eltek International Company Limited and its subsidiaries (the “**Group**”) for the financial year just ended reflects the challenging operating environment for the printed circuit board (“**PCB**”) industry. Group revenue increased by 2.4% to US\$517.1 million with net attributable profit (profit after tax and non-controlling interests) of US\$3.5 million for CY2014. Earnings before interest, tax, depreciation and amortization for the Group (“**EBITDA**”) stood at US\$54.7 million (CY2013: US\$60.7 million) — the Group continued to generate steady operating cash flow. As at the end of 2014, our net gearing ratio was maintained at a comfortable level of 19.4%.

The Group's financial position remained healthy and in appreciation of our shareholders, long-standing support, the Board has recommended a final one-tier tax exempt dividend of US3.0 cents per share, to be approved at the forthcoming Annual General Meeting. Together with the interim one-tier tax exempt dividend of US3.0 cents per share paid in August 2014, this constitutes a total dividend of US6.0 cents (CY2013: US14.0 cents), representing a payout ratio of 320.3% of net profit for CY2014 (CY2013: 191.0%).

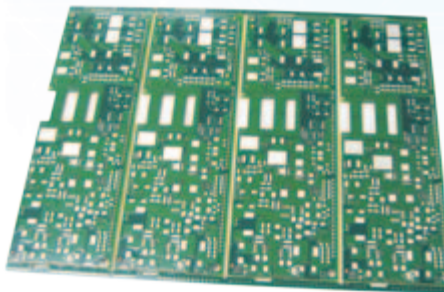
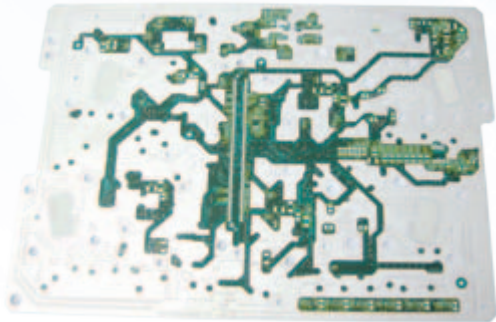
In line with our on-going strategy to achieve a more balanced portfolio of products with long-term growth potential, the Group continues to expand our business in the automotive, communication and mobile phone segments. Communication & Networking products (including mobile phones) accounted for over 47% of our sales in CY2014 while automotive PCB sales also increased substantially by over 26% in value to account for around 18% of our total PCB sales (CY2013: 15%). Sales of High Density Interconnect (“**HDI**”) PCBs accounted for 33% of total PCB sales in CY2014 (CY2013: 26.5%).

The Group's gross profit declined by 10.2% to US\$44.8 million in CY2014 and gross margin was trimmed to 8.7% compared to 9.9% a year ago. The decline in gross profit was primarily attributable to average selling price remaining under pressure due to intensive competition in the market and rising operating costs, including wages increase in China.

Income tax expense increased by 117.6% from US\$0.8 million in CY2013 to US\$1.7 million in CY2014 as a result of increase in the Group's taxable PRC profit.

To the best of the Board's knowledge, nothing has come to the attention of the Board which may render the audited financial results for the year ended 31 December 2014 to be false or misleading in any material respect.

Chairman's Statement



LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the Group's net current assets was approximately US\$13.6 million (31 December 2013: approximately US\$10.5 million), making the current ratio 1.07 as compared to 1.06 as at 31 December 2013.

The net working capital cycle was 15 days as at 31 December 2014 (31 December 2013: 15 days) on the following key metrics:

- Inventories, in terms of stock turnover days, remained at 29 days (31 December 2013: 29 days).
- Trade receivables, in terms of debtors turnover days, increased to 83 days (31 December 2013: 82 days).
- Trade payables, in terms of creditors turnover days, increased to 97 days (31 December 2013: 96 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2014 was approximately 19.4% (31 December 2013: 14.7%). The proportion of short-term and long-term bank borrowings stood at 51%: 49% (31 December 2013: 57%:43%). The total equity of the Group as at 31 December 2014 was approximately US\$342.7 million (31 December 2013: approximately US\$357.6 million). As at 31 December 2014, the Group had cash on hand and undrawn loan facilities of approximately US\$22.3 million and US\$35.46 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars. There was no material foreign exchange exposure to the Group during the year under review.

Chairman's Statement

HUMAN RESOURCES

As at 31 December 2014, the Group had a workforce of approximately 9,337 (31 December 2013: 9,535). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance.

The Company has in place a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests.

PROSPECTS

As we progress into the new financial year, the operating environment for the PCB industry remains challenging. Due to seasonality factors, plant output is likely to be affected by disruption of labour supply in the first quarter of 2015 as migrant workers return home for the Chinese Lunar New Year holiday. Customer orders are expected to improve after this holiday period.

In light of the challenging business environment, the Group will continue to invest and upgrade our production capabilities to meet customer demand. The Group's ongoing strategy is to strive for better production efficiency and progressive quality improvement in order to build a firm foundation to achieve growth in our target business segments.

APPRECIATION

On behalf of the Board, we take this opportunity to thank our stakeholders including shareholders, customers, suppliers and business partners for all their support extended to the Group. We would also like to thank members of the Board for their dedication and commitment, and our diligent employees worldwide for their hard work, loyal service and contributions made during 2014.

Cheung Kwok Wing
Chairman

27 February 2015



Statement on Corporate Governance

INTRODUCTION

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value.

As the Company is also dual listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”), the Company has adopted, for corporate governance purposes, the provisions of the Corporate Governance Code (Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the “**HK Listing Rules**”)) (“**Hong Kong Code**”), in addition to the Singapore Code of Corporate Governance 2012 (“**Singapore Code**”). In the event of any conflict between the Singapore Code and the Hong Kong Code, the Company will comply with the more onerous provisions. Throughout the year ended 31 December 2014, the Company has complied with the Singapore Code and the Hong Kong Code, except those appropriately justified and disclosed.

BOARD MATTERS

Board’s Conduct of Its Affairs

Principle 1: Effective board to lead and control the company

- (a) The Board shall be responsible for establishing and maintaining the most effective leadership structure for the Company.
- (b) The Board oversees the business of the Company and every Director is expected to exercise objective judgment on the Company’s affairs and to always consider the interests of the Company and its subsidiary companies (collectively, the “**Group**”). The Board reviews and discusses reports prepared by the management on the performance, plans and prospects of the Group.
- (c) In addition to general overseeing of the management, the Board also performs various other functions, including, without limitation:
 - (i) reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
 - (ii) approving major acquisitions or disposals, corporate or financial restructuring, issuance of shares and other equity or debt instruments, payment of dividends and other distributions to shareholders;
 - (iii) assessing risks facing the Group and reviewing and implementing appropriate measures to manage such risks;
 - (iv) selecting and evaluating the performance and compensation of senior management;
 - (v) approving nominations to the Board;
 - (vi) reviewing and endorsing the recommended framework of remuneration for the Board and senior management by the Remuneration Committee; and
 - (vii) assuming overall responsibility for corporate governance.

The Board is responsible for performing the functions set out in D.3.1 of the Hong Kong Code. During the year under review, the Board met once to review the Company’s corporate governance policies and practices, training and continuous professional development of directors and senior management of the Company, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code (as defined below) and the Company’s compliance with the Hong Kong Code and disclosure in this Corporate Governance Report.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

- (d) To give effect to the discharge of its responsibilities (but without abdicating its responsibilities), the Board has established five Board Committees, namely, the Nomination Committee, the Remuneration Committee, the Employees' Share Option Scheme Committee, the Audit Committee and the Executive Committee. These committees have written mandates and operating procedures which are reviewed periodically. The Chairman of each Board Committee will report to the Board the outcome of the respective Board Committee meetings.
- (e) The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and year end results, and as may be warranted by particular circumstances as deemed appropriate by the Board from time to time. The Articles of Association of the Company (the "Articles") provides for directors to convene meetings by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The number of Board meetings and Board Committee meetings and general meetings of shareholders held from the date of the last annual report to the date of this annual report, as well as the attendance of each Board and Board Committee member at these meetings are disclosed below:

| | Board Committee | | | | | General Meeting |
|--|-----------------|-----------------|----------------------|------------------------|------------------------------|-----------------|
| | Board | Audit Committee | Nomination Committee | Remuneration Committee | Executive Committee ("EXCO") | |
| Total number of meetings held | 4 | 4 | 1 | 1 | 8 | 1 |
| Executive Directors | | | | | | |
| Chadwick Mok Cham Hung ⁽¹⁾ | 2 | — | — | — | 4 | 1 |
| Chan Wai Leung ⁽²⁾ | 1 | — | — | — | 2 | — |
| Stephanie Cheung Wai Lin (Vice-Chairman) ⁽³⁾ | 2 | — | — | — | 4 | — |
| Chang Wing Yiu ⁽⁴⁾ | 4 | — | — | — | — | — |
| Ng Hon Chung ⁽⁵⁾ | 2 | — | — | — | 8 | — |
| Non-Executive Directors | | | | | | |
| Cheung Kwok Wing (Chairman) | 4 | — | — | — | — | — |
| Chan Wing Kwan ⁽⁶⁾ | 1 | 1 | — | — | — | — |
| Independent Non-Executive Directors | | | | | | |
| Larry Lai Chong Tuck | 4 | 4 | 1 | 1 | — | 1 |
| Raymond Leung Hai Ming | 4 | 4 | 1 | 1 | — | 1 |
| Stanley Chung Wai Cheong | 4 | 4 | 1 | 1 | — | 1 |

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

- ⁽¹⁾ Resigned as an Executive Director, the Vice-Chairman and the chairman of EXCO with effect from 1 August 2014.
 - ⁽²⁾ Resigned as an Executive Director and a member of EXCO with effect from 1 September 2014.
 - ⁽³⁾ Appointed as an Executive Director, the Vice-Chairman and the chairman of EXCO with effect from 1 August 2014.
 - ⁽⁴⁾ Redesignated from a Non-Executive Director to an Executive Director with effect from 1 August 2014.
 - ⁽⁵⁾ Appointed as an Executive Director with effect from 1 September 2014.
 - ⁽⁶⁾ Resigned as a Non-Executive Director and a member of Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee with effect from 1 August 2014.
- (f) The Board adopts an internal framework whereby a formal letter of appointment is sent to each newly appointed Director explaining his duties and responsibilities as a Director. All newly appointed Directors would receive an orientation kit comprising, but not limited to, the Articles, Directors' code of professional conduct, Directors' duties on notification, internal code for securities transactions, code of corporate governance and other relevant materials. All Directors have undergone an induction and orientation programme, as well as training programmes conducted by the Company.
- (g) During the period from the date of the last annual report to the date of this Annual Report, Ms. Stephanie Cheung Wai Lin, Mr. Chang Wing Yiu, Mr. Ng Hon Chung, Mr. Cheung Kwok Wing, Mr. Larry Lai Chong Tuck, Professor Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong attended a directors' seminar relating to the HK Listing Rules and statutory disclosure obligation for listed companies to disclose inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) conducted by our Hong Kong legal advisers, Ashurst Hong Kong.

Executive Committee

- (h) The current Executive Committee comprises the following members: Stephanie Cheung Wai Lin (Chairman), Philip Chan Sai Kit, Clement Sun, Ng Hon Chung and Anna Cheung Po King being the Associate Company Secretary (for the purpose of HK Listing Rules).
- (i) The Board (without abdicating its responsibility) has delegated the management of day-to-day operations of the Group to the Executive Committee. The Executive Committee will keep the Board informed of important issues.
- (j) The Executive Committee's terms of reference are as follows:
- (i) To manage and oversee operation of respective business units within the Group and implement the performance target as set forth in the annual budgeting and forecast;
 - (ii) To execute and monitor the Group's strategy and progress of approved investments as directed by the Board;
 - (iii) To carry out the Group's operating and capital expenditure budget after obtaining Board approval for expansion guidelines;

Statement on Corporate Governance

BOARD MATTERS (Continued)

Executive Committee (Continued)

- (iv) To formulate policies (after agreement by the Board when appropriate) in relation to the Group's business operations for the Board's consideration and to supervise the management to implement and comply with the laid down policies;
 - (v) To assist the Board in executing decisions in respect of compliance with all statutory duties imposed on the Group under the relevant legislations, rules and regulations including but not limited to the listing rules of the respective stock exchanges, and other statutory requirements, as appropriate. The Committee members are expected to report to the Board immediately on any critical compliance matters as and when it arises;
 - (vi) To address areas or topics specifically referred to the Executive Committee by the Board; and
 - (vii) To do any such things and actions to enable the Executive Committee to discharge its powers and actions as conferred by the Board from time to time.
- (k) The detailed terms of reference (referred to in paragraph (j) above) of the Executive Committee are published on the websites of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), SEHK and the Company.

Board Composition and Guidance

Principle 2: Strong and independent element on the board

- (a) Presently, the Board comprises seven Directors, three of whom are Executive Directors, one of whom is a Non-executive Director and three of whom are Independent Non-executive Directors. The composition of the Board is as follows:

Executive Directors

Stephanie Cheung Wai Lin (*Vice-Chairman*) (appointed on 1 August 2014)
Chang Wing Yiu (redesignated on 1 August 2014)
Ng Hon Chung (appointed on 1 September 2014)

Non-executive Director

Cheung Kwok Wing (*Chairman*)

Independent Non-executive Directors

Larry Lai Chong Tuck
Raymond Leung Hai Ming
Stanley Chung Wai Cheong

Mr. Larry Lai Chong Tuck, our independent non-executive Director, has served the Company for more than 9 years after 26 February 2014. During his years of appointment, Mr. Lai has demonstrated his ability to provide an independent view to the Company's matters. Mr. Lai has made an annual confirmation of independence pursuant to Rule 3.13 of the HK Listing Rules. The Board is satisfied that Mr. Lai remains independent, and there is no evidence that his tenure had an impact on his independence. Pursuant to Guideline 2.2(d) of the Singapore Code, Independent Non-executive Directors should make up at least half of the Board as the Chairman is not an Independent Non-executive Director. Currently, the current size of the Independent Non-executive Directors of the Company make up one-third of the Board.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

Principle 2: Strong and independent element on the board (Continued)

The Board considers that the present Board size and the number of Board Committees facilitate effective decision making and are appropriate for the nature and scope of the Group's operations. To maintain flexibility and at the same time ensure that the Board's functions are discharged effectively, all Independent Non-executive Directors have full access to the Chairman on all matters that require prompt attention. The Board also considers, among other things, the policies and practices that have put in place which provide independent Board oversight.

Accordingly, no additional Independent Non-executive Director would be invited to join the Board for the time being. The Board will review its leadership structure, size and composition together with the Nomination Committee from time to time, and at least annually to ensure an effective decision-making process is in place.

- (b) Mr. Chang Wing Yiu is the brother-in-law of Mr. Cheung Kwok Wing and Ms. Stephanie Cheung Wai Lin. Ms. Stephanie Cheung Wai Lin is the sister of Mr. Cheung Kwok Wing.
- (c) During the year under review, the Non-executive Directors and Independent Non-executive Directors are not appointed for specific terms pursuant to Code Provision A.4.1 of the Hong Kong Code. Notwithstanding the aforesaid deviation, all the Directors (including the Non-executive Directors and Independent Non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting, as required under the Articles. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those set out in the Hong Kong Code.
- (d) The Board examines the independence of its Directors based on the criterion of independence as defined in the Singapore Code and Rule 3.13 of the HK Listing Rules. Under the Singapore Code, an independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders¹, or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgment with a view to ensuring that they act in the best interests of the Company.
- (e) The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence as required under Rule 3.13 of the HK Listing Rules.
- (f) To facilitate a more effective check on management, non-executive Directors are encouraged to meet regularly without the presence of management.

Chairman and Chief Executive Officer

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

- (a) The Chairman and the Vice-Chairman (who assumes the role and responsibility of the Chief Executive Officer), collectively bear responsibility for the workings of the Board and ensure the integrity and effectiveness of the governance process of the Board. Whilst the Chairman plays a pivotal role in steering the strategic direction for the Board, the Vice-Chairman manages the business of the Group and ensures the execution of the Board's decisions.

¹ "10% shareholder" (as defined in Principle 2 of the Singapore Code) shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

BOARD MATTERS (Continued)

Chairman and Chief Executive Officer (Continued)

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making (Continued)

- (b) Pursuant to Guideline 3.3(d) of the Singapore Code, the Company would need to appoint a lead independent Director as the Chairman is not an Independent Non-executive Director.

The Board is of the opinion that all Independent Non-executive Directors communicate with the Chairman regularly and when the need arises. In addition, the Independent Non-executive Directors ensure that there is sufficient time for discussion of all agenda item, and ensure that information is sent to the Board prior to Board meeting(s). The direct communication between the Independent Non-executive Directors and the Board allows actions to be handled more expeditiously and effectively by the Chairman.

Accordingly, the Board opines that a lead independent Director may not be required for the time being. The Board will review and assess the situation jointly with the Nomination Committee from time to time to consider whether a lead independent Director is required.

- (c) The Independent Non-executive Directors have met periodically without the presence of the other Directors.

Board Membership

Principle 4: Formal and transparent process for the appointment and reappointment of directors to the board

- (a) The Board endeavours to ensure that there is an appropriate mix of core competencies and collective expertise to provide the necessary knowledge and objective judgment to meet its responsibilities.
- (b) The Board benefits from the depth and breadth of expertise each Director possesses, collectively providing core competencies in finance, industry, business and management.

Nomination Committee

- (c) The current Nomination Committee comprises the following members: Professor Raymond Leung Hai Ming (Chairman), Mr. Larry Lai Chong Tuck and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors.
- (d) The Nomination Committee shall carry out its duties and responsibilities within its terms of reference with the following authority delegated by the Board:
- (i) to have access to information from the Company and the management when making evaluations concerning the contribution and performance of individual Directors;
 - (ii) to seek independent professional advice, if required, to perform its responsibilities on expenses borne by the Company; and
 - (iii) any other authority that the Board may delegate from time to time.
- (e) The Nomination Committee has a set of terms of reference defining its scope of authority and the detailed terms of reference of the Nomination Committee are published on the websites of SGX-ST, SEHK and the Company.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Nomination Committee (Continued)

- (f) The Nomination Committee's key terms of reference are as follows:
- (i) to identify individuals suitably qualified to become new Directors and to select or make recommendations to the Board in the selection of suitable new Director;
 - (ii) to review the background, academic and professional qualifications of persons to be appointed as new Directors;
 - (iii) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
 - (iv) to assess annually the independence of the independent non-executive Directors by making reference to Rule 3.13 of the HK Listing Rules and bearing in mind that an "independent" director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company;
 - (v) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and chief executive of the Company;
 - (vi) to re-nominate Directors retiring at annual general meetings for re-election, having regard to the contribution and performance of each retiring Director, such as attendance, preparedness, participation and candour, at meetings;
 - (vii) to evaluate the Board's performance as a whole, to propose objective performance criteria, as well as to assess the contribution of each Director to the effectiveness of the Board;
 - (viii) where a Director has multiple board representations, to assess if such Director has given sufficient time and attention to the affairs of the Company, and is able to and has been adequately carrying out his duties as a Director of the Company;
 - (ix) to liaise with the Board in relation to the preparation of the Nomination Committee's report to shareholders of the Company in the annual report as required; and
 - (x) to ensure the Chairman of the Nomination Committee, or in the absence of the Chairman of the Nomination Committee, another member of the Nomination Committee or failing which, his duly appointed delegate, to be available to answer questions at the annual general meetings of the Company.
- (g) A Director, who holds a full-time position in the Company, should not hold more than 4 directorships in listed companies and a Director, who does not hold a full-time position in the Company, should not hold more than 6 directorships in listed companies.
- (h) Where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee would, in consultation with the Board, determine the selection criteria and identify candidates with the appropriate expertise for the position. The Company has in place a comprehensive and detailed process in the selection of new directors, if required. Generally, candidates are first sourced through an extensive network of contacts and identified based on the relevant expertise and knowledge required. After the Chairman and other members of the Nomination Committee have interviewed the candidates, the Nomination Committee would nominate the most suitable candidate to the Board for consideration and appointment as a Director.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Nomination Committee (Continued)

- (i) During the period from the date of the last annual report to the date of this Annual Report, the Nomination Committee had convened one meeting during which they considered, among other things, which Directors should retire as Directors at the forthcoming annual general meeting of the Company.
- (j) In accordance with the Hong Kong Code and the Articles, each Director is required to retire at least once every three years by rotation and all newly appointed Directors are required to retire at the next annual general meeting. The retiring Directors are eligible to offer themselves for re-election. The Nomination Committee (save that a member shall abstain from recommendation in respect of his own re-appointment) has recommended to the Board, the re-appointment of Mr Cheung Kwok Wing and Mr Raymond Leung Hai Ming, both of whom are retiring by rotation (as Directors) pursuant to the Articles, at the forthcoming annual general meeting. Ms Stephanie Cheung Wai Lin and Mr Ng Hon Chung, both being newly appointed directors are also required pursuant to the Articles, to retire at the forthcoming annual general meeting and shall be eligible for re-election. The Board has accepted the Nomination Committee's recommendations, and all the abovementioned Directors, having accepted the Company's invitation for re-election, will be offering themselves for re-election at the forthcoming annual general meeting.
- (k) The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 37 to 39 and 41 to 42 respectively of this Annual Report. The dates of initial appointment and last re-election of each Director, together with his directorships (if any) in other listed companies are set out below:

| Name of director | Appointment | Date of initial appointment | Date of last re-election | Directorships in other listed companies |
|-----------------------------|-----------------------------------|-----------------------------|--------------------------|---|
| Cheung Kwok Wing | Non-executive/ non-independent | 13 December 2004 | 22 April 2013 | Kingboard ¹ |
| Chang Wing Yiu ² | Executive/ non-independent | 13 December 2004 | 17 April 2014 | Kingboard ¹ |
| Stephanie Cheung Wai Lin | Executive/ non-independent | 1 August 2014 | — | Kingboard ¹ |
| Ng Hon Chung | Executive/ non-independent | 1 September 2014 | — | Nil |
| Larry Lai Chong Tuck | Non-executive/ independent | 26 February 2005 | 17 April 2014 | Nil |
| Raymond Leung Hai Ming | Non-executive/ independent | 1 January 2008 | 22 April 2013 | China State Construction International Holdings Ltd. (Hong Kong stock code: 3311) |
| Stanley Chung Wai Cheong | Non-executive/ independent | 11 April 2011 | 17 April 2014 | Nil |

Kingboard¹ – Kingboard Chemical Holdings Limited (Hong Kong stock code: 148)

Chang Wing Yiu² – resigned as a Non-Executive Director to an Executive Director with effect from 1 August 2014

- (l) Save for the abovementioned Independent Non-executive Directors in paragraph (k) above, no other Directors are considered by the Nomination Committee to be independent.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board Performance

Principle 5: Formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board

- (a) The Board has established a formal assessment process which will be carried out annually for evaluation of the performance of the Board by the Nomination Committee and the individual Directors on the basis of the following performance criteria:
 - (i) Attendance at Board meetings;
 - (ii) Level of participation at Board meetings and overall commitment;
 - (iii) Ability to strategise and propose sound business direction; and
 - (iv) Contribution of specialised knowledge.
- (b) The Board uses its best efforts to ensure that each Director appointed to the Board possesses the background and expertise in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.
- (c) The Nomination Committee has identified a set of performance criteria, which has also been approved by the Board and such performance criteria has to address how the Board has enhanced long term shareholders' value, to be used for evaluating the effectiveness of the Board as a whole, as well as the performance of each Director. The set of performance criteria includes qualitative and quantitative factors, including (without limitation), the performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the management and attendance records. Other performance criteria that may be used include return on assets, return on equity, return on investment and the comparison of the Company's share price performance against appropriate indices of SGX-ST.
- (d) Each Director has been assessed individually and individual evaluation aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman acts on the results of the performance evaluation, and, in consultation with the Nomination Committee, proposes, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Access to Information

Principle 6: Board members to have complete, adequate and timely information

- (a) The management provides the Board and its various Board Committees with adequate and timely information and reports, including budgets, forecasts and internal financial statements prior to their respective meetings and on an on-going basis.
- (b) The Board has separate and independent access to the Company's management and the company secretaries for additional information. In addition, should the Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the management will, upon direction by the Board, appoint the appropriate professional advisor(s) selected by the Group or the individual Director, to render the requisite advice. The cost of such professional advice will be borne by the Company.

BOARD MATTERS (Continued)

Access to Information (Continued)

Principle 6: Board members to have complete, adequate and timely information (Continued)

- (c) One of the Company Secretaries will attend Board meetings, particularly the meetings for reviewing the draft announcements of the Group's quarterly and full year results, and is responsible for ensuring that Board procedures are followed. Together with the management, the Company Secretaries are responsible for ensuring compliance with the Companies Act (Cap. 50, Singapore Statutes) (the "Act"), the SGX-ST rules, the HK Listing Rules and all other regulations applicable to the Company. Under the direction of the Chairman, the joint Company Secretaries' responsibilities include ensuring good information flows within the Board and its Board Committees and between management and non-executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting professional development.
- (d) The Articles provide that the appointment and removal of any Company Secretary are subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors

Remuneration Committee

- (a) The current Remuneration Committee comprises the following members: Professor Raymond Leung Hai Ming (Chairman), Mr. Larry Lai Chong Tuck and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors.
- (b) The Company has adopted the model of remuneration committee as described in Code Provision B.1.2(c) (ii) of the Hong Kong Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee will review and recommend remuneration policies and packages for senior management and the Board. The review will cover all aspects of remuneration, including but not limited to, salaries, allowances, bonuses, share options and benefits-in-kind. In conducting its review, the Remuneration Committee will give due regard to the financial and commercial health and business needs of the Group. Where appropriate, external consultants will be appointed to assist the Remuneration Committee in conducting its review and making its recommendations. The Remuneration Committee's recommendations will thereafter be submitted for endorsement by the entire Board.
- (c) The Remuneration Committee has a set of terms of reference defining its scope of authority, and is responsible for the following functions:
 - (i) to ensure the Remuneration Committee's recommendations have been made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board; and
 - (ii) to liaise with the Board in relation to the preparation of executive compensation for inclusion in the Company's annual report as required.
- (d) The detailed terms of reference for the Remuneration Committee are published on the websites of SGX-ST, SEHK and the Company.

Statement on Corporate Governance

REMUNERATION MATTERS (Continued)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors (Continued)

Remuneration Committee (Continued)

- (e) The key terms of reference of the Remuneration Committee are as follows:
- (i) to recommend to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
 - (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
 - (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors, the Chief Executive (or executive of equivalent rank) and senior management, including benefits-in-kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
 - (iv) to make recommendations to the Board on the remuneration of non-executive Directors;
 - (v) to ensure that the remuneration packages of each Director, the Chief Executive (or executive of equivalent rank) and senior management are commensurate with their respective job scopes, time commitment, levels of responsibilities, performance on recommendation by the Nomination Committee and salaries paid by comparable companies;
 - (vi) to ensure the Remuneration Committee's recommendation relating to the remuneration of other executive directors have been made in consultation with the Chairman of the Board and/or chief executive and submitted for endorsement by the entire Board;
 - (vii) to consider and recommend the grant of share options to eligible participants pursuant to the share option scheme of the Company;
 - (viii) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, and not excessive;
 - (ix) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
 - (x) to liaise with the Board in relation to the preparation on executive compensation for inclusion in the Company's annual report as required;
 - (xi) to review whether Directors should be eligible for benefits under long-term incentive schemes; and
 - (xii) to ensure the Chairman of the Remuneration Committee, or in the absence of the Chairman of the Remuneration Committee, another member of the Remuneration Committee or failing which his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors (Continued)

- (f) The Remuneration Committee is also tasked with reviewing the Company's obligations arising in the event of termination of the executive Directors' key management executive's contracts of service, to ensure that such contracts of service contain for and reasonable termination clauses which are not overly generous.
- (g) During the period from the date of the last annual report to the date of this Annual Report, the Remuneration Committee had convened one meeting and reviewed various remuneration matters, including, among other things, the remuneration packages for all Directors and senior management.
- (h) Each member of the Remuneration Committee abstains from voting on any resolution concerning his own remuneration.

Principle 8: Remuneration of directors should be adequate but not excessive

- (a) In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and senior management.
- (b) All independent non-executive Directors receive director's fees, which is subject to shareholders' approval at each annual general meeting.
- (c) Executive Directors do not receive directors' fees. The remuneration for the Company's executive Directors and senior management comprise a basic salary component and a variable component which is the discretionary bonus, based on the performance of the Group as a whole and their individual performance.
- (d) The annual review of the compensation of Directors and senior management will be carried out by the Remuneration Committee and approved by the Board to ensure their remuneration package is commensurate with their performance, giving due regard to the financial and commercial well-being of the Company.

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

- (a) The Group's remuneration policy is to provide compensation packages at rates which reward successful performance and the enhancement of shareholder value and to attract, retain and motivate the Directors and employees. For disclosure of the remuneration of the executive and non-executive Directors and the five top earning senior management and a breakdown of the fees payable to each Director, please refer to Note 10 to the Financial Statements on pages 97 to 99. The amounts are presented in United States dollars equivalent (exchange rate: US\$1 : S\$ 1.3216) instead of Singapore dollars as required under Guideline 9 of the Singapore Code as this Annual Report is prepared in the functional currency of United States dollars.

Statement on Corporate Governance

REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Continued)

Employees' Share Option Scheme Committee

- (b) The Employees' Share Option Scheme Committee comprises Mr. Cheung Kwok Wing (Non-executive Director) and Mr. Chang Wing Yiu (Executive Director).
- (c) The Employees' Share Option Scheme Committee is authorised to administer the 2008 Elec & Eltek Employees' Share Option Scheme (the "**Option Scheme**"), including but not limited to, offer and grant of share options to eligible participants in accordance with the rules of the Option Scheme, to modify and/or amend the Option Scheme from time to time; and to take such steps, to complete and do all such acts and things and to enter into such transactions, arrangements and agreements as may be necessary or expedient to give full effect to the Option Scheme.
- (d) No options were granted since the commencement of the Option Scheme or to the end of CY2014 to the Directors, controlling shareholders and eligible employees of the Company and their associates.
- (e) Information on the Option Schemes is disclosed on page 43 in the Report of the Directors and pages 116 to 117 in Note 27 to the Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

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

- (a) The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price-sensitive public reports and reports to regulators (if required). In presenting the quarterly and annual financial statements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's position and prospects. The management is responsible for providing the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis, and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.
- (b) The Directors acknowledge their responsibilities for preparing the Company's accounts which gives a true and fair view of the financial position of the Group. The Company deploys appropriate and sufficient resources to prepare unaudited quarterly accounts and audited annual accounts. The senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board on a monthly basis, and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 53 and 54 of this annual report.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

- (a) The Group's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication are reliable.
- (b) The statutory auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the auditors are reported to the Audit Committee together with the auditors' recommendations. The management would then take appropriate actions to rectify the weaknesses highlighted.
- (c) The Audit Committee, in the course of their review of the reports presented by the internal auditors and statutory auditors, also reviewed the effectiveness of the Group's system of risk management and internal controls and is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment. As such, the Board, with the concurrence of the Audit Committee, is satisfied with the adequacy of the internal controls, including financial, operational and compliance and information technology controls, and risk management systems.
- (d) The Board has received assurance from the Chief Executive Officer that the financial records have been properly maintained and the financial statements 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.

Audit Committee

Principle 12: Establishment of Audit Committee with written terms of reference

- (a) The current Audit Committee comprises the following members: Mr. Larry Lai Chong Tuck (Chairman), Professor Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors.
- (b) The Audit Committee has written terms of reference defining its scope of authority and carries out its duties and responsibilities with the following authority delegated by the Board:
 - (i) to investigate any matter within its written terms of reference;
 - (ii) to have full access to and cooperation by the management and full discretion to invite any Director or executive officer to attend its meetings;
 - (iii) to seek any information it requires from any employee and all employees shall be directed to co-operate with any request made by the Audit Committee; and
 - (iv) any other authority that the Board may delegate from time to time.
- (c) During the financial year and up to the date of this Annual Report, the Audit Committee met with the management, internal auditor and statutory auditors of the Company and performed, inter alia, the following functions:
 - (i) reviewed the internal audit plans, the results of internal audits and evaluation of the Group's systems of internal accounting controls, and the effectiveness of actions or policies taken by the management on its recommendations and observations;

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

- (ii) reviewed the Group's continuing connected transactions; and
- (iii) reviewed the co-operation and assistance given by the management to the Company's statutory auditors.
- (d) The detailed terms of reference of the Audit Committee are published on the websites of SGX-ST, SEHK and the Company.
- (e) The key terms of reference of the Audit Committee are as follows:
 - (i) to monitor the integrity and to review periodically and satisfy themselves of the quality, especially as to the completeness, accuracy and fairness of the financial statements prepared by the management and to monitor the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them before submission to the Board;
 - (ii) to review the scope and results of the audit and its cost effectiveness in accordance with applicable standards;
 - (iii) where the external auditors supply a substantial volume of non-audit services to the Company, to review the nature and extent of such services, seeking to balance the maintenance of objectivity and value for money;
 - (iv) to review and monitor the independence and objectivity of the external auditors annually;
 - (v) to be primarily responsible for making recommendations to the Board on Nomination a person or persons as external auditors or to recommend the appointment and re-appointment of a person or persons as external auditors and the removal of external auditors;
 - (vi) to be primarily responsible for approving the remuneration and terms of engagement of the external auditors and any questions of its resignation or dismissal;
 - (vii) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
 - (viii) to ensure there is coordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;
 - (ix) to review the scope and results of the internal audit procedures;
 - (x) to review the significant financial reporting issues and judgments so as to ensure the integrity of financial statements of the Company and any formal announcements relating to the Company's financial performance;
 - (xi) to review arrangements which staff of the Company can use, in confidence, to raise concerns about possible improprieties in matters of financial reporting and other matters, bearing in mind that the Committee's objective should be to ensure that arrangements are in place for independent investigation of these matters and for appropriate follow-up action;
 - (xii) to ensure the adequacy and effectiveness of the internal audit function at least annually;

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

- (xiii) to ensure that a review, by the internal and/or external auditors, of the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and systems established by the management, is conducted at least annually, provided that where the public accountant is also the external auditor of the Company, the Committee should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the Company;
 - (xiv) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (xv) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
 - (xvi) to review the Company and its subsidiaries' financial and accounting policies and practices;
 - (xvii) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
 - (xviii) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (xix) to report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 to the HK Listing Rules (as amended from time to time);
 - (xx) to consider other topics, as defined by the Board from time to time;
 - (xxi) to act as the key representative body for overseeing the Company's relations with the external auditors;
 - (xxii) to review the assistance given by the Company's officers to the auditors;
 - (xxiii) to review the procedures set up to identify, report and where necessary, seek appropriate approval for interested person transactions;
 - (xxiv) to review compliance with legal, regulatory and industry requirements, as well as the Company's obligations to the community and social or ethical codes practiced within the business; and
 - (xxv) to ensure the Chairman of the Audit Committee, or in the absence of the Chairman of the Audit Committee, another member of the Audit Committee or failing which his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.
- (f) The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited annual financial statements for the year ended 31 December 2014.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

- (g) The Audit Committee has undertaken a review of the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee has full access to and co-operation from the management and the statutory and internal auditors and has full discretion to invite any Director or executive officer to attend its meeting. The statutory and internal auditors have unrestricted access to the Audit Committee, without the presence of management.
- (h) The Company has adopted a whistleblower policy which allows the staff of the Group to raise concerns, in confidence, about suspected improper conduct or incidents on matters of financial reporting, internal accounting controls, auditing and other matters or potential violations of the laws; and for the independent investigation of such matters and appropriate follow-up actions.
- (i) During the year under review, the fees paid or payable to the Company's statutory auditors in respect of audit and non-audit services provided by the Company's statutory auditors to the Group were as follows:

| Nature of services | Amount (US\$'000) |
|---------------------------|--------------------------|
| Audit services | 442 |
| Non-audit services | 110 |
| Total: | <u>552</u> |

- (j) The Audit Committee has undertaken a review of all the non-audit services provided by the Company's statutory auditors and concluded that in their opinion, such services did not affect the independence of the statutory auditors.
- (k) The Audit Committee met four times during the financial year under review. The Vice-Chairman, Company Secretary, Chief Internal Audit Officer, finance manager and the statutory auditors were invited to attend these meetings. The Audit Committee considered and reviewed with management, the Chief Internal Audit Officer and the statutory auditors the following:
- (i) Significant internal audit observations, risk assessment and management responses thereto;
 - (ii) Planned scope of annual and internal audit plans to ensure that the plans has sufficiently reviewed the internal controls system;

In the review of the annual financial statements for the financial year ended 31 December 2014, the Audit Committee has discussed with the management and the statutory auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters as well as their judgment of items that might affect the integrity of the financial statements. Following the review and discussions, the Audit Committee has recommended to the Board the release of the full-year financial statements. The Audit Committee keeps abreast of the latest updates of changes in accounting standards and principles and practices through the quarterly meetings with the statutory auditors.

ACCOUNTABILITY AND AUDIT (Continued)

Internal Audit

Principle 13: Independent internal audit function

- (a) The Group has an adequately resourced independent internal audit function to conduct regular review of the systems of internal controls in selected areas and to report independently the findings and recommendations of any internal control weakness to the Audit Committee and to the senior management for remedial action.
- (b) The internal auditors have a direct and primary reporting line to the Chairman of the Audit Committee and the internal auditors would report administratively to the Vice Chairman (who assumes the role and responsibility of the Chief Executive Officer) and assist the Board in monitoring and managing business risks and internal controls of the Group. The Audit Committee reviews and approves the internal audit plan at every quarterly meeting or prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any) are tabled and discussed at quarterly meetings by the Audit Committee members. The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the independent internal audit function. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.
- (c) The internal auditors carry out its function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.
- (d) The Audit Committee has reviewed the effectiveness and adequacy of internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

Currently (and on a temporary basis), there is no head of the internal audit function. However, the Company is sourcing for an appropriate person with relevant qualifications and experience, to assume the role of head of the internal audit function.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights

Principle 14: Facilitate the exercise of shareholders' rights

Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings

(a) Pursuant to the Articles

An annual general meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty one clear days or ten clear business days (whichever is longer). All other extraordinary general meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer), provided always that a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting by all the members entitled to attend and to vote thereat; and (b) in the case of an extraordinary general meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the members having a right to vote thereat. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held. Every notice calling a general meeting shall specify the place and the day and the hour of meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a Member of the Company and be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen clear business days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the SGX-ST and the SEHK, and in the case of any annual general meeting or any extraordinary general meeting at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such annual general meeting or extraordinary general meeting shall be given to the SGX-ST and the SEHK. For the avoidance of doubt, "business day" shall mean any day on which the SGX-ST and the SEHK is open for business of dealing in securities. The accidental omission to give such notice to, or the non receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

(b) Pursuant to the Act

(i) Convening of an extraordinary general meeting on requisition

- (a) the Directors of the Company, notwithstanding anything in its Articles, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.
- (b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings (Continued)

- (c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.
 - (d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.
 - (e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.
- (ii) Calling of meetings
- (a) Two or more members holding not less than 10% of the total number of issued shares of the company (excluding treasury shares) may call a meeting of the company.
 - (b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period.
 - (c) A meeting shall, notwithstanding that it is called by notice shorter than is required by paragraph (ii) (b), be deemed to be duly called if it is so agreed:
 - (i) In the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or
 - (ii) In the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for shareholders to propose a person for election as a Director at any general meeting, please refer to the procedures made available under the section of "Directors of the Company" of the Company's website at <http://www.eleceltek.com>.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for shareholders to propose a person for election as a Director (Continued)

Procedures for directing shareholders' enquiries to the Board

- (a) Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Singapore Registered Office
80 Raffles Place,
#33-00 UOB Plaza 1,
Singapore 048624

Hong Kong Office
2/F., Harbour View 1,
No. 12 Science Park East Avenue,
Phase II Hong Kong Science Park,
Shatin, New Territories, Hong Kong

Fax: (852) 2954 3140

email: ir@eleceltek.com

- (b) Shareholders may also make enquiries with the Board at the general meetings of the Company.

Company Secretary, Investor Relations and Communication with Shareholders

- (a) Ms. Anna Cheung Po King being the Company's Associate Company Secretary (for the purpose of HK Listing Rules) and Ms. Marian Ho Wui Mee, being the Company's sole Company Secretary, have confirmed that, for the year under review, they have taken no less than 15 hours of relevant professional training.
- (b) The Company has also set up a public relations website which enables the shareholders and public to post their questions, comments and opinions to the Board in relation to the Group.
- (c) During the year under review, there is no change in the Company's constitutional documents.

Principle 15: Regular, effective and fair communication with shareholders

- (a) The Board is mindful of its obligation to provide timely and fair disclosure of material information to its shareholders. Quarterly, half-yearly and annual financial statements, annual reports, circulars and other announcements are released through SGXNET and SEHK, and annual reports and circulars are sent to all shareholders by post. The information is also available on the Company's website (<http://www.eleceltek.com>).
- (b) Price-sensitive information is first publicly released, either before the Company meets with any group of investors or investment analysts or simultaneously with such meetings, if necessary.
- (c) The Company discloses information in compliance with the HK Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 15: Regular, effective and fair communication with shareholders (Continued)

- (d) Notices of shareholders' meetings will be dispatched to shareholders as well as advertised in the newspapers in Singapore. Shareholders are encouraged to communicate their views and ask questions regarding the Group and resolutions being proposed during shareholders' meetings.
- (e) All resolutions in shareholders' meetings have been voted by poll, and the detailed results showing the number of votes cast for and against each resolution and their respective percentages have been communicated to the shareholders and posted on the websites of the Company, SEHK and SGX-ST accordingly.
- (f) Through the above measures, the Company endeavours to communicate with its shareholders and provide them with the latest development of the Group.

Principle 16: Engage greater shareholder participation at Annual General Meeting

- (a) The Board endeavours to maintain an on-going dialogue with shareholders. All Directors are encouraged to attend the general meetings to have personal communication with shareholders.
- (b) The statutory auditors and the members of the Audit Committee, Nomination Committee and/or Remuneration Committee will normally be available at shareholders' meetings to assist the Directors in addressing any queries by shareholders at the meetings.
- (c) At shareholders' meetings, each distinct issue is proposed as a separate resolution.
- (d) Under the Articles, a shareholder of the Company is allowed to appoint one or more than one proxy to attend and vote at all shareholders' meetings on his or her behalf. The Articles allows a shareholder to vote in absentia such as voting via mail, e-mail or facsimile.
- (e) The Company prepares minutes of general meetings, and these minutes are made available to shareholders upon their request.
- (f) The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and their respective percentages.
- (g) At the annual general meeting of the Company held on 17 April 2014 ("**2014 AGM**"), the Chairman did not attend the 2014 AGM pursuant to Code Provision E.1.2 of the Hong Kong Code. The Chairman delegated the duty of attending the 2014 AGM to the former Vice-Chairman, Mr. Chadwick Mok Cham Hung, who served as the Chief Executive Officer for many years and was able to answer and address questions raised by shareholders at the 2014 AGM. Notwithstanding the aforesaid deviation, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the Hong Kong Code.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. For the current financial year, the amount of interested person transactions to be disclosed pursuant to Rule 907 of the Listing Manual of SGX-ST is disclosed in the section "Interested Persons Transactions" on page 122.

CONTINUING CONNECTED TRANSACTIONS

Details of continued connected transactions for the financial year ended 31 December 2014 which fall under Chapter 14A of the HK Listing Rules are set out in the section headed "Continuing Connected Transactions" on pages 47 to 50 in this Annual Report.

Statement on Corporate Governance

INTERNAL CODE ON DEALING IN SECURITIES

- (a) The Company has adopted the code of conduct regarding securities transactions by the Directors and relevant employees (as defined in the Hong Kong Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the HK Listing Rules. A copy of the internal memorandum is circulated to each Director and relevant employees, at least 30 days and 60 days respectively before the date of the board meeting to approve the Company’s quarterly results and annual results, with a reminder that the Directors and relevant employees cannot deal in the securities of the Company until after such results have been published.
- (b) Directors and officers are also prohibited from dealing in the Company’s securities when they are in possession of unpublished inside or price sensitive information of the Group. Directors and officers are also advised not to deal in the Company’s securities for short term considerations and they are expected to observe insider trading laws at all times.
- (c) Following specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct throughout the year ended 31 December 2014.

NON-COMPETE UNDERTAKINGS

- (a) The Company has received an annual declaration from Kingboard that Kingboard has complied with the non-compete undertakings pursuant to the terms of the deed of non-competition dated 27 June 2011 entered into between Kingboard and the Company (the “**Deed**”) as referred to on pages 141 to 144 in the listing document of the Company dated 30 June 2011. Appropriate compliance procedures have been established by the Company to minimize the effect of any actual or potential business competition.
- (b) The Independent Non-executive Directors of the Company, to the best of their knowledge and beliefs, are of the view that:
 - (1) Kingboard has complied with the terms of the Deed for the year ended 31 December 2014 and has not entered into any transaction with the intent to breach the terms of the Deed during the abovementioned year; and
 - (2) The Company has complied with the Corporate Governance Report as described in Appendix 14 to the HK Listing Rules for the year ended 31 December 2014.
- (c) There was no new business investment and other merger and acquisition opportunity being deliberated, accepted or declined by the Company for the year ended 31 December 2014.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

Chang Wing Yiu
Director

27 February 2015

Profiles of Board of Directors and Core Management

EXECUTIVE DIRECTORS

Ms. Stephanie Cheung Wai Lin (張偉蓮), aged 44, is an Executive Director and the Vice-Chairman of the Board of the Company. She joined our Group and was appointed as an Executive Director and the Vice-Chairman of the Board of the Company in August 2014. She has been with the Kingboard Group (namely Kingboard Chemical Holdings Limited (“**Kingboard**”) and its subsidiaries) since 2002. She was appointed as an executive director of Kingboard in January 2007. Prior to joining the Kingboard Group, she worked as an administration assistant manager in a listed company for about five (5) years. Ms. Cheung is the sister of Mr. Cheung Kwok Wing (a non-executive director and the chairman of the Board of the Company) and sister-in-law of Mr. Chang Wing Yiu (currently an executive director of the Board).

Mr. Chang Wing Yiu (鄭永耀), aged 48, is an executive Director. He joined our Group in December 2004 and was appointed as a non-executive Director on 13 December 2004. Mr. Chang is also the managing director of Kingboard. Mr. Chang has over 24 years’ experience in laminates production. Mr. Chang graduated from the Hong Kong Polytechnic University with a higher diploma in marine electronics. He is a member of our Employees’ Share Option Scheme Committee. Mr. Chang is the brother-in-law of Mr. Cheung Kwok Wing (a non-executive director and the Chairman of the Board of the Company). Mr. Chang is also the brother-in-law of Ms. Stephanie Cheung Wai Lin (an executive director and the Vice-Chairman of the Board of the Company).

Mr. Ng Hon Chung (吳漢鐘), aged 57, is an executive Director and a member of the executive committee of the Company. Mr. Ng joined the Group in May 1979 and has served in various senior positions in the Group’s manufacturing operations in Hong Kong and China. He is currently responsible for the overall operational management of the Company’s Guangzhou and Kaiping sites. Mr. Ng obtained a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick in 1995.

NON-EXECUTIVE DIRECTOR

Mr. Cheung Kwok Wing (張國榮), aged 59, is a non-executive Director and the Chairman of the Board of the Company. Mr. Cheung is also a member of our Employees’ Share Option Scheme Committee. He joined our Group in December 2004 and was appointed as a non-executive Director on 13 December 2004. He was appointed as the Chairman of the Board of the Company on 3 February 2005. Mr. Cheung is also the chairman, executive director and one of the co-founders of Kingboard. Mr. Cheung was the chairman and director of Kingboard Copper Foil Holdings Limited (“**KBCF**”) which is the subsidiary of Kingboard listed on the Singapore Exchange Securities Trading Limited up to 3 January 2012. Mr. Cheung won the Young Industrialist Award of Hong Kong 1993, which was organized by the Federation of Hong Kong Industries and was described as “far-sighted, enterprising, and having insight in the business”. In 2006, he won the Hong Kong Business Owner-Operator Award 2006, which was organized by DHL and the South China Morning Post. In 2011, Mr. Cheung had been awarded the Honorary University Fellowships of The University of Hong Kong. Mr. Cheung had over 13 years’ experience in the sales and distribution of electronic components including laminates prior to the establishment of the Kingboard Group. He sets the general direction and goals for the Kingboard Group. Mr. Cheung is a member of the National Committee of the Chinese People’s Political Consultative Conference of The People’s Republic of China. Mr. Cheung is the brother of Ms. Stephanie Cheung Wai Lin (an executive director and the Vice-Chairman of the Board of the Company). Mr. Cheung is the brother-in-law of Mr. Chang Wing Yiu (currently an executive director of the Board).

Profiles of Board of Directors and Core Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Larry Lai Chong Tuck (黎忠德), aged 58, is our independent non-executive Director. He joined our Group in February 2005 and was appointed as our independent non-executive Director on 26 February 2005. Mr. Lai graduated with a Bachelor of Arts Degree from the National University of Singapore in 1981. He also obtained a Graduate Diploma in Financial Management, a Diploma in Counseling Psychology and a Master of Social Science (Counselling and Psychotherapy) in 1992, 2008 and 2010, respectively. Mr. Lai presently manages his own business consulting firm, Asteri Consulting Private Limited. Prior to this, he was a senior career expatriate banker with over 20 years of diverse international banking expertise. Mr. Lai was an active member of the business community which he operated in. He served in the EXCO of the Dutch Business Group in Vietnam and the Shanghai Singapore Business Group in China during his career posting. At present, Mr. Lai is still actively engaged in local community work particularly within the educational and charity sectors. Mr. Lai serves as the chairman of our Audit Committee. He is also a member of our Nomination Committee and Remuneration Committee. Mr. Lai is the brother of Mr. Robert Lai Chung Wing, an independent non-executive director of Kingboard.

Professor Raymond Leung Hai Ming (梁海明), aged 60, is our independent non-executive Director. He joined our Group in January 2008 and was appointed as our independent non-executive Director on 1 January 2008. Professor Leung is a qualified Fellow Engineer of the Institute of Civil Engineers, the American Society of Civil Engineers (“ASCE”), The Hong Kong Institution of Engineers, Society of Builders, the Hong Kong Institute of Construction Managers (“HKICM”), Senior Member of the Institute of Electricity and Electronics Engineers. Professor Leung graduated with a Doctor of Philosophy in Information Engineering from The Chinese University of Hong Kong in 2008 and obtained a Master of Applied Science in Civil Engineering from the University of Toronto, Canada in 1982. He is a member of the Steering Committee on Mediation under the HKSAR Department of Justice, the Past President of HKICM and Hong Kong Institute of Arbitrators, Founding President and Governor of Hong Kong Mediation Centre and the Founding President of ASCE (HK). Professor Leung is presently the Chairman & Chief Executive Officer of C&L Holdings Ltd., whose business activities comprise direct investment and China business. Professor Leung is also a director of China State Construction International Holdings Ltd., a company listed on the main board of the HKSE (stock code: 3311). Professor Leung is a member of our Audit Committee, Nomination Committee and Remuneration Committee. In addition, he has been the Chairman of our Nomination Committee and Remuneration Committee since 1 January 2010.

Mr. Stanley Chung Wai Cheong (鍾偉昌), aged 45, is our independent non-executive Director. He joined our Group in April 2011 and was appointed as our independent non-executive Director on 11 April 2011. Mr. Chung graduated with a Bachelor of Commerce Degree from the University of Melbourne in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a certified practising accountant of CPA Australia. Mr. Chung has over 20 years’ experience in accounting and financial management. He has also served as the financial controller for a number of listed companies in Hong Kong between 1997 and 2010 and is currently the Chief Financial Officer of HCT Asia Limited. Between 1997 and 2001, Mr. Chung was appointed as the financial controller and company secretary of Kingboard. Mr. Chung is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

EXECUTIVE COMMITTEE MEMBERS

Mr. Philip Chan Sai Kit (陳世傑), aged 53, is a member of our Executive Committee. He had originally served as our executive Director since 18 January 2005. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Chan had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Chan joined our Group in June 1989 and has served as Head-Regional Sales of various regions. He is currently responsible for business development and supply chain management functions of our Group. Mr. Chan obtained a Bachelor of Science Degree in Civil Engineering from Coventry (Lanchester) Polytechnic in the United Kingdom in 1984 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

Profiles of Board of Directors and Core Management

Mr. Clement Sun (孫道藩), aged 55, is a member of our Executive Committee. He had originally served as our executive Director since 15 January 2007. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Sun had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Sun joined our Group in October 1983 and served in various senior positions in the Group's manufacturing operations in Hong Kong and PRC. He is currently responsible for the overall operational management of Thailand manufacturing site. Mr. Sun obtained a Diploma in Production and Industrial Engineering from The Hong Kong Polytechnic University in 1980 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

Ms. Anna Cheung Po King (張寶琮), aged 53, is our financial controller, a member of our Executive Committee and the Associate Company Secretary. Ms. Cheung was appointed as the Associate Company Secretary (for the purpose of HK Listing Rules) and a member of the Executive Committee on 1 December 2013. Ms. Cheung joined the Group in January 2003 as the Group's chief financial officer. Ms. Cheung was redesignated as our chief internal audit officer in January 2005 and is fully responsible for the internal audit function of the Group. In December 2014 she was redesignated as our financial controller. Prior to joining the Group, Ms. Cheung had over 12 years of experience in financial planning and general management in the manufacturing and trading company. Ms. Cheung graduated from the University of East Anglia in the United Kingdom in 1984 with a Bachelor of Science Degree. She is also a member of the Institute of Chartered Accountants of England & Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Stephanie Cheung Wai Lin and Mr. Ng Hon Chung are also the chairman and a member of our Executive Committee respectively. Further details of their biographical details are set out under the paragraph headed "Executive Directors" above.

COMPANY SECRETARIES

Ms. Marian Ho Wui Mee (何維美), aged 48, is our sole company secretary. She was appointed as our company secretary on 22 December 2006 and she has been handling the corporate secretarial matters as well as other legal matters for our Company since then. Ms. Ho is a partner in Rodyk & Davidson LLP's Corporate Practice Group. She was admitted to the Singapore Bar in 1991 and admitted as a solicitor in England and Wales in 2003 and has been in private practice since 1991. Ms. Ho specializes in corporate finance as well as mergers and acquisitions. Her corporate finance work covers rights issues, convertible bonds and notes issues, warrant issues and share option schemes. In terms of mergers and acquisitions, Ms. Ho has advised on a range of domestic and cross-border transactions, strategic alliances, share and business acquisitions and divestitures, as well as corporate restructurings. Ms. Ho also advises on fund management and collective investment schemes, in particular offers made by offshore funds in Singapore. In addition, Ms. Ho acts as company secretary for a wide range of corporate secretarial clients, comprising private limited companies, publicly listed companies as well as companies limited by guarantee. Ms. Ho was recognized by Asialaw in 2008, 2010, 2011, 2012 and 2013 as a Leading Lawyer in General Corporate Practice.

Ms. Anna Cheung Po King is our Associate Company Secretary (for the purpose of HK Listing Rules). Further details of Ms. Cheung's biographical details are set out under the paragraph headed "Executive Committee Members" above.

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 31 December 2014.

DIRECTORS

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

Executive Directors:

| | |
|---|---------------------------------|
| Ms. Stephanie Cheung Wai Lin (<i>Vice-Chairman</i>) | (appointed on 1 August 2014) |
| Chang Wing Yiu | (redesignated on 1 August 2014) |
| Ng Hon Chung | (appointed on 1 September 2014) |

Non-executive Director:

Cheung Kwok Wing (*Chairman*)

Independent non-executive Directors:

Larry Lai Chong Tuck
Raymond Leung Hai Ming
Stanley Chung Wai Cheong

In accordance with Article 95(2) and 95(4) of the Company's Articles of Association, Mr. Cheung Kwok Wing, being the non-executive director and Mr. Raymond Leung Hai Ming, being the independent non-executive director will retire from directorship by rotation and will offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 96 of the Company's Articles of Association, a director appointed by the Directors to fill a vacancy shall retire from the office at the close of the next general meeting and shall be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Ms. Stephanie Cheung Wai Lin, appointed on 1 August 2014 as an executive Director to fill the vacancy arising from the resignation of Mr. Mok Cham Hung, Chadwick, and Mr. Ng Hon Chung, appointed on 1 September 2014 as an executive Director to fill the vacancy arising from the resignation of Mr. Chan Wai Leung, both will retire from office at the close of the next AGM and will offer themselves for re-election at the forthcoming AGM of the Company.

No director of the Company proposed for re-election at the forthcoming AGM of the Company has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

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

Except as disclosed in this Report, 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.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Some of our Directors hold directorships in certain members of the Kingboard Group. Save for the continuing connected transactions between the Group and the Kingboard Group, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. Please refer to the section headed "Continuing Connected Transactions" below for further details of such transactions.

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, its ultimate holding company, Kingboard Chemical Holdings Limited ("**Kingboard**"), and related corporations (other than wholly-owned subsidiary companies) as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act (Cap. 50, Singapore Statutes) (the "**Act**") and recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the Hong Kong Securities and Futures Ordinance ("**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("**SEHK**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, except as follow:

| Name of directors and companies in which interests are held | Shareholdings registered in name of or beneficially held by directors | | Shareholdings in which directors are deemed to have an interest | |
|--|---|------------------|---|------------------|
| | At 31.12.2014 | At 31.12.2013 | At 31.12.2014 | At 31.12.2013 |
| The Company | | | | |
| Long position (Ordinary shares) | | | | |
| Cheung Kwok Wing | 1,507,200 | 1,507,200 | - | - |
| Chang Wing Yiu | 486,600 | 486,600 | - | - |
| Ng Hon Chung | 60,000 | 60,000 | - | - |
| Larry Lai Chong Tuck | 25,000 | 25,000 | - | - |
| Kingboard | | | | |
| Long position (Ordinary shares of HK\$0.10 each) | | | | |
| Cheung Kwok Wing | 2,093,470 | 3,043,370 | - | - |
| Chang Wing Yiu | 4,076,488 | 4,076,488 | 861,840 | 861,840 |
| Stephanie Cheung Wan Lin | 682,000 | 682,000 | 140,000 | 140,000 |

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

| Name of directors and companies in which interests are held | Shareholdings registered in name of or beneficially held by directors | | Shareholdings in which directors are deemed to have an interest | |
|--|---|------------------|---|------------------|
| | At 31.12.2014 | At 31.12.2013 | At 31.12.2014 | At 31.12.2013 |
| Kingboard Laminates Holdings Limited (fellow subsidiary) | | | | |
| (Options to subscribe for unissued ordinary shares of HK\$0.10 each) | | | | |
| Cheung Kwok Wing | 3,360,000 | 3,360,000 | - | - |
| Chang Wing Yiu | 3,120,000 | 3,120,000 | - | - |
| Stephanie Cheung Wan Lin | 3,120,000 | 3,120,000 | - | - |
| Kingboard Laminates Holdings Limited (fellow subsidiary) | | | | |
| Long position (Ordinary shares of HK\$0.10 each) | | | | |
| Cheung Kwok Wing | 675,500 | 675,500 | - | - |
| Chang Wing Yiu | - | - | 100,000 | 100,000 |
| Ng Hon Chung | 20,000 | 20,000 | - | - |
| Kingboard Copper Foil Holdings Limited (fellow subsidiary) | | | | |
| Long position (Ordinary shares of US\$0.10 each) | | | | |
| Cheung Kwok Wing | 421,000 | 620,000 | - | - |
| Kingboard Laminates Limited (fellow subsidiary) | | | | |
| Long position (Non-voting deferred shares of HK\$1.00 each ⁽¹⁾) | | | | |
| Cheung Kwok Wing | 1,904,400 | 1,904,400 | - | - |
| Chang Wing Yiu | 423,200 | 423,200 | - | - |

⁽¹⁾ None of the non-voting deferred shares of Kingboard Laminates Limited are held by the group of Kingboard. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited, and have practically no rights to dividends or to participate in any distribution on winding up.

Save as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2015.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, 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:

- (a) Salaries, bonuses and other benefits as disclosed in the financial statements.
- (b) Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

SHARE OPTIONS

(a) Options to take up unissued shares

The 2008 Elec & Eltek Employee's Share Option Scheme (the "**2008 Scheme**") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 21 April 2008 and was adopted by the Company on 9 May 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Scheme. Since its adoption, no option has been granted by the Company pursuant to the 2008 Scheme.

Under the 2008 Scheme, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after the first or second anniversary of the date of grant but no later than the expiry date. The options may be exercised in full or in respect of 1,000 ordinary shares of the Company ("**Shares**") or a multiple thereof, on the payment of the aggregate exercise price. The exercise price is based on the average of the last dealt prices for a Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a period of five consecutive market days immediately preceding the date of grant. The Employees' Share Option Scheme Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price.

The 2008 Scheme is administered by the Employee's Share Option Scheme Committee whose members are:

Mr. Cheung Kwok Wing
Mr. Chang Wing Yiu

(b) Unissued shares under option and option exercised

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

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

Report of the Directors

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all non-executive directors, is chaired by Mr. Larry Lai Chong Tuck, an independent non-executive director, and includes Prof. Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong, independent non-executive directors. The Audit Committee has met four times since the last Annual General Meeting (“AGM”) and has reviewed the following, where relevant, with the executive directors and statutory and internal auditors of the Company:

- (a) the internal audit plans, the results of the internal audits and evaluation of the Group’s systems of internal accounting controls and the effectiveness of actions or policies taken by the management on its recommendations and observations;
- (b) the Group’s financial and operating results and accounting policies;
- (c) the annual audit plan of the Company’s statutory auditors and the results of their examination of the financial statements of the Company, the consolidated financial statements of the Group and statutory auditors’ report on those financial statements before their submission to the directors of the Company;
- (d) the quarterly and annual announcements on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company’s statutory auditors;
- (f) recommended to the Board, subject to shareholders’ approval, the re-appointment of the statutory auditors of the Company; and
- (g) the Group’s interested person transactions and continuing connected transactions.

In addition, the Audit Committee has undertaken a review of all the non-audit services provided by the statutory auditors, and concluded that in their opinion, such services did not affect the independence of the statutory auditors.

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

The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as statutory auditors of the Company at the forthcoming AGM of the Company. The Group has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

AUDITORS

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

ADDITIONAL INFORMATION

The directors are pleased to present in the report the following additional information as required under the Companies Ordinance (Chapter 622, the Laws of Hong Kong) and other relevant laws and regulations governed in Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of major subsidiaries of the Company are set out in Note 20 to the Financial Statements.

Report of the Directors

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 are set out in Note 20 to the Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 55 and 56.

An interim dividend of US3.0 cents per ordinary share was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of US3.0 cents per ordinary share to the Company's shareholders whose names appear on the register of members of the Company on 6 May 2015, and the retention of the remaining profit in the Company.

The Singapore Principal Share Transfer Books, Singapore Register of Members of the Company, Hong Kong Share Transfer Books and Hong Kong Register of Members of the Company will be closed from 7 May 2015 to 8 May 2015 for the purpose of determining the shareholders' entitlements to the dividends to be proposed at the AGM of the Company to be held on 24 April 2015.

All removal in respect of Shares in the Company, between the principal register of members in Singapore and the branch register of members in Hong Kong, all necessary documents, remittances accompanied by the relevant share certificates, received up to close of the business at 5.00 p.m. and 4:30 p.m. on 27 April 2015 by the Company's Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) or the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road Central, Hong Kong (for Hong Kong Shareholders) will be registered to determine shareholders' entitlements to such dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares of the Company as at 5.00 p.m. on 6 May 2015 will be entitled to such proposed dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2014, resulting in an increase in fair value of approximately US\$146,000 which has been credited directly to profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately US\$41,375,000 was incurred during the year primarily to expand the production capacity of the Group. Details of all changes in the property, plant and equipment of the Group during the year are set out in Note 17 to the Financial Statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of Company's share capital are set out in Note 26 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary purchased, redeemed or sold its equity securities during the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the HK Listing Rules and considers all of the independent non-executive directors to be independent.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of the Company ("Shares")

| Name of shareholder | Nature of interest | Number of issued shares held | Approximate percentage of the issued share capital of the Company |
|--|---|------------------------------|---|
| Elec & Eltek International Holdings Limited (" EEIH ") | Beneficial owner | 90,741,550 | 48.55% |
| Elitelink Holdings Limited (" Elitelink ") | Beneficial owner | 34,321,615 | 18.36% |
| Ease Ever Investments Limited (" Ease Ever ") | Interest in controlled corporation (Note 1) | 90,741,550 | 48.55% |
| Kingboard Investments Limited (" Kingboard Investments ") | Interest in controlled corporation (Note 2) | 125,063,165 | 66.91% |
| | Beneficial owner | 4,631,000 | 2.48% |
| Jamplan (BVI) Limited (" Jamplan ") | Interest in controlled corporation (Note 3) | 129,694,165 | 69.38% |
| Kingboard | Interest in controlled corporation (Note 4) | 129,694,165 | 69.38% |
| | Beneficial owner | 1,141,000 | 0.61% |
| Hallgain Management Limited (" HML ") | Interest in controlled corporation (Note 5) | 130,835,165 | 70.00% |

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. The entire issued share capital of EEIH is owned approximately 77.34% by Ease Ever, approximately 11.59% by Kingboard and approximately 11.07% by Kingboard Investments. Ease Ever is deemed to have an interest in 90,741,550 Shares held by EEIH, under the provisions of the SFO.
2. The entire issued share capital of Elitelink and Ease Ever are owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 34,321,615 Shares held by Elitelink and 90,741,550 Shares which Ease Ever is deemed to have an interest in, under the provisions of the SFO.
3. The entire issued share capital of Kingboard Investments is owned by Jamplan. Jamplan is deemed to have an interest in 4,631,000 Shares held by Kingboard Investments and 125,063,165 Shares which Kingboard Investments is deemed to have an interest in, under the provisions of the SFO.
4. The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 129,694,165 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.
5. Approximately 36.26% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,141,000 Shares held by Kingboard and 129,694,165 Shares which Kingboard is deemed to have an interest in, under the provisions of the SFO. There is no shareholder of HML who is entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at HML's general meetings. HML and its directors are not accustomed to act in accordance with any shareholder's direction. Mr. Cheung Kwok Wing is director of HML.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2014.

CONTINUING CONNECTED TRANSACTIONS

Overview

The Group has entered into several transactions in the ordinary course of its business with Kingboard and its subsidiaries (the “**Kingboard Group**”) during the year ended 31 December 2014. Since Kingboard is a substantial shareholder of the Company, hence each of Kingboard and its subsidiaries is a connected person of the Company. These transactions between the Group and the Kingboard Group constituted continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the HK Listing Rules.

Set out below is a summary of these continuing connected transactions.

1. Sharing of office space and office expenses between the Kingboard Group and the Group

On 12 November 2013, the Group entered into an agreement with the Kingboard Group in relation to the sharing of office space in Hong Kong up to 31 December 2014 and various agreements with the Kingboard Group in relation to the sharing of office space in Shanghai and Malaysia and the sharing of corporate and administrative services in those places up to 31 December 2016.

Pursuant to the rental sharing in relation to a space located at 1st and 2nd Floors, Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong, the Kingboard Group shares such office space with the Group.

In addition, pursuant to a cost reimbursement agreement, the Kingboard Group will provide corporate services such as legal, company secretarial services, and financial services to the Group.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (Continued)

1. Sharing of office space and office expenses between the Kingboard Group and the Group (Continued)

Pursuant to the office rental agreements in relation to a space located at Room 2903A, 29/F, Tower 1 Plaza Hyundai, 369 Xian Xia Road, Changning District, Shanghai, the PRC, the Kingboard Group rents to the Group such office space.

Pursuant to a cost reimbursement agreement in relation to a space located at No. 3, 2nd Floor, Jalan Todak 2, 13700 Bandar Sunway, Seberang Jaya, Pulau Pinang, Malaysia, the Group shares such office space and certain office expenses, such as housekeeping services and utilities and administrative support services, with the Kingboard Group.

Pursuant to a property management services agreement in relation to a space located at Unit B10, 3rd Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, Kowloon, Hong Kong, the Group provides certain property management services to the Kingboard Group.

The above mentioned agreements entered into between the Group and the Kingboard Group are collectively referred to as the “**Rental Sharing and Cost Reimbursement Agreements**”. The Rental Sharing and Cost Reimbursement Agreements are on terms no less favorable to the Group or the Kingboard Group than those offered to other parties, which are independent third parties, sharing the office space or the office expenses with the Kingboard Group or the Group.

2. Purchase of equipment

On 12 November 2013, the Company entered into an equipment purchase framework agreement with Kingboard (the “**Equipment Purchase Framework Agreement**”). Pursuant to the Equipment Purchase Framework Agreement, the Kingboard Group will sell certain equipment to the Group from time to time in accordance with the terms of the Equipment Purchase Framework Agreement for a term commencing from 1 January 2014 to 31 December 2016. The Equipment Purchase Framework Agreement comprises the general terms and conditions upon which the Group may purchase equipment from the Kingboard Group. The Group and the Kingboard Group may from time to time enter into purchase agreements or the Group may submit purchase orders setting out the detailed terms for the purchase of the equipment, provided that such detailed terms shall not be inconsistent with the terms of the Equipment Purchase Framework Agreement. The Kingboard Group will not be obligated to sell any prescribed quantity of equipment to the Group during the term of the Equipment Purchase Framework Agreement. The actual quantity, specification and price of the equipment under the Equipment Purchase Framework Agreement will be subject to the individual orders placed by the Group with the Kingboard Group.

The prices at which the equipment are to be supplied by the Kingboard Group to the Group shall be the market price, or if the same is not available, a price which is not less favorable to the Group than the price at which the Kingboard Group supplies similar equipment to the independent third parties, having regard to the quantity and other conditions of the purchase.

CONTINUING CONNECTED TRANSACTIONS (Continued)

3. Sale and purchase of goods and services

On 12 November 2013, the Company entered into a master sales and purchases agreement with Kingboard (the “**Master Sales and Purchases Agreement**”). Pursuant to the Master Sales and Purchases Agreement, the Kingboard Group will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fabric and prepreg etc. to the Group and the Group will sell certain goods and/or services including but not limited to repair of drill spindle services, prepreg, laminates and any other value-added sub-contract services relating to PCB manufacturing microdrilling services for PCBs to the Kingboard Group from time to time in accordance with the terms of the Master Sales and Purchases Agreement for a term commencing from 1 January 2014 to 31 December 2016.

The Master Sales and Purchases Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase the abovementioned goods and/or services from the Group and vice versa. The relevant party may from time to time enter into purchase agreements or submit purchase orders setting out the detailed terms for the purchase of the goods and/or services provided that such detailed terms shall not be inconsistent with the terms of the Master Sales and Purchases Agreement. The Kingboard Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services from the Group and the Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services to the Kingboard Group during the term of the Master Sales and Purchases Agreement. The actual quantity, specification and price of the goods and/or services under the Master Sales and Purchases Agreement will be subject to the individual orders placed by the relevant party with the other party.

The prices at which the goods and/or services are to be supplied by the relevant party to the other party shall be the market price, or if the same is not available, a price which is not less favourable to the Group or the Kingboard Group (as the case may be) than the price at which the relevant party supplies similar goods and/or services to independent third parties, having regard to the quantity and other conditions of the purchase.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (Continued)

Transaction amount and corresponding annual cap

The table below illustrates the actual transaction amount and the corresponding annual cap for each of the above continuing connected transactions for the year ended 31 December 2014.

| | Actual amount for the year ended 31 December 2014 (US\$'000) | Corresponding annual cap for the year ended 31 December 2014 (US\$'000) |
|---|---|--|
| Sharing of office space and office expenses - fees payable by the Group to Kingboard Group | 217 | 558 |
| Sharing of office space and office expenses - fees payable by the Kingboard Group to the Group | 72 | 103 |
| Purchase of equipment | 8,093 | 15,733 |
| Sale and purchase of goods and services - purchases of materials from the Kingboard Group | 134,328 | 159,688 |
| Sale and purchase of goods and services - goods sold to the Kingboard Group | 4,966 | 16,316 |

The amounts of the above transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2014 as announced by the Group.

Deloitte Touche Tohmatsu Hong Kong was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this report in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the aforesaid continuing connected transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the remuneration committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' remuneration are set out in Note 10 of the Financial Statements.

DISTRIBUTABLE RESERVES

Details of the movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 59 and 60.

At 31 December 2014, the retained earnings of the Group amounted to approximately US\$191,536,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 16.1% and 44.1%, respectively of the Group's sales for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for approximately 29.6% and 39.0%, respectively of the Group's purchases for the year.

The largest supplier is a related company of the Group. Details please refer to Note 5 of the Financial Statements.

Each of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu, and Ms Stephanie Cheung Wai Lin holds directorships in Kingboard or certain other members of the Kingboard Group. Further, each of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu and Ms Stephanie Cheung Wai Lin is also a shareholder of Kingboard. Save as disclosed above, none of the Directors, their associates; or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) have any interest in the five largest customers or the five largest suppliers of the Group.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

Chang Wing Yiu
Director

27 February 2015

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 55 to 121 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

Chang Wing Yiu
Director

27 February 2015

Independent Auditors' Report

TO THE MEMBERS OF
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the “**Company**”) and its subsidiary companies (the “**Group**”) which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss, 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 information, as set out on pages 55 to 121.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “**Act**”) and Singapore 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 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 management, 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.

Independent Auditors' Report

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 the provisions of the Act and Singapore 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 31 December 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte & Touche LLP

Public Accountants and Chartered Accountants
Singapore

27 February 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

| | NOTES | THE GROUP | |
|-------------------------------------|-------|----------------------------|---------------------|
| | | 2014 US\$'000 | 2013 US\$'000 |
| Revenue | | 517,075 | 504,921 |
| Cost of sales | | (472,323) | (455,078) |
| Gross profit | | 44,752 | 49,843 |
| Other operating income and gains | 6 | 3,131 | 4,370 |
| Distribution and selling costs | | (14,257) | (14,449) |
| Administrative expenses | | (20,398) | (22,894) |
| Other operating expenses and losses | 9 | (5,746) | (889) |
| Finance costs | 7 | (1,555) | (1,367) |
| Profit before taxation | | 5,927 | 14,614 |
| Income tax expense | 8 | (1,656) | (761) |
| Profit for the year | 9 | 4,271 | 13,853 |
| Profit attributable to: | | | |
| Owners of the Company | | 3,501 | 13,703 |
| Non-controlling interests | | 770 | 150 |
| | | 4,271 | 13,853 |
| | | United States cents | United States cents |
| Earnings per share: | | | |
| – basic | 12 | 1.87 | 7.33 |

See accompanying notes to financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

| | NOTE | THE GROUP | |
|--|------|------------------|------------------|
| | | 2014 US\$'000 | 2013 US\$'000 |
| Profit for the year | 9 | 4,271 | 13,853 |
| Other comprehensive income (expense): | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Revaluation surplus of properties transferred to investment properties | | – | 663 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (97) | 599 |
| Other comprehensive (expense) income for the year, net of tax | | (97) | 1,262 |
| Total comprehensive income for the year | | 4,174 | 15,115 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 3,404 | 14,965 |
| Non-controlling interests | | 770 | 150 |
| | | 4,174 | 15,115 |

See accompanying notes to financial statements

Statements of Financial Position

As at 31 December 2014

| | NOTES | THE GROUP | | THE COMPANY | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | 13 | 22,303 | 20,398 | 67 | 23 |
| Trade receivables | 14 | 129,863 | 108,620 | - | - |
| Bills receivables | 14 | 518 | 3,938 | - | - |
| Other receivables | 15 | 21,203 | 23,449 | 1 | 2 |
| Prepaid land use rights | 18 | 399 | 399 | - | - |
| Dividend receivables | | - | - | 27,100 | 44,750 |
| Inventories | 16 | 42,729 | 41,543 | - | - |
| Total current assets | | 217,015 | 198,347 | 27,168 | 44,775 |
| Non-current assets | | | | | |
| Property, plant and equipment | 17 | 308,017 | 313,788 | - | - |
| Prepaid land use rights | 18 | 12,941 | 13,105 | - | - |
| Deposits for acquisition of plant and equipment | 17 | 6,263 | 6,189 | - | - |
| Investment properties | 19 | 46,592 | 46,446 | - | - |
| Subsidiary companies | 20 | - | - | 459,849 | 459,224 |
| Deferred tax assets | 25 | 84 | 86 | - | - |
| Total non-current assets | | 373,897 | 379,614 | 459,849 | 459,224 |
| Total assets | | 590,912 | 577,961 | 487,017 | 503,999 |

Statements of Financial Position

As at 31 December 2014

| | NOTES | THE GROUP | | THE COMPANY | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and loans | 21 | 44,962 | 41,648 | – | – |
| Trade payables | 22 | 119,891 | 105,437 | – | – |
| Bills payables | 22 | 4,745 | 8,775 | – | – |
| Other payables | 23 | 31,970 | 31,550 | 1,350 | 2,662 |
| Amounts due to subsidiary companies | 24 | – | – | 234,587 | 263,155 |
| Provision for taxation | | 1,836 | 449 | – | – |
| Total current liabilities | | 203,404 | 187,859 | 235,937 | 265,817 |
| Non-current liabilities | | | | | |
| Bank loans | 21 | 43,665 | 31,149 | – | – |
| Deferred tax liabilities | 25 | 1,169 | 1,399 | – | – |
| Total non-current liabilities | | 44,834 | 32,548 | – | – |
| Capital, reserves and non-controlling interests | | | | | |
| Share capital | 26 | 113,880 | 113,880 | 113,880 | 113,880 |
| Reserves | | 218,687 | 233,975 | 137,200 | 124,302 |
| Equity attributable to owners of the Company | | 332,567 | 347,855 | 251,080 | 238,182 |
| Non-controlling interests | | 10,107 | 9,699 | – | – |
| | | 342,674 | 357,554 | 251,080 | 238,182 |
| Total liabilities and equity | | 590,912 | 577,961 | 487,017 | 503,999 |

See accompanying notes to financial statements

Statements of Changes in Equity

For the year ended 31 December 2014

| | Attributable to owners of the Company | | | | | | | | | Total equity US\$'000 |
|--|---------------------------------------|---|--|---|--|-------------------------------|--|-------------------|---------------------------------------|--------------------------|
| | Share capital US\$'000 | Capital reserve US\$'000 (Note i) | Statutory reserve US\$'000 (Note ii) | Revaluation reserve US\$'000 (Note iii) | Other reserve US\$'000 (Note iv) | Retained earnings US\$'000 | Foreign currency translation reserve US\$'000 | Total US\$'000 | Non-controlling interests US\$'000 | |
| THE GROUP | | | | | | | | | | |
| Balance at 1 January 2013 | 113,880 | 1,916 | 5,345 | 2,277 | 166 | 226,678 | 16,274 | 366,536 | 9,923 | 376,459 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 13,703 | - | 13,703 | 150 | 13,853 |
| Revaluation of properties transferred to investment properties | - | - | - | 663 | - | - | - | 663 | - | 663 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | 599 | 599 | - | 599 |
| Other comprehensive income for the year, net of tax | - | - | - | 663 | - | - | 599 | 1,262 | - | 1,262 |
| Total | - | - | - | 663 | - | 13,703 | 599 | 14,965 | 150 | 15,115 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Dividends paid (Note 11) | | | | | | | | | | |
| - in respect of previous financial year | - | - | - | - | - | (20,561) | - | (20,561) | (374) | (20,935) |
| - in respect of current financial year | - | - | - | - | - | (13,085) | - | (13,085) | - | (13,085) |
| Total | - | - | - | - | - | (33,646) | - | (33,646) | (374) | (34,020) |
| Balance at 31 December 2013 | 113,880 | 1,916 | 5,345 | 2,940 | 166 | 206,735 | 16,873 | 347,855 | 9,699 | 357,554 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,501 | - | 3,501 | 770 | 4,271 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | (97) | (97) | - | (97) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - | - | (97) | (97) | - | (97) |
| Total | - | - | - | - | - | 3,501 | (97) | 3,404 | 770 | 4,174 |
| Transfer from retained earnings to statutory reserve | - | - | 8 | - | - | (8) | - | - | - | - |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Dividends paid (Note 11) | | | | | | | | | | |
| - in respect of previous financial year | - | - | - | - | - | (13,085) | - | (13,085) | (362) | (13,447) |
| - in respect of current financial year | - | - | - | - | - | (5,607) | - | (5,607) | - | (5,607) |
| Total | - | - | 8 | - | - | (18,700) | - | (18,692) | (362) | (19,054) |
| Balance at 31 December 2014 | 113,880 | 1,916 | 5,353 | 2,940 | 166 | 191,536 | 16,776 | 332,567 | 10,107 | 342,674 |

Statements of Changes in Equity

For the year ended 31 December 2014

Notes:

- (i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options.
- (ii) Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "PRC") and Thailand for declaration of dividends as required under the laws of the PRC and Thailand.
- (iii) The revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group as a result of the transfer from property for own use to investment properties.
- (iv) The amount credited to other reserve represents the difference between the fair value of consideration and the carrying amount of the net assets attributable to the additional interest in subsidiaries being acquired from non-controlling shareholders, which will be recognised to the profit or loss upon the disposal of the subsidiaries or the disposal by the subsidiaries.

| | Share capital US\$'000 | Capital reserves US\$'000 | Retained earnings US\$'000 | Total equity US\$'000 |
|---|------------------------------|---------------------------------|----------------------------------|-----------------------------|
| THE COMPANY | | | | |
| Balance at 1 January 2013 | 113,880 | 1,916 | 82,370 | 198,166 |
| Profit for the year, representing total comprehensive income for the year | – | – | 73,662 | 73,662 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividends paid (Note 11) | | | | |
| – in respect of previous financial year | – | – | (20,561) | (20,561) |
| – in respect of current financial year | – | – | (13,085) | (13,085) |
| Total | – | – | (33,646) | (33,646) |
| Balance at 31 December 2013 | 113,880 | 1,916 | 122,386 | 238,182 |
| Profit for the year, representing total comprehensive income for the year | – | – | 31,590 | 31,590 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividends paid (Note 11) | | | | |
| – in respect of previous financial year | – | – | (13,085) | (13,085) |
| – in respect of current financial year | – | – | (5,607) | (5,607) |
| Total | – | – | (18,692) | (18,692) |
| Balance at 31 December 2014 | 113,880 | 1,916 | 135,284 | 251,080 |

See accompanying notes to financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| NOTE | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 5,927 | 14,614 |
| Adjustments for: | | |
| Allowance for (reversal of) doubtful debts | 496 | (1,074) |
| Finance costs | 1,555 | 1,367 |
| Depreciation of property, plant and equipment | 43,616 | 44,480 |
| Amortisation of prepaid land use rights | 164 | 406 |
| Loss (gain) on disposal of property, plant and equipment | 1,828 | (119) |
| Impairment loss recognised in respect of property, plant and equipment | 2,374 | – |
| Gain on fair value change of investment properties | (146) | (1,599) |
| (Reversal of) allowance for inventory obsolescence | (7) | 257 |
| Interest income | (51) | (154) |
| Operating income before movements in working capital | 55,756 | 58,178 |
| Increase in inventories | (1,179) | (955) |
| (Increase) decrease in trade and other receivables | (16,471) | 15,228 |
| Increase in trade and other payables | 10,844 | 705 |
| Net cash generated from operations | 48,950 | 73,156 |
| Interest income received | 51 | 154 |
| Interest paid | (1,778) | (1,581) |
| Income taxes paid | (511) | (1,423) |
| NET CASH FROM OPERATING ACTIVITIES | 46,712 | 70,306 |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | 209 | 2,548 |
| Purchase of property, plant and equipment | (27,305) | (32,699) |
| Deposits paid for acquisition of property, plant and equipment | (13,996) | (14,931) |
| Proceeds from disposal of land use rights | – | 402 |
| NET CASH USED IN INVESTING ACTIVITIES | (41,092) | (44,680) |

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | NOTES | 2014 US\$'000 | 2013 US\$'000 |
|--|-------|------------------|------------------|
| FINANCING ACTIVITIES | | | |
| Proceeds from bank borrowings | | 57,553 | 34,904 |
| Repayment of bank borrowings | | (41,713) | (49,437) |
| Dividends paid by the Company | | (18,692) | (33,646) |
| Dividends paid by subsidiary companies to non-controlling shareholders | | (362) | (374) |
| NET CASH USED IN FINANCING ACTIVITIES | | (3,214) | (48,553) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 2,406 | (22,927) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 20,387 | 43,076 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET | | (491) | 238 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 22,302 | 20,387 |
| CASH AND CASH EQUIVALENTS CONSIST OF | | | |
| Cash at bank and on hand | 13 | 22,303 | 20,398 |
| Bank overdrafts - unsecured | 21 | (1) | (11) |
| | | 22,302 | 20,387 |

See accompanying notes to financial statements

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL

Elec & Eltek International Company Limited (Registration Number 199300005H) (the “**Company**”) is a limited liability company incorporated and domiciled in Singapore. The Company’s ultimate holding company is Kingboard Chemical Holdings Limited (“**Kingboard**”), a company incorporated in Cayman Islands. Related companies in these financial statements refer to the ultimate holding company and its subsidiary companies.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited (“**SEHK**”). The financial statements are expressed in United States Dollars, which is the functional currency of the Company.

The Company’s principal office in Singapore was located at 4 Leng Kee Road, #03-02 SiS Building, Singapore 159088 until 23 March 2014. From 24 March 2014, the Company’s principal office in Singapore is located at 237 Alexandra Road, #06-12 The Alexcier, Singapore 159929 and its registered office is located at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624.

The headquarters and principal place of business of the Company in Hong Kong is located at 2nd Floor, Harbour View 1, No.12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Group’s manufacturing operations are located in the People’s Republic of China (the “**PRC**”), Hong Kong and Thailand.

The principal activity of the Company is investment holding. Its subsidiary companies are primarily engaged in the fabrication and distribution of double-sided, multi-layer and high density interconnect (“**HDI**”) printed circuit boards (“**PCB**”). Details of the principal activities of the subsidiary companies are disclosed in Note 20. There have been no significant changes in the nature of these activities during the financial year.

As at 31 December 2014, the Group’s net current assets and total assets less current liabilities amounted to US\$13,611,000 (2013: US\$10,488,000) and US\$387,508,000 (2013: US\$390,102,000) respectively.

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 31 December 2014 were authorised for the issue by the Board of Directors on 27 February 2015.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except for the investment properties which are measured at fair values. In addition, the financial statements are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 “Share-based payment”, leasing transactions that are within the scope of FRS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 “Inventories” or value in use in FRS 36 “Impairment of assets”.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Adoption of new and revised standards

On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations, except for the early adoption of the package of five standards FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements, FRS 112 Disclosure of Interests in Other Entities, FRS 27 (as revised in 2011) Separate Financial Statements and FRS 28 (as revised in 2011) Investments in Associates and Joint Ventures on 1 January 2013. The application of these new and revised FRSs and INT FRS does not result in change to the Group’s and Company’s accounting policies and has no material effect on the account reported for the current or prior years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

New FRS and INT FRS yet to be adopted

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

- FRS 115 Revenue from Contracts with Customers
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)

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

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

FRS 115 Revenue From Contracts with Customers

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

New FRS and INT FRS yet to be adopted (Continued)

Improvements to Financial Reporting Standards (January 2014)

Standards included in the cycle of improvement project comprised the following. Amendments are applicable for annual periods beginning on or after 1 July 2014, unless otherwise stated.

| Standard | Topic | Key amendment |
|---------------------------------------|---|--|
| FRS 108 “Operating segments” | Aggregation of operating segments | Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’. |
| | Reconciliation of the total of the reportable segments’ assets to the entity’s assets | Clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. |
| FRS 24 “Related party disclosures” | Key management personnel | Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components for such compensation is not required. |

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

New FRS and INT FRS yet to be adopted (Continued)

Improvements to Financial Reporting Standards (February 2014)

Standards included in this cycle of improvement project comprised the following. Amendments are applicable for annual periods beginning on or after 1 July 2014, unless otherwise stated.

| Standard | Topic | Key amendment |
|----------------------------------|--|--|
| FRS 113 “Fair value measurement” | Scope of portfolio exception | <p>The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32.</p> <p>Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.</p> |
| FRS 40 “Investment property” | Interrelationship between FRS 103 and FRS 40 | <p>Amended to clarify that FRS 40 and FRS 103 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether (a) the property meets the definition of investment property in FRS 40 and (b) the transaction meets the definition of a business combination under FRS 103.</p> <p>The amendment applies prospectively for acquisition of investment property in periods commencing on or after 1 July 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available.</p> |

Management is currently evaluating the impact of FRS 115 Revenue from Contracts with Customers, Improvements to Financial Reporting Standards (January 2014) and (February 2014) on the financial statements of the Group and the Company.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary companies. 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 reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with the Group's accounting policies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Non-controlling interests in subsidiary companies are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 “Income taxes” and FRS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree’s share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 “Share-based payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 “Non-current assets held for sale and discontinued operations” are measured in accordance with that Standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statements 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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Trade receivables, bills receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are 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.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 risk and rewards of ownership and continues to control the transferred financial asset, the Group recognises its retained interest in the financial asset and an associate 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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

Financial guarantee contract liabilities are measured initially at their fair values and, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulated amortisation in accordance with FRS 18 "Revenue".

Derecognition of financial liabilities

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

Offsetting arrangements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress are stated at cost. No depreciation is provided until the construction is completed and the asset are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|------------------------------|----------------------------------|
| Freehold buildings | 20 years |
| Leasehold land and buildings | 50 years |
| Leasehold improvements | lower of 10 years or lease terms |
| Furniture and fixtures | 5 years |
| Plant and equipment | 5 - 10 years |
| Motor vehicles and yacht | 5 - 7 years |

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

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 amounts of the asset and is recognised in the profit or loss.

Prepaid land use rights

The cost acquiring land use rights in the PRC are classified as prepaid land use rights and amortised on a straight line basis over the period of 50 years, which represents the relevant land use rights that have been granted to the Group.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. 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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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 (or 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 (or 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, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory reserve

PRC

The PRC's laws and regulations require Sino-foreign cooperative joint ventures to provide for certain statutory reserves, mainly reserve fund and enterprise expansion fund, which are appropriated from net income as reported in the statutory financial statements. The use of these reserves is at the discretion of the entities' board of directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.

Thailand

Under the Thailand Civil and Commercial Code, the subsidiary companies in Thailand are required to set up the appropriation for legal reserve of at least 5% of its net income at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution.

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.

Revenue from the sale of manufactured 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income is recognised on a straight-line basis over the term of the relevant lease agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Retirement benefit obligations

Payments to defined contribution retirement benefit plans are charged as an expenses when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, state-sponsored retirement benefit scheme in the PRC and Mandatory Provident Fund in Hong Kong, 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.

Employee leave entitlement

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

Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary companies, 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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. Except for investment properties measured using the fair value model the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties is depreciation and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale. The Group has not rebutted the presumption the carrying amount of the investment properties will be recovered entirely through sale.

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

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

Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statements of financial position of the Company are presented in United States Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and translation (Continued)

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

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

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

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

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

Cash and cash equivalents in the statement of cash flows

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

Notes to the Financial Statements

For the year ended 31 December 2014

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, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

There are no the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment at 31 December 2014 was US\$308,017,000 (2013: US\$313,788,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

(ii) Investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuers have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The fair value of US\$46,592,000 (2013: US\$46,446,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Key sources of estimation uncertainty (Continued)

(iii) Allowance for doubtful debts

The policy for allowances for doubtful debts of the Group is based on the evaluation of recoverability and aging analysis of accounts and on management's judgement. The allowances as at 31 December 2014 amounted to US\$5,032,000 (2013: US\$5,070,000). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade and bills receivables as at 31 December 2014 are US\$129,863,000 and US\$518,000 (2013: US\$108,620,000 and US\$3,938,000) respectively.

(iv) Allowance for inventory obsolescence

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete and slow-moving. The accumulated allowance for inventories as at 31 December 2014 amounted to US\$2,528,000 (2013: US\$2,495,000). The management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at 31 December 2014 is US\$42,729,000 (2013: US\$41,543,000).

(v) Investment in subsidiaries

In the Company's financial statements, investment in subsidiaries is carried at cost less impairment loss. Determining whether investments in subsidiaries are impaired requires an estimation of the fair values less costs to sell or the value in use of those investments. The fair values less costs to sell require the company to estimate the fair values of the subsidiaries or their underlying assets. Where there are no active markets for the assets, management has to exercise judgement in estimating the fair values of these assets.

During the year, the Company carried out a review of the recoverable amount of the investment in subsidiaries having regard to the existing performance of the relevant subsidiaries and management is satisfied that no impairment is required. The carrying amount at the end of the reporting period is disclosed in Note 20.

Notes to the Financial Statements

For the year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(vi) Income and deferred taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's tax payable amounts at 31 December 2014 is US\$1,836,000 (2013: US\$449,000). The Group's deferred tax assets and deferred tax liabilities at 31 December 2014 are US\$84,000 (2013: US\$86,000) and US\$1,169,000 (2013: US\$1,399,000), respectively.

(vii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment property portfolio and concluded that, while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from investment properties located in Hong Kong, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable, and being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted. The potential deferred tax impact to the Group is immaterial and no deferred tax liability arising from the change in fair value of investment properties located in the PRC was recognised at the end of the reporting period.

Changes in the management assessment could impact whether the Group rebuts the presumption to recover the investment properties measured under fair value model through sale, and therefore future deferred tax charge could be revised.

Notes to the Financial Statements

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

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

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Financial assets | | | | |
| Loans and receivables (including cash and bank balances) | 156,918 | 140,683 | 27,168 | 44,775 |
| Financial liabilities | | | | |
| Amortised cost | 219,890 | 194,583 | 234,587 | 263,162 |
| Financial guarantee contracts | – | – | 1,274 | 2,543 |

Financial risk management policies and objectives

The Group's and the Company's major financial instruments include bank balances and cash, bank borrowings, trade and other receivables and bills receivables, trade and other payables and bills payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk management

The Group transacts business in various foreign currencies, and therefore exposed to foreign exchange risk.

Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream.

When necessary, foreign exchange forward contracts are used by the Group to manage its foreign currency exposure arising from its operating activities.

Notes to the Financial Statements

For the year ended 31 December 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Foreign exchange risk management (Continued)

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

| | THE GROUP | | | | THE COMPANY | | | |
|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Liabilities | | Assets | | Liabilities | | Assets | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| USD | – | – | 3 | 6 | – | – | – | – |
| HKD | 71,537 | 40,203 | 1,102 | 2,041 | 76 | 9 | – | – |
| RMB | 100,299 | 88,800 | 47,590 | 52,779 | – | – | – | – |
| SGD | 59 | 153 | 24 | 10 | 4 | 75 | 22 | 8 |
| GBP | 103 | 105 | 38 | – | – | – | – | – |
| EUR | 150 | 75 | 221 | 762 | – | – | – | – |
| JPY | 7 | 113 | 70 | 2,088 | – | – | – | – |
| THB | 11,242 | 10,144 | 7,450 | 6,390 | – | – | – | – |
| TWD | – | 6 | 21 | 15 | – | – | – | – |
| MYR | 7 | 18 | 3 | 35 | – | – | – | – |

The following table detail the sensitivity to a 5% increase and decrease in the Chinese Renminbi against the United States Dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the Chinese Renminbi strengthens by 5% against the United States Dollars, profit or loss will (decrease) increase by:

| | THE GROUP | |
|-----------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| United States Dollars | (2,635) | (1,801) |

For a 5% weakening of the Chinese Renminbi against the United States Dollars, there would be an equal and opposite impact on the profit and loss. This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the Group.

Under the Linked Exchange Rate system, the financial exposure on exchange rate fluctuation between Hong Kong Dollars and United States Dollars is considered by the management to be insignificant, and therefore no sensitivity analysis has been prepared for Hong Kong Dollars. No sensitivity analysis on other currencies has been prepared as the directors of the Company considered that the financial impact arising from exchange rate fluctuation on the other currencies is immaterial.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Interest rate risk management

The Group's primary interest rate risk relates to its borrowings from banks. The interest rates and terms of repayment of the term loan and revolving loans, trust receipt loans and other short-term bank loans of the Group are disclosed in Note 21.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments as referred to above at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the 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 31 December 2014 would decrease/increase by US\$411,000 (2013: decrease/increase by US\$402,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk management

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group and claims by counterparties under the financial guarantee issued by the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are rendered to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions 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. As at financial year end, there was no significant concentration of credit risk to the Group or the Company.

Further details of credit risks on trade receivables is disclosed in Note 14.

The amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company are disclosed in Note 29.

Liquidity risk management

The Group's and the Company's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

The amount due to subsidiary companies are payable at the sole discretion of the directors of the Company.

Notes to the Financial Statements

For the year ended 31 December 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis

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 the Company can be required to pay.

| | Weighted average effective interest rate % p.a. | On demand or within 6 months US\$'000 | Within 6 months to 1 year US\$'000 | Within 2 to 5 years US\$'000 | Total undiscounted amount US\$'000 | Adjustment US\$'000 | Total carrying amount US\$'000 |
|-------------------------------------|---|--|---|---------------------------------------|---|------------------------|---|
| THE GROUP | | | | | | | |
| 2014 | | | | | | | |
| Variable interest rate instruments: | | | | | | | |
| Bank overdrafts and loans | 2.16 | 23,497 | 22,117 | 45,921 | 91,535 | (2,908) | 88,627 |
| Non-interest bearing: | | | | | | | |
| Trade and other payables | - | 122,864 | 8,399 | - | 131,263 | - | 131,263 |
| | | <u>146,361</u> | <u>30,516</u> | <u>45,921</u> | <u>222,798</u> | <u>(2,908)</u> | <u>219,890</u> |
| 2013 | | | | | | | |
| Variable interest rate instruments: | | | | | | | |
| Bank overdrafts and loans | 1.70 | 31,427 | 10,608 | 32,318 | 74,353 | (1,556) | 72,797 |
| Non-interest bearing: | | | | | | | |
| Trade and other payables | - | 116,615 | 5,171 | - | 121,786 | - | 121,786 |
| | | <u>148,042</u> | <u>15,779</u> | <u>32,318</u> | <u>196,139</u> | <u>(1,556)</u> | <u>194,583</u> |

Notes to the Financial Statements

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

| | Weighted average effective interest rate % p.a. | On demand or within 6 months US\$'000 | Within 6 months to 1 year US\$'000 | Within 2 to 5 years US\$'000 | Total undiscounted amount US\$'000 | Adjustment US\$'000 | Total carrying amount US\$'000 |
|---------------------------------------|---|--|---|---------------------------------------|---|------------------------|---|
| THE COMPANY | | | | | | | |
| 2014 | | | | | | | |
| Non-interest bearing: | | | | | | | |
| Amount due to subsidiary companies | - | <u>234,587</u> | - | - | <u>234,587</u> | - | <u>234,587</u> |
| 2013 | | | | | | | |
| Non-interest bearing: | | | | | | | |
| Amount due to subsidiary companies | - | 263,155 | - | - | 263,155 | - | 263,155 |
| Other payables | - | 7 | - | - | 7 | - | 7 |
| | | <u>263,162</u> | - | - | <u>263,162</u> | - | <u>263,162</u> |

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in Note 23, if the full guarantee amount is claimed by the counterparty to guarantee, is US\$1,275,000 (2013: US\$2,543,000). The earliest period that the guarantee could be called is within 1 year (2013: 1 year) from the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

| | Weighted average effective interest rate % p.a. | On demand or within 6 months US\$'000 | Within 6 months to 1 year US\$'000 | Within 2 to 5 years US\$'000 | Total undiscounted amount US\$'000 | Adjustment US\$'000 | Total carrying amount US\$'000 |
|-------------------------------------|---|--|---|---------------------------------------|---|------------------------|---|
| THE GROUP | | | | | | | |
| 2014 | | | | | | | |
| Variable interest rate instruments: | | | | | | | |
| Cash and bank balances | 0.27 | 22,318 | - | - | 22,318 | (15) | 22,303 |
| Non-interest bearing: | | | | | | | |
| Trade and other receivables | - | 148,968 | 533 | - | 149,501 | - | 149,501 |
| | | <u>171,286</u> | <u>533</u> | <u>-</u> | <u>171,819</u> | <u>(15)</u> | <u>171,804</u> |
| 2013 | | | | | | | |
| Variable interest rate instruments: | | | | | | | |
| Cash and bank balances | 0.50 | 20,423 | - | - | 20,423 | (25) | 20,398 |
| Non-interest bearing: | | | | | | | |
| Trade and other receivables | - | 133,361 | 317 | - | 133,678 | - | 133,678 |
| | | <u>153,784</u> | <u>317</u> | <u>-</u> | <u>154,101</u> | <u>(25)</u> | <u>154,076</u> |

Notes to the Financial Statements

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets (Continued)

| | Weighted average effective interest rate % p.a. | On demand or within 6 months US\$'000 | Within 6 months to 1 year US\$'000 | Within 2 to 5 years US\$'000 | Total undiscounted amount US\$'000 | Adjustment US\$'000 | Total carrying amount US\$'000 |
|-----------------------------|---|--|---|---------------------------------------|---|------------------------|---|
| THE COMPANY | | | | | | | |
| 2014 | | | | | | | |
| Non-interest bearing: | | | | | | | |
| Cash and bank balances | - | 67 | - | - | 67 | - | 67 |
| Trade and other receivables | - | 1 | - | - | 1 | - | 1 |
| Dividend receivables | - | 27,100 | - | - | 27,100 | - | 27,100 |
| | | <u>27,168</u> | <u>-</u> | <u>-</u> | <u>27,168</u> | <u>-</u> | <u>27,168</u> |
| 2013 | | | | | | | |
| Non-interest bearing: | | | | | | | |
| Cash and bank balances | - | 23 | - | - | 23 | - | 23 |
| Trade and other receivables | - | 2 | - | - | 2 | - | 2 |
| Dividend receivables | - | 44,750 | - | - | 44,750 | - | 44,750 |
| | | <u>44,775</u> | <u>-</u> | <u>-</u> | <u>44,775</u> | <u>-</u> | <u>44,775</u> |

Fair value of financial assets and financial liabilities

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, bills receivables, amounts due to subsidiary companies, bank overdrafts, trade and other payables, bills payables and interest bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Capital risk management policies and objectives

The Group manages its capital to ensure that the 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

Notes to the Financial Statements

For the year ended 31 December 2014

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Kingboard which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's groups of companies.

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

Transactions between the Company and its subsidiary companies, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

Trading transactions

The significant transactions, which are also connected transactions as defined in the listing rules of SEHK, between the Group and its related parties and the effects of these transactions on terms agreed among the companies are as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Income | | |
| Sales to related companies | (4,966) | (5,141) |
| Rental income from non-controlling shareholder of a subsidiary | (1,181) | (1,183) |
| Sharing of office space and office expenses received from related companies | (72) | (84) |
| Expenses | | |
| Purchases from related companies | 142,421 | 129,400 |
| Sharing of office space and office expenses paid to related companies | 217 | 717 |

Notes to the Financial Statements

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (Continued)

Compensation of directors and key management personnel

Total compensation paid to Company's directors and key management executives, as well as fees paid to the Company's directors and directors of subsidiary companies are as follows:

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Directors (note 10) | | |
| Salaries, bonuses and other costs | 2,219 | 2,433 |
| Provident fund and other defined contributions | 23 | 23 |
| | 2,242 | 2,456 |
| Key management executives | | |
| Salaries, bonuses and other costs | 1,302 | 1,235 |
| Provident fund and other defined contributions | 56 | 46 |
| | 1,358 | 1,281 |

6. OTHER OPERATING INCOME AND GAINS

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Interest income | 51 | 154 |
| Rental income from investment properties | 2,645 | 2,473 |
| Gain on fair value changes of investment properties | 146 | 1,599 |
| Gain on foreign exchange | 289 | – |
| Others | – | 144 |
| | 3,131 | 4,370 |

7. FINANCE COSTS

| | THE GROUP | |
|---------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Interest on bank loans | 1,778 | 1,581 |
| Less: Amounts capitalised | (223) | (214) |
| | 1,555 | 1,367 |

Notes to the Financial Statements

For the year ended 31 December 2014

8. INCOME TAX EXPENSE

| | THE GROUP | |
|---------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Current tax: | | |
| Singapore income tax | 2 | 3 |
| PRC enterprise income tax | 1,955 | 510 |
| Hong Kong income tax | 4 | 47 |
| Other jurisdictions | 31 | 19 |
| | 1,992 | 579 |
| Overprovision: | | |
| PRC enterprise income tax | (418) | (132) |
| Hong Kong income tax | (17) | – |
| | (435) | (132) |
| Deferred tax for the year | 99 | 314 |
| | 1,656 | 761 |

Income tax for the Group is calculated at the rate prevailing for the respective jurisdiction.

Pursuant to the Law of PRC on Enterprise Income Tax, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed. As at 31 December 2014, there are three subsidiary companies (2013: four) in the PRC qualified as High-New Technology Enterprise.

Notes to the Financial Statements

8. INCOME TAX EXPENSE (Continued)

In addition, the Company's subsidiary company in Thailand is exempted from corporate profits tax for a period ranging from seven to eight years with another five years of a 50% exemption after the initial eight-year term, effective from the date the taxable income is first earned.

The tax charge for the year can be reconciled as follows:

| | THE GROUP | |
|--|------------------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Profit before taxation | 5,927 | 14,614 |
| Tax charge at the domestic income tax rate of 25% (Note) | 1,482 | 3,654 |
| Tax effect of expenses not deductible for tax purposes | 3,107 | 1,964 |
| Tax effect of income not taxable for tax purpose | (1,417) | (1,914) |
| Overprovision in previous years | (435) | (132) |
| Tax effect of tax holiday and exemptions | (535) | (1,960) |
| Tax effect of tax losses not recognised | 5,280 | 7,145 |
| Utilisation of tax losses previous not recognised | (1,633) | (622) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions/areas other than the PRC | (4,292) | (7,613) |
| Withholding tax | 99 | 239 |
| Tax charge for the year | 1,656 | 761 |

Note: The domestic income tax rate of 25% represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

Notes to the Financial Statements

For the year ended 31 December 2014

9. PROFIT FOR THE YEAR

| | THE GROUP | |
|--|------------------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments | | |
| – Remuneration | 2,174 | 2,388 |
| – Fees | 45 | 45 |
| – Contributions to defined contribution plans | 23 | 23 |
| Staff costs (excluding directors' emoluments) | | |
| – Salaries and employees benefits | 87,594 | 86,077 |
| – Contributions to defined contribution plans | 3,065 | 2,827 |
| Depreciation of property, plant and equipment | 43,616 | 44,480 |
| Amortisation of prepaid land use rights | 164 | 406 |
| Statutory auditor's emoluments | | |
| – Audit fees paid to auditors | 442 | 442 |
| – Non-audit fees paid to auditors | 110 | 143 |
| Loss (gain) on disposal of property, plant and equipment (included under "Other operating expenses and losses") | 1,828 | (119) |
| Impairment losses recognised in respect of property, plant and equipment (Note 1) | 2,374 | – |
| Allowance for (reversal of) doubtful debts | 496 | (1,074) |
| Redundancy costs (Note 1) | 1,096 | – |
| (Reversal of) allowance for inventory obsolescence | (7) | 257 |
| (Gain) loss on foreign exchange | (289) | 163 |

Note 1: During the year ended 31 December 2014, the Group upgraded certain production equipment in order to meet customers' requirement on the production capability and achieve cost efficiency. Accordingly, an impairment loss of approximately USD2,374,000 was made to write off certain outdated production equipment in the Group's PRC operations. In addition, the Group also incurred approximately USD1,096,000 on redundancy costs as a result of restructuring of the PRC operations. A total of USD3.5 million was recognised under "Other operating expenses and losses" in the current year.

Notes to the Financial Statements

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

| | Year ended 31 December 2014 | | | | | | | | | | |
|--|------------------------------|--|----------------------------|--------------------------------------|--|--|--|----------------------------------|--------------------------------------|------------------------------------|-------------------|
| | Cheung Kwok Wing US\$'000 | Stephanie Cheung Wai Lin US\$'000 (note 1) | Chang Wing Yiu US\$'000 | Ng Hon Chung US\$'000 (note 1) | Chadwick Mok Cham Hung US\$'000 (note 2) | Chan Wai Leung US\$'000 (note 2) | Chan Wing Kwan US\$'000 (note 2) | Larry Lai Chong Tuck US\$'000 | Stanley Chung Wai Cheong US\$'000 | Raymond Leung Hai Ming US\$'000 | Total US\$'000 |
| Fees | - | - | - | - | - | - | - | 15 | 15 | 15 | 45 |
| Other emoluments: | | | | | | | | | | | |
| Salaries and other benefits | - | 39 | 65 | 70 | 224 | 116 | - | - | - | - | 514 |
| Performance related incentive payment* | - | 644 | 825 | 155 | - | - | - | 12 | 12 | 12 | 1,660 |
| Contributions to defined contribution retirement benefit plans | - | 2 | 3 | 3 | 10 | 5 | - | - | - | - | 23 |
| Total emoluments | - | 685 | 893 | 228 | 234 | 121 | - | 27 | 27 | 27 | 2,242 |

* The performance related incentive payments were determined based on the sales performance of the Group of the year.

| | Year ended 31 December 2013 | | | | | | | | | | |
|--|------------------------------|--|----------------------------|--------------------------------------|--|--|--|----------------------------------|--------------------------------------|------------------------------------|-------------------|
| | Cheung Kwok Wing US\$'000 | Stephanie Cheung Wai Lin US\$'000 (note 1) | Chang Wing Yiu US\$'000 | Ng Hon Chung US\$'000 (note 1) | Chadwick Mok Cham Hung US\$'000 (note 2) | Chan Wai Leung US\$'000 (note 2) | Chan Wing Kwan US\$'000 (note 2) | Larry Lai Chong Tuck US\$'000 | Stanley Chung Wai Cheong US\$'000 | Raymond Leung Hai Ming US\$'000 | Total US\$'000 |
| Fees | - | - | - | - | - | - | - | 15 | 15 | 15 | 45 |
| Other emoluments: | | | | | | | | | | | |
| Salaries and other benefits | - | - | - | - | 325 | 175 | - | - | - | - | 500 |
| Performance related incentive payment* | - | - | - | - | 1,598 | 251 | - | 13 | 13 | 13 | 1,888 |
| Contributions to defined contribution retirement benefit plans | - | - | - | - | 15 | 8 | - | - | - | - | 23 |
| Total emoluments | - | - | - | - | 1,938 | 434 | - | 28 | 28 | 28 | 2,456 |

Notes:

- (1) Ms. Stephanie Cheung Wai Lin and Mr. Ng Hon Chung were appointed as director of the Company on 1 August 2014 and 1 September 2014 respectively.
- (2) Mr. Chadwick Mok Cham Hung and Mr. Chan Wing Kwan resigned on 1 August 2014. Mr. Chan Wai Leung resigned on 1 September 2014.

* The performance related incentive payments were determined based on the sales performance of the Group of the year.

Notes to the Financial Statements

For the year ended 31 December 2014

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

Number of Directors in remuneration bands

| | THE GROUP | |
|--|-----------|----------|
| | 2014 | 2013 |
| US\$394,181 ⁽¹⁾ and above | 2 | 2 |
| US\$197,090 ⁽²⁾ to US\$394,180 ⁽²⁾ | 2 | – |
| Below US\$197,090 | 4 | 3 |
| | 8 | 5 |

⁽¹⁾ Equivalent to S\$500,000

⁽²⁾ Equivalent to S\$250,000 to S\$499,999

Ms. Stephanie Cheung Wai Lin is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

The director nominated from Kingboard Chemical Holdings Limited, namely, Messrs. Cheung Kwok Wing did not receive any remuneration from the Company or from any of its subsidiary companies.

The five highest paid employees in the Group, included 3 directors (2013: 2 directors) of the Company for both years. The details of the emoluments paid to the remaining 2 individuals (2013: 3 individuals) were as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Salaries and other benefits | 529 | 760 |
| Performance related incentive payments | 97 | 270 |
| Contributions to retirement benefits scheme | 25 | 37 |
| | 651 | 1,067 |

Their emoluments were within the following bands:

| | THE GROUP | |
|--|-----------------------------|-----------------------------|
| | 2014 No. of employees | 2013 No. of employees |
| US\$322,313 ⁽¹⁾ to US\$386,775 ⁽¹⁾ | 1 | 3 |
| US\$257,852 ⁽²⁾ to US\$322,313 ⁽²⁾ | 1 | – |
| | 2 | 3 |

⁽¹⁾ Equivalent to HK\$2,500,001 to HK\$3,000,000

⁽²⁾ Equivalent to HK\$2,000,001 to HK\$2,500,000

Notes to the Financial Statements

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

Number of Directors in remuneration bands (Continued)

During both years, no emoluments were paid to or receivable by the Directors or the Group's five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the both years.

During the year under review, no employee whose annual remuneration exceeded US\$39,418 (equivalent to S\$50,000) was related to the Chairman, the Chief Executive Officer or any other Director of the Company.

11. DIVIDENDS

The amount and the rates of dividends paid during the year are:

| | THE GROUP AND THE COMPANY | |
|--|------------------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| In respect of previous financial year | | |
| Ordinary dividend: | | |
| – Final one-tier tax exempt dividend for 2013 of United States 7.0 cents (2012: United States 11.0 cents) per share | <u>13,085</u> | <u>20,561</u> |
| In respect of current financial year | | |
| Ordinary dividend: | | |
| – Interim one-tier tax exempt dividend for 2014 of United States 3.0 cents (2013: United States 7.0 cents) per share | <u>5,607</u> | <u>13,085</u> |

The Directors have recommended a one-tier tax exempt final dividend of United States 3.0 cents (2013: 7.0 cents) per share amounting to US\$5,607,000 (2013: US\$13,085,000) to be payable in respect of the current financial year. This dividend will be recorded as a liability on the statement of financial position of the Company and of the Group upon approval by the shareholders of the Company at the forthcoming Annual General Meeting of the Company.

Notes to the Financial Statements

For the year ended 31 December 2014

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary owners of the Company is based on the following:

| | THE GROUP | |
|--|----------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Earnings: | | |
| Earnings for the purpose of basic earnings per share | 3,501 | 13,703 |
| | 2014 '000 | 2013 '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 186,920 | 186,920 |

The Group had not granted options over shares. There are no dilutive potential ordinary shares.

13. CASH AND BANK BALANCES

| | THE GROUP | | THE COMPANY | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Cash at bank and on hand | 22,303 | 20,398 | 67 | 23 |

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at average effective interest rate of 0.27% (2013: 0.50%) per annum and for a tenure of less than three months.

14. TRADE AND BILLS RECEIVABLES

| | THE GROUP | |
|------------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Trade receivables: | | |
| – Third parties | 131,482 | 113,580 |
| – Related companies | 3,413 | 110 |
| Less: Allowance for doubtful debts | (5,032) | (5,070) |
| Total trade receivables | 129,863 | 108,620 |
| Bills receivables | 518 | 3,938 |

Notes to the Financial Statements

14. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which is also approximate the dates when revenue were recognised, at the end of the reporting period:

| | THE GROUP | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 90 days | 116,037 | 99,098 |
| 91 to 180 days | 13,293 | 9,205 |
| Over 180 days | 533 | 317 |
| | 129,863 | 108,620 |

An allowance has been made for estimated irrecoverable amounts from the sales of goods to third parties of US\$5,032,000 (2013: US\$5,070,000). This allowance has been determined by reference to past default experience and assessment of recoverability by management.

At the end of the reporting period, the bills receivables are aged within 180 days (2013: 180 days).

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 days' credit terms. They are recognised at their original invoice amounts which approximate their fair values on initial recognition.

The Group has made substantial provision for all receivables which are overdue more than 180 days because historical experience is that such receivables are generally not fully recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of US\$20.9 million (2013: US\$15.7 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 83 days (2013: 82 days).

Ageing of trade receivables which are past due but not impaired:

| | THE GROUP | |
|----------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Over due by 1 to 90 days | 20,866 | 14,874 |
| Over due by 91 to 180 days | – | 791 |
| | 20,866 | 15,665 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the Financial Statements

For the year ended 31 December 2014

14. TRADE AND BILLS RECEIVABLES (Continued)

Movement in the allowance for doubtful debts:

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Balance at beginning of the financial year | 5,070 | 7,100 |
| Currency realignment | (10) | 4 |
| Amounts written off during the financial year | (524) | (960) |
| Increase (decrease) in allowance recognised in profit or loss | 496 | (1,074) |
| Balance at end of the financial year | 5,032 | 5,070 |

15. OTHER RECEIVABLES

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Deposits | 1,008 | 2,426 | – | – |
| Prepaid expenses | 2,083 | 2,329 | – | – |
| Other tax refundable* | 14,886 | 13,393 | – | – |
| Consideration receivables from the disposal of leasehold improvements and prepaid land use rights | 672 | 2,800 | – | – |
| Others | 2,554 | 2,501 | 1 | 2 |
| | 21,203 | 23,449 | 1 | 2 |

* The amount mainly included value-added tax receivable which will be utilised to offset future value-added tax payables by the Group.

16. INVENTORIES

| | THE GROUP | |
|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Raw materials | 12,051 | 10,275 |
| Work-in-progress | 21,185 | 18,316 |
| Finished goods | 9,493 | 12,952 |
| | 42,729 | 41,543 |

The cost of inventories recognised as an expense of US\$472.3 million (2013: US\$455.1 million) includes approximately US\$7,000 in respect of reversal of allowance for inventory obsolescence (2013: allowance for inventory obsolescence US\$0.3 million). The reversal of the allowance for inventories obsolescence in 2014 was related to the progressive consumption of slow moving inventories which allowance has been made previously.

Notes to the Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land US\$'000 | Freehold buildings US\$'000 | Leasehold land US\$'000 | Leasehold buildings US\$'000 | Leasehold improvements US\$'000 | Furniture and fixtures US\$'000 | Plant and equipment US\$'000 | Motor vehicles and yacht US\$'000 | Construction- in-progress US\$'000 | Total US\$'000 |
|---|------------------------------|-----------------------------------|-------------------------------|------------------------------------|---------------------------------------|--|---------------------------------------|--|--|-------------------|
| THE GROUP | | | | | | | | | | |
| COST | | | | | | | | | | |
| At 1 January 2013 | 6,961 | 5,156 | 12,186 | 154,271 | 58,216 | 10,030 | 523,353 | 2,190 | 15,362 | 787,725 |
| Currency realignment | - | - | - | (234) | (306) | (80) | (3,528) | (18) | (123) | (4,289) |
| Reclassifications | - | - | - | 12,766 | 106 | 26 | 1,069 | - | (13,967) | - |
| Additions | - | - | - | 1,410 | 2,676 | 274 | 36,162 | - | 1,832 | 42,354 |
| Revaluation of property upon transfer to investment properties | - | - | - | 645 | - | - | - | - | - | 645 |
| Transfer to investment properties | - | - | - | (16,240) | - | - | - | - | - | (16,240) |
| Disposals | - | - | - | (1,540) | (2,388) | (102) | (5,901) | (89) | - | (10,020) |
| At 31 December 2013 | 6,961 | 5,156 | 12,186 | 151,078 | 58,304 | 10,148 | 551,155 | 2,083 | 3,104 | 800,175 |
| Currency realignment | - | - | 58 | 302 | 117 | 20 | 1,217 | 4 | 6 | 1,724 |
| Reclassifications | - | - | - | 479 | 299 | - | 2,709 | - | (3,487) | - |
| Additions | - | - | - | 63 | 2,573 | 216 | 34,278 | 85 | 4,160 | 41,375 |
| Disposals | - | - | - | - | (348) | (305) | (34,829) | (402) | - | (35,884) |
| At 31 December 2014 | 6,961 | 5,156 | 12,244 | 151,922 | 60,945 | 10,079 | 554,530 | 1,770 | 3,783 | 807,390 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | | | | | |
| At 1 January 2013 | - | 4,261 | 3,992 | 26,534 | 39,770 | 9,615 | 368,077 | 1,886 | - | 454,135 |
| Currency realignment | - | - | - | (184) | (278) | (67) | (3,459) | (13) | - | (4,001) |
| Charge for the financial year | - | 90 | 246 | 3,402 | 4,782 | 239 | 35,608 | 113 | - | 44,480 |
| Transfer to investment properties | - | - | - | (636) | - | - | - | - | - | (636) |
| Disposals | - | - | - | (289) | (2,371) | (102) | (4,740) | (89) | - | (7,591) |
| At 31 December 2013 | - | 4,351 | 4,238 | 28,827 | 41,903 | 9,685 | 395,486 | 1,897 | - | 486,387 |
| Currency realignment | - | - | 15 | 58 | 84 | 19 | 663 | 4 | - | 843 |
| Charge for the financial year | - | 94 | 488 | 3,536 | 5,012 | 208 | 34,142 | 136 | - | 43,616 |
| Impairment recognised in profit or loss | - | - | - | - | - | - | 2,374 | - | - | 2,374 |
| Disposals | - | - | - | - | (86) | (271) | (33,088) | (402) | - | (33,847) |
| At 31 December 2014 | - | 4,445 | 4,741 | 32,421 | 46,913 | 9,641 | 399,577 | 1,635 | - | 499,373 |
| CARRYING AMOUNTS | | | | | | | | | | |
| At 31 December 2014 | 6,961 | 711 | 7,503 | 119,501 | 14,032 | 438 | 154,953 | 135 | 3,783 | 308,017 |
| At 31 December 2013 | 6,961 | 805 | 7,948 | 122,251 | 16,401 | 463 | 155,669 | 186 | 3,104 | 313,788 |

Notes to the Financial Statements

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the freehold and leasehold properties held by the Group as at 31 December 2014 are set out below:

| Description and location | Gross area (sq. m.) | Tenure | Use |
|---|------------------------|---|------------|
| Freehold: | | | |
| (i) Land at No. 134 Moo 2 Soi Sriyothin Pakred-Pathumthani Road, Bang-Khayang, Muang District, Thailand | 82,080 | Freehold | Industrial |
| Leasehold: | | | |
| (i) Factories and office units in Merit Industrial Centre, Hong Kong | 12,456 | 75 years commencing from 5 October 1953 and renewable for a further 75 years | Industrial |

During the year, US\$223,000 (2013: US\$214,000) of finance cost was capitalised and included in the cost of leasehold buildings and plant and equipment. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.16% (2013: 1.97%).

The movement in deposit for acquisition of property, plant and equipment is as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Balance at beginning of the financial year | 6,189 | 688 |
| Currency realignment | (75) | 11 |
| Transferred to additional of property, plant and equipment during the financial year | (13,847) | (9,441) |
| Additional during the financial year | 13,996 | 14,931 |
| Balance at end of the financial year | 6,263 | 6,189 |

Notes to the Financial Statements

18. PREPAID LAND USE RIGHTS

| | THE GROUP | |
|--|----------------------|---------------|
| | US\$'000 | |
| Cost: | | |
| At 1 January 2013 | | 17,608 |
| Disposal | | (509) |
| Revaluation upon transfer to investment properties | | 18 |
| Transfer to investment properties | | (383) |
| | | <u>16,734</u> |
| At 31 December 2013 and 31 December 2014 | | <u>16,734</u> |
| Accumulated amortisation: | | |
| At 1 January 2013 | | 3,012 |
| Amortisation during the year | | 406 |
| Disposal | | (107) |
| Transfer to investment properties | | (81) |
| | | <u>3,230</u> |
| At 31 December 2013 | | <u>3,230</u> |
| Amortisation during the year | | 164 |
| | | <u>3,394</u> |
| At 31 December 2014 | | <u>3,394</u> |
| Carrying amount: | | |
| At 31 December 2014 | | <u>13,340</u> |
| At 31 December 2013 | | <u>13,504</u> |
| | | |
| | THE GROUP | |
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Current | 399 | 399 |
| Non-current | 12,941 | 13,105 |
| | <u>13,340</u> | <u>13,504</u> |

This represents prepaid land use rights in the PRC for a period of 50 years.

Notes to the Financial Statements

For the year ended 31 December 2014

19. INVESTMENT PROPERTIES

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At fair value | | |
| Balance at beginning of the financial year | 46,446 | 28,941 |
| Gain on fair value change included in profit or loss | 146 | 1,599 |
| Transfer from property, plant and equipment | – | 15,604 |
| Transfer from prepaid land use rights | – | 302 |
| Balance at end of the financial year | 46,592 | 46,446 |

Investment properties were carried at their fair values upon transfers from property, plant and equipment and land use rights, and the increase in carrying amount at the date of transfers were recognised in equity as revaluation reserve.

The Group's investment properties are held under leasehold interests. The property rental income from the Group's investment properties which are leased out under operating leases, amounted to US\$2,645,000 (2013: US\$2,473,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties are US\$639,000 (2013: US\$582,000).

During the year ended 31 December 2013, the Group leased out some of the owned-occupied properties for rental income. The buildings and land use rights were transferred to investment properties and measured at fair value at the date of transfer accordingly. The fair value of the properties and respective land use rights at the date of transfer was US\$15,604,000. The gain on revaluation, amounting to US\$663,000, was credited to the revaluation reserve directly.

Notes to the Financial Statements

19. INVESTMENT PROPERTIES (Continued)

Fair value measurement of Group's investment properties

The fair values of the Group's investment properties at 31 December 2014 and 31 December 2013 have been determined on the basis of valuation carried out at the respective year end date by independent valuer, Roma Appraisals Limited (Note) having an recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value was determined based on the direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and location of the subject property. 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. The investment properties of the Group are classified as level 3 under the fair value hierarchy. There were no transfer among fair value hierarchy during the year.

| Name of property | Fair value as at 31 December | | Valuation methodology | Significant unobservable inputs | Range (price per square metre) | |
|---|---------------------------------|------------------|--------------------------|---|-----------------------------------|---------------|
| | 2014 US\$'000 | 2013 US\$'000 | | | 2014 US\$ | 2013 US\$ |
| Factories at Eastern park of Guangzhou Economic and Technological Development district, The PRC | 37,926 | 37,699 | Direct Comparison Method | Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property and layout/design | 324 – 356 | 263 - 346 |
| Factory at Nanjing Economic and Technological Development Zone, The PRC | 2,571 | 2,733 | Direct Comparison Method | Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property and layout/design | 469 – 501 | 508 - 604 |
| Apartment units of Jin lan Court, Hong Yuan Garden, Guangdong Province, The PRC | 300 | 298 | Direct Comparison Method | Price per square metre, using market direct comparables and taking into account of size of properties and level adjustment on individual floors of the properties | 586 – 741 | 537 - 757 |
| Office units at Merit Industrial Centre, Hong Kong | 5,795 | 5,716 | Direct Comparison Method | Price per square metre, using market direct comparables and taking into account of size of properties and level adjustment on individual floors of the properties | 4,403 – 5,760 | 4,029 - 5,575 |

The key input used in valuing the investment properties was the price per square metre, which the higher the price used would result in the higher the fair value measurement of the investment properties, and vice versa.

Notes to the Financial Statements

For the year ended 31 December 2014

19. INVESTMENT PROPERTIES (Continued)

Fair value measurement of Group's investment properties (Continued)

Details of investment properties held by the Group as at 31 December 2014 are set out below:

| Description and location | Tenure | Unexpired term of the lease |
|---|-----------|--|
| The PRC | | |
| (i) Factories at Eastern Park of Guangzhou Economic and Technological Development District, The PRC | Leasehold | 50 years commencing from 16 August 2000 |
| (ii) Factory at Nanjing Economic and Technological Development Zone, The PRC | Leasehold | 48 years commencing from 4 December 2002 |
| (iii) Apartment units of Jin lan Court, Hong Yuan Garden, Guangdong Province, The PRC | Leasehold | 70 years commencing from 30 April 1999 |
| Hong Kong | | |
| (iv) Office units at Merit Industrial Centre, Hong Kong | Leasehold | 75 years commencing from 5 October 1953 and renewable for a further 75 years |

The carrying values of investment properties shown above are situated on:

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Land in Hong Kong: Medium-term lease | 5,795 | 5,716 |
| Land in the PRC: Medium-term lease | 40,497 | 40,432 |
| Long lease | 300 | 298 |
| | 46,592 | 46,446 |

Note: The address of Roma Appraisals Limited is Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Notes to the Financial Statements

20. SUBSIDIARY COMPANIES

| | THE COMPANY | |
|--|--|--|
| | As at 31 December 2014 US\$'000 | As at 31 December 2013 US\$'000 |
| Unquoted equity shares, at cost | 22,186 | 22,186 |
| Recognition of share options granted to directors and employees of subsidiary companies | 541 | 541 |
| Recognition of financial guarantee provided to subsidiary companies | 13,230 | 9,067 |
| Amounts due from subsidiary companies | 423,892 | 427,430 |
| | 459,849 | 459,224 |

The amount due from subsidiary companies are unsecured, non-interest bearing and are repayable at the sole discretion of the directors of the subsidiary companies, and are thus treated as deemed investment in the subsidiary companies and classified as non-current.

The Company issued financial guarantees to banks for credit facilities of its subsidiary companies and recorded a deemed financial guarantee fee income in accordance with the provisions of FRS 39 "Financial instruments: Recognition and measurement". The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiary companies. The full amount of the guarantee fee, including the unamortised portion, is deemed to be additional investment in the subsidiary companies.

Notes to the Financial Statements

For the year ended 31 December 2014

20. SUBSIDIARY COMPANIES (Continued)

Details of the principal subsidiary companies at 31 December 2014 are as follows:

| Name of principal subsidiary company | Country of incorporation and operation | Issued and fully paid share capital/ registered capital | Proportion of ownership interest and voting power held | | Principal activities |
|---|--|---|--|-----------|---|
| | | | 2014 % | 2013 % | |
| [^] Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司 | The PRC ² | US\$95,596,000 | 98.0 | 98.0 | Manufacturing and distribution of PCBs |
| [^] Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司 | The PRC ² | US\$24,800,000 | 98.0 | 98.0 | Manufacturing and distribution of PCBs |
| [^] Kai Ping Elec & Eltek Company Limited 開平依利安達電子有限公司 | The PRC ² | US\$49,520,000 | 95.0 | 95.0 | Manufacturing and distribution of PCBs |
| [^] Kaiping Elec & Eltek No.3 Company Limited 開平依利安達電子第三有限公司 | The PRC ² | US\$87,800,000 | 95.0 | 95.0 | Manufacturing and distribution of PCBs |
| [^] Kaiping Elec & Eltek No.5 Company Limited 開平依利安達電子第五有限公司 | The PRC ² | US\$30,075,100 | 95.0 | 95.0 | Manufacturing and distribution of PCBs |
| [^] Yangzhou Elec & Eltek Electronic Co., Ltd. 揚州依利安達電子有限公司 | The PRC ¹ | US\$49,200,000 ³ | 100.0 | 100.0 | Manufacturing and distribution of PCBs |
| [@] Elec & Eltek Multilayer PCB Limited 依利多層線路板有限公司 | Hong Kong | HK\$5,000,000 | 100.0 | 100.0 | Manufacturing and distribution of PCBs |
| ^β Elec & Eltek (Thailand) Limited | Thailand | Baht780,000,000 | 100.0 | 100.0 | Manufacturing and distribution of PCBs |
| [%] Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服務)有限公司 | Macao | MOP1,081,300 | 100.0 | 100.0 | Trading of PCBs and provision of sales and marketing services |
| [^] Kaiping Pacific Insulating Material Company Limited 開平太平洋絕緣材料有限公司 | The PRC ¹ | US\$15,000,000 | 100.0 | 100.0 | Manufacturing and distribution of high-end PCB raw materials |

Notes to the Financial Statements

20. SUBSIDIARY COMPANIES (Continued)

- @ Audited by Deloitte Touche Tohmatsu - Hong Kong.
- β Audited by Deloitte Touche Tohmatsu Jaiyos - Thailand.
- % Audited by Deloitte Touche Tohmatsu - Macao for statutory purpose. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.
- ^ Audited by Guangzhou Xin Zhong Nan Certified Public Accountants Co., Ltd., a Certified Public Accountants firm in the PRC under PRC Generally Accepted Accounting Principles for local compliance. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.
- 1 These companies were established in the PRC in the form of Wholly Foreign-owned Enterprise.
- 2 These companies were established in the PRC in the form of Sino-Foreign Joint Venture.
- 3 Additional capital injection of US\$1,200,000 during the year ended 31 December 2014.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Information about the composition of the Group at the end of the reporting period is as follows:

| Principal activities | Principal place of business | Number of wholly-owned subsidiaries | |
|----------------------|-----------------------------|-------------------------------------|-----------|
| | | 2014 | 2013 |
| Investment holding | Singapore | 10 | 10 |
| | Hong Kong | 4 | 4 |
| | British Virgin Islands | 2 | 2 |
| | | 16 | 16 |
| Manufacturing | Hong Kong | 1 | 1 |
| | The PRC | 2 | 2 |
| | Thailand | 1 | 1 |
| | | 4 | 4 |
| Trading | Macau | 1 | 1 |
| Corporate services | Hong Kong | 1 | 1 |
| | United States | 1 | 1 |
| | Singapore | 1 | 1 |
| | | 3 | 3 |
| Inactive | The PRC | 3 | 3 |
| | British Virgin Islands | 1 | 1 |
| | Singapore | 1 | 1 |
| | | 5 | 5 |
| | | 29 | 29 |

Notes to the Financial Statements

For the year ended 31 December 2014

20. SUBSIDIARY COMPANIES (Continued)

| Principal activities | Principal place of business | Number of non-wholly-owned subsidiaries | |
|----------------------|-----------------------------|---|----------|
| | | 2014 | 2013 |
| Manufacturing | The PRC | 5 | 5 |
| Inactive | The PRC | 2 | 2 |
| | | 7 | 7 |

At the end of the reporting period, there is no non-wholly owned subsidiaries that have material non-controlling interests to the Group.

21. BANK OVERDRAFTS AND LOANS

| | THE GROUP | |
|---------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Unsecured: | | |
| Bank loans | 88,626 | 72,786 |
| Bank overdrafts | 1 | 11 |
| | 88,627 | 72,797 |
| Comprising amounts falling due: | | |
| – within one year | 44,962 | 41,648 |
| – more than one year | 43,665 | 31,149 |
| | 88,627 | 72,797 |

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Carrying amount repayable*: | | |
| Within one year | 44,962 | 41,648 |
| More than one year, but not exceeding two years | 26,539 | 24,702 |
| More than two years, but not more than five years | 17,126 | 6,447 |
| | 88,627 | 72,797 |
| Less: Amount due within one year shown under current liabilities | (44,962) | (41,648) |
| Amount shown under non-current liabilities | 43,665 | 31,149 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The effective interest rate of bank overdrafts was 2.17% per annum (2013: 1.95%).

Notes to the Financial Statements

21. BANK OVERDRAFTS AND LOANS (Continued)

The Group's unsecured bank loans are repayable in quarterly or monthly instalments commencing from 2008 and ending in 2017 and bear interest at weighted effective rates of 2.16% (2013: 1.97%) per annum. The interest rates of these floating rate loans reprice at 1.0% to 2.4% (2013: 0.95% to 2.4%) per annum over 1, 2 or 3 months London Interbank Offer Rate ("LIBOR"), Hong Kong Interbank Offer Rate ("HIBOR") or cost of fund determined by banks.

The above credit facilities are provided under:

- (a) corporate guarantees from the Company;
- (b) the Company undertakes to maintain:
 - (i) a consolidated tangible net worth at a level not less than US\$300,000,000 (2013: US\$300,000,000) at any time;
 - (ii) a consolidated gearing ratio and consolidated interest cover ratio at a level of not higher than 70% and not less than 8 times, respectively at all time; and
- (c) negative pledges from the Company.

The Group has complied with the financial covenants as at the end of the financial year.

There are no fixed or floating charges against any assets belonging to the Group or the Company.

All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The fair value of the Group's borrowings approximates their carrying amount.

22. TRADE AND BILLS PAYABLES

| | THE GROUP | |
|----------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Third parties | 70,258 | 64,034 |
| Related companies | 49,633 | 41,403 |
| Total trade payables | 119,891 | 105,437 |
| Bills payables | 4,745 | 8,775 |

Trade and bills payables are non-interest bearing and generally on 15 - 120 days' terms. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Notes to the Financial Statements

For the year ended 31 December 2014

22. TRADE AND BILLS PAYABLES (Continued)

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | THE GROUP | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 90 days | 80,003 | 78,718 |
| 91 to 180 days | 31,489 | 21,548 |
| Over 180 days | 8,399 | 5,171 |
| | 119,891 | 105,437 |

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

23. OTHER PAYABLES

| | THE GROUP | | THE COMPANY | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Accrued expenses | 25,343 | 23,976 | 75 | 112 |
| Financial guarantee contracts | – | – | 1,275 | 2,543 |
| Other payables | 6,627 | 7,574 | – | 7 |
| | 31,970 | 31,550 | 1,350 | 2,662 |

24. AMOUNTS DUE TO SUBSIDIARY COMPANIES

The amounts due to subsidiary companies are unsecured, interest free and repayable on demand.

25. DEFERRED TAXATION

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

| | THE GROUP | |
|--------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Deferred tax assets | 84 | 86 |
| Deferred tax liabilities | (1,169) | (1,399) |

Notes to the Financial Statements

25. DEFERRED TAXATION (Continued)

Deferred tax assets

| | Excess of tax written down value over carrying amount of property, plant and equipment US\$'000 |
|---------------------------------------|--|
| THE GROUP | |
| At 1 January 2013 | 166 |
| Currency realignment | 3 |
| Charge to profit or loss for the year | (83) |
| | <hr/> |
| At 31 December 2013 | 86 |
| Currency realignment | 1 |
| Charge to profit or loss for the year | (3) |
| | <hr/> |
| At 31 December 2014 | <u>84</u> |

Deferred tax liabilities

| | Excess of carrying amount of property, plant and and equipment over tax written down value US\$'000 | Undistributed earnings US\$'000 | Total US\$'000 |
|--|---|---------------------------------------|-------------------|
| THE GROUP | | | |
| At 1 January 2013 | (30) | (1,361) | (1,391) |
| Currency realignment | 11 | – | 11 |
| Charge to profit or loss for the year | (3) | (228) | (231) |
| Utilised during the year | – | 212 | 212 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2013 | (22) | (1,377) | (1,399) |
| Currency realignment | (1) | (14) | (15) |
| Credit (charge) to profit or loss for the year | 5 | (101) | (96) |
| Utilised during the year | – | 341 | 341 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2014 | <u>(18)</u> | <u>(1,151)</u> | <u>(1,169)</u> |

Notes to the Financial Statements

For the year ended 31 December 2014

25. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

At the end of the reporting period, the Group has unutilised tax losses of US\$44.8 million (2013: US\$55.1 million) available for offset against future profits. Included in the unutilised tax losses are tax losses of US\$40.8 million, (2013: US\$54.1 million), which can only be carried forward for a maximum period of 5 years from the year of assessment. Other losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

26. SHARE CAPITAL

| | THE GROUP AND THE COMPANY | | | |
|--|---------------------------|----------------|--------------------|----------------|
| | 2014 | | 2013 | |
| | No. of shares | US\$'000 | No. of shares | US\$'000 |
| Issued and fully paid: | | | | |
| At the beginning and the end of the year | <u>186,919,962</u> | <u>113,880</u> | <u>186,919,962</u> | <u>113,880</u> |

As at the end of the reporting period, the Company has a total of 186,919,962 (2013: 186,919,962) issued ordinary shares.

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

As at the end of the financial year, there are no options outstanding (2013: Nil) granted to directors and employees of the Group and associates of controlling shareholders to subscribe for unissued ordinary shares each as described in the report of directors.

27. SHARE-BASED PAYMENTS

The Company has granted share options to eligible employees under the 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 Scheme") which was terminated at 12 November 2011 without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.

In 2008, the 2008 Elec & Eltek Employees' Share Option Scheme (the "**2008 Scheme**") was approved by the shareholders at the Extraordinary General Meeting held on 21 April 2008 and was adopted by the Company on 9 May 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Scheme. Since its adoption, no option was granted by the Company pursuant to the 2008 Scheme.

The 2008 Scheme is open to full-time employees and directors of any company within the Group, the parent group and of an associated company of the Company, subject to certain conditions being satisfied.

27. SHARE-BASED PAYMENTS (Continued)

The 2008 Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in the Company either at an “Exercise Price”, which equals to the average of the last dealt prices of the Company’s shares for a period of five consecutive market days immediately preceding the relevant date of grant, or at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or at a discount to the Exercise Price may be exercised after the first or second anniversary respectively, of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the 2008 Scheme is ten years and the total number of shares that may be issued shall not exceed 10% of the total number of shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of the Company excluding treasury shares (if any) from time to time. The total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue from time to time.

Share options may be accepted within 30 days after the relevant date of grant accompanied by payment of S\$1.00 (or its equivalent) as consideration by the participants, but the grant of share options do not confer rights on the option holders to any dividend entitlement or to vote at any shareholders’ meeting.

The Company did not grant any share option under the 2008 Scheme in 2013 and 2014.

28. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The employees of the Group that are located in Singapore, the PRC and Hong Kong are members of the Central Provident Fund Board in Singapore, a state-sponsored retirement benefit plan in the PRC and Mandatory Provident Fund Scheme in Hong Kong, operated by the Government of Singapore, the PRC and Hong Kong, respectively. The respective entities are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognised in profit or loss of US\$3,088,000 (2013: US\$2,850,000) represents contributions payable to these plans by the Group at rates specified in the rules of the respective plans.

Notes to the Financial Statements

For the year ended 31 December 2014

29. CONTINGENT LIABILITIES

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| (i) Bank guarantees given to third parties (unsecured)* | 852 | 854 | – | – |
| (ii) Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured) | – | – | 289,957 | 312,347 |

* In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

30. CAPITAL COMMITMENTS

| | THE GROUP | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Capital expenditure not provided for in the financial statements: | | |
| Commitments in respect of contracts placed for plant expansion | 18,265 | 29,158 |

31. OPERATING LEASES ARRANGEMENT

The Group as lessee

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Minimum lease payments under operating leases recognised as an expense in the current year | 179 | 226 |

Notes to the Financial Statements

31. OPERATING LEASES ARRANGEMENT (Continued)

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

| | THE GROUP | |
|----------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within one year | 144 | 146 |
| In two to five years | 95 | 64 |
| Total | 239 | 210 |

Operating lease payments represent rental payable by the Group for some of its office properties and leases are negotiated for an average of two years.

The Group as lessor

The Group rents out its investment properties in the PRC and Hong Kong under operating leases. Property rental income earned during the year was US\$2,645,000 (2013: US\$2,473,000). Properties have committed tenants of one to five years (2013: two years).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | THE GROUP | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within one year | 2,602 | 2,552 |
| In the second to fifth years inclusive | 3,549 | 5,828 |
| | 6,151 | 8,380 |

32. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS

The Group's operating activities are attributable to a single reporting and operating segment focusing on fabrication and distribution of PCBs. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to FRSS, that are regularly reviewed by the Executive Directors of the Company. The Executive Directors of the Company regularly reviews revenue analysis based on the shipment locations of customers and the product mix. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The Executive Directors of the Company reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single reporting segment is presented. Revenue is from sale of PCBs and laminates.

Notes to the Financial Statements

For the year ended 31 December 2014

32. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Revenue by geographical area

The Group's revenue from external customers based on the shipment locations of customers and information about its non-current assets by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|-------------------------------|---------------------------------|------------------|--------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Asia | | | | |
| The PRC (including Hong Kong) | 248,496 | 261,621 | 350,512 | 355,334 |
| South East Asia* | 76,498 | 79,001 | 23,385 | 24,280 |
| Others* | 39,622 | 18,664 | – | – |
| | 364,616 | 359,286 | 373,897 | 379,614 |
| Europe | 104,945 | 91,058 | – | – |
| North and Central America* | 42,533 | 52,224 | – | – |
| Rest of the World* | 4,981 | 2,353 | – | – |
| | 517,075 | 504,921 | 373,897 | 379,614 |

* The revenue from external customers of the countries within these regions are individually less than 10% of the total revenue of the Group from external customers.

Revenue by product

The sales analysis by product is provided below:

| | 2014 US\$'000 | 2013 US\$'000 |
|----------------------|------------------|------------------|
| PCB | 508,692 | 496,906 |
| Laminates and others | 8,383 | 8,015 |
| | 517,075 | 504,921 |

Information about major customers

Revenue from a major customer which accounts for 10% or more of the Group's revenue is as follows:

| | 2014 US\$'000 | 2013 US\$'000 |
|------------|------------------|------------------|
| Customer A | 83,493 | 61,237 |

Notes to the Financial Statements

33. RECONCILIATION BETWEEN FRSS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the year ended 31 December 2014, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

Interested Persons Transactions

Interested persons transactions carried out during the reporting period which fall under Chapter 9 of the SGX Listing Manual are as follows:

| Name of Interested Person US\$'000 | Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920) | | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S\$100,000) | |
|--|--|--------|--|---------|
| | CY2014 | CY2013 | CY2014 | CY2013 |
| Purchases of plant and equipment | | | | |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | — | — | 8,093 | 9,121 |
| | — | — | 8,093 | 9,121 |
| Purchases of goods and services | | | | |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | — | — | 118,523 | 98,687 |
| Elec & Eltek Corporate Services Limited | 190 | 686 | — | — |
| Heng Yang Kingboard Chemical Co., Ltd. | — | — | 2,174 | 4,708 |
| Hong Kong Fibre Glass Company Limited | — | — | 12,906 | 7,758 |
| Huizhou Chung Shun Chemical Company Limited | — | — | 725 | 399 |
| Jiangmen Kingboard High-tech Company Limited | — | — | — | 3,129 |
| Joyful Source Group Limited | 27 | 31 | — | — |
| Kingfai (Lian Zhou) Electronic Materials Company Ltd. | — | — | — | 5,598 |
| | 217 | 717 | 134,328 | 120,279 |
| Provision of goods and services | | | | |
| Elec & Eltek Computers Limited | 37 | 41 | — | — |
| Elec & Eltek Display Technology Limited | 35 | 43 | — | — |
| Express Electronics Limited | — | — | 2,776 | 1,879 |
| Heng Yang Kingboard Chemical Co., Ltd. | — | — | — | 1,874 |
| Techwise (Macao Commercial Offshore) Circuits Limited | — | — | 2,190 | 1,388 |
| | 72 | 84 | 4,966 | 5,141 |

Statistics of Shareholdings

As at 27 February 2015

| | | |
|---------------------------|---|--------------------|
| Number of shares in issue | : | 186,919,962 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per share |

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99 | 23 | 0.82 | 747 | 0.00 |
| 100 - 1,000 | 268 | 9.54 | 189,259 | 0.10 |
| 1,001 - 10,000 | 1,898 | 67.54 | 7,914,192 | 4.24 |
| 10,001 - 1,000,000 | 611 | 21.74 | 24,897,702 | 13.32 |
| 1,000,001 AND ABOVE | 10 | 0.36 | 153,918,062 | 82.34 |
| TOTAL: | 2,810 | 100.00 | 186,919,962 | 100.00 |

As at 27 February 2015, 28.89% of the Company's total number of issued ordinary shares, was held in the hands of the public. Accordingly, the Company confirms that Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS (HOLDING 5% AND ABOVE)

(as shown in the Register of Substantial Shareholders)

| Name of substantial shareholders | Direct Interest No. of shares | Deemed Interest No. of shares |
|---|----------------------------------|----------------------------------|
| Hallgain Management Limited (" HML ") ⁽¹⁾ | — | 130,835,165 |
| Kingboard Chemical Holdings Limited (" Kingboard ") ⁽²⁾ | 1,141,000 | 129,694,165 |
| Jamplan (BVI) Limited (" Jamplan ") ⁽³⁾ | — | 129,694,165 |
| Kingboard Investments Limited (" KIL ") ⁽⁴⁾ | 4,631,000 | 125,063,165 |
| Ease Ever Investments Limited (" Ease Ever ") ⁽⁵⁾ | — | 90,741,550 |
| Elec & Eltek International Holdings Limited (" EEIH ") | 90,741,550 | — |
| Elitelink Holdings Limited (" Elitelink ") | 34,321,615 | — |

⁽¹⁾ HML's deemed interest arises from its 36.26% direct shareholding interest in Kingboard.

⁽²⁾ Kingboard's deemed interest arises from its 100% direct shareholding interest in Jamplan.

⁽³⁾ Jamplan's deemed interest arises from its 100% direct shareholding interest in KIL.

⁽⁴⁾ KIL's deemed interest arises from its 100% direct shareholding interest in Elitelink and Ease Ever.

⁽⁵⁾ Ease Ever's deemed interest arises from its 77.34% direct shareholding interest in EEIH.

Statistics of Shareholdings

As at 27 February 2015

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|--------|---|--------------------|--------------|
| 1 | ELEC & ELTEK INTERNATIONAL HOLDINGS LIMITED | 90,741,550 | 48.55 |
| 2 | ELITELINK HOLDINGS LIMITED | 34,321,615 | 18.36 |
| 3 | HKSCC NOMINEES LIMITED | 15,592,236 | 8.34 |
| 4 | KINGBOARD INVESTMENTS LIMITED | 3,601,000 | 1.93 |
| 5 | RAFFLES NOMINEES (PTE) LIMITED | 2,617,970 | 1.40 |
| 6 | LI MUK KAM | 1,803,876 | 0.97 |
| 7 | DBS NOMINEES (PRIVATE) LIMITED | 1,515,715 | 0.81 |
| 8 | DBSN SERVICES PTE. LTD. | 1,495,689 | 0.80 |
| 9 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,227,221 | 0.66 |
| 10 | CHEUNG KWOK WING | 1,001,200 | 0.54 |
| 11 | HSBC (SINGAPORE) NOMINEES PTE LTD | 781,306 | 0.42 |
| 12 | KINGBOARD CHEMICAL HOLDINGS LIMITED | 681,000 | 0.36 |
| 13 | UOB KAY HIAN PRIVATE LIMITED | 590,804 | 0.32 |
| 14 | HO YIN SANG | 486,600 | 0.26 |
| 15 | LAM KA PO | 486,600 | 0.26 |
| 16 | PHILLIP SECURITIES PTE LTD | 474,401 | 0.25 |
| 17 | HO YU JIN CHRISTOPHER | 440,000 | 0.24 |
| 18 | LEE CHIN CHOO @ LEE CHIN WAH | 416,680 | 0.22 |
| 19 | KWAN CHOON YING | 350,000 | 0.19 |
| 20 | TOK CHING KA | 345,000 | 0.18 |
| TOTAL: | | 158,970,463 | 85.06 |

¹ There is no treasury shares held by the Company. The percentage is calculated based on 186,919,962 issued ordinary shares of the Company as at 27 February 2015.