Elec & Eltek 依利安達

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

(Member of Kingboard Chemical Holdings Limited)

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

Singapore Stock Code: E16.SI

Hong Kong Stock Code: 1151

ANNUAL REPORT 2017

* *For identification purpose only*

Contents

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) and backplane printed circuit boards (PCB) of up to 50-layers, and has made Quick Turn Around (QTA) service available, which offers shorter delivery load time. Elec & Eltek was listed on the Mainboard of the Singapore Exchange Securities Trading Limited in 1994 and achieved dual-listed status on the Mainboard of the Stock Exchange of Hong Kong Limited in 2011.

Elec & Eltek currently operates 4 production sites which are located in Kaiping, Guangzhou, Yangzhou and Thailand. With its own laminate facilities, Elec & Eltek has sharpened the competitive edge of Elec & Eltek and its subsidiaries in cost control and material supply through vertical integration.

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

Elec & Eltek will continue to work on upgrading its mix of products of high-tech and high layer count PCB products, in order to cope with changing market demand. Moreover, we are ready to take advantage of more business opportunities, and meet the demand of the emerging markets. Leveraging on regional advantage, advanced technology and equipment and efficient management status, we are committed to delivering 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 2017

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December		
	2017 US$'000	2016 US$'000	% Change
Revenue	**500,388**	478,137	4.7%
EBITDA*	**79,738**	60,868	31.0%
EBITDA margin*	**15.9%**	12.7%	
Underlying profit before tax*	**42,743**	21,567	98.2%
Net profit attributable to owners of the Company			
– Underlying net profit*	**36,161**	16,387	120.7%
– Reported net profit	**36,161**	11,387	217.6%
Basic earnings per share			
– Underlying net profit*	**US$19.35 cents**	US$8.77 cents	120.6%
– Reported net profit	**US$19.35 cents**	US$6.09 cents	217.6%
Full-year dividend per share			
– Proposed final dividend per share	**US$8.00 cents**	US$6.00 cents	33.3%
Dividend payout ratio	**41.3%**	98.5%	
Net asset value per share	**US$2.15**	US$2.02	6.4%
Net gearing ratio	**11.8%**	9.7%	

* Excluding the addition provision for impairment of property, plant and equipment of approximately US$Nil made for the year ended 31 December 2017 (31 December 2016: US$5.0 million).

FINANCIAL CALENDAR

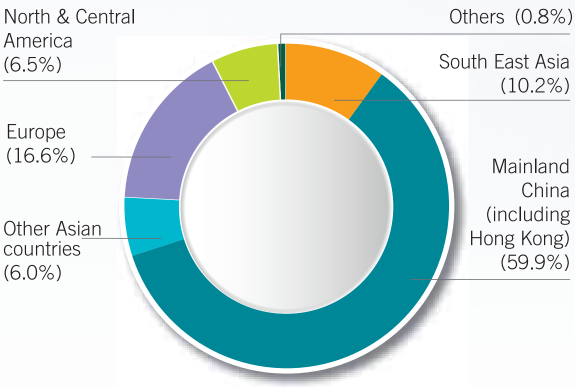
	2017	2016
Financial year results announced on	**1 March 2018**	24 February 2017
Annual Report and Accounts issued on	**26 March 2018**	27 March 2017
Annual General Meeting held on	**27 April 2018**	28 April 2017
Registers of Shareholders closed on	**5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 11 May 2018**	5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 12 May 2017
Final dividend payable on	**25 May 2018**	26 May 2017

Financial Highlights and Calendar

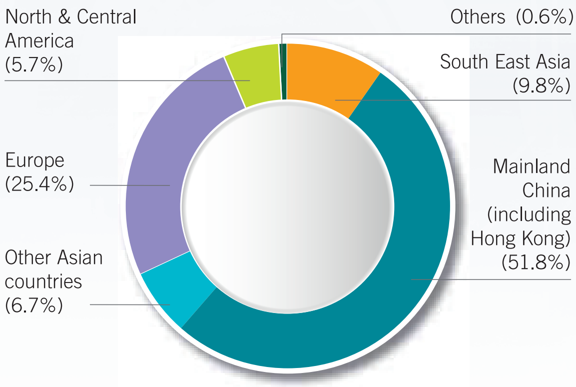
31 December 2017

TURNOVER BY GEOGRAPHICAL LOCATIONS

Financial year 2017

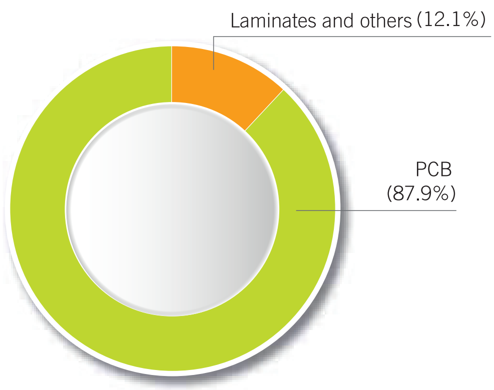


Financial year 2016

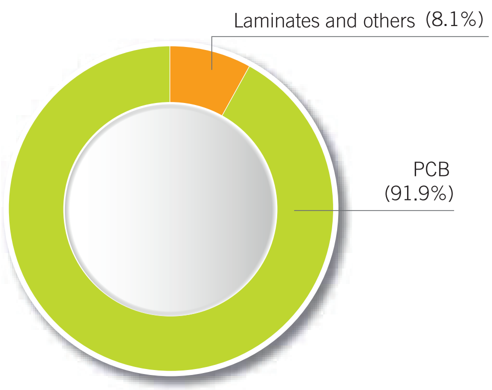


TURNOVER BY PRODUCT

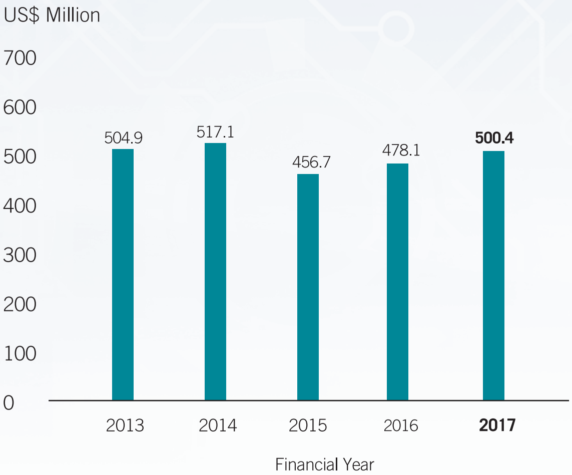
Financial year 2017



Financial year 2016



TURNOVER



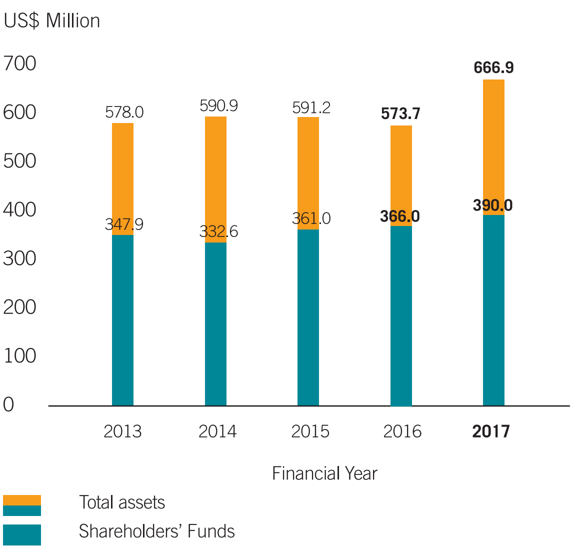
PROFIT TREND

* excluding the addition provision for property, plant and equipment of approximately US$5.0 million made in the quarter ended 30 June 2016.

** excluding the addition provision for potential claims of approximately US$4.2 million made in the quarter ended 31 March 2015.

*** excluding the restructuring provision of approximately US$3.5 million made in the quarter ended 30 September 2014.

COMPARE TOTAL ASSETS WITH SHAREHOLDERS' FUNDS



Five Years' Financial Summary

	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000
Consolidated Results					
Turnover	**500,388**	478,137	456,730	517,075	504,921
Profit before taxation	**42,743**	21,567*	3,405**	9,397***	14,614
Taxation	**(5,958)**	(4,348)	(3,252)	(1,656)	(761)
Profit after taxation	**36,785**	17,219*	153**	7,741***	13,853
Non-controlling interest	**(624)**	(832)	(829)	(770)	(150)
Profit (loss) for the year	**36,161**	16,387*	(676)**	6,971***	13,703
Financial Positions					
Property, plant and equipment	**286,660**	260,415	286,245	308,017	313,788
Prepaid land use rights - non current portion	**12,449**	12,613	12,965	12,941	13,105
Non-current deposits	**10,401**	1,547	1,833	6,263	6,189
Investment properties	**101,692**	99,925	98,834	46,592	46,446
Deferred tax assets	**84**	84	83	84	86
Current assets	**255,591**	199,108	191,296	217,015	198,347
Total assets	**666,877**	573,692	591,256	590,912	577,961
Non-current liabilities	**27,945**	7,031	35,738	44,834	32,548
Current liabilities	**237,564**	189,988	184,127	203,404	187,859
Total liabilities	**265,509**	197,019	219,865	248,238	220,407
Net assets	**401,368**	376,673	371,391	342,674	357,554
Represented by:					
Shareholders' funds	**390,026**	365,955	360,980	332,567	347,855
Non-controlling interests	**11,342**	10,718	10,411	10,107	9,699
	401,368	376,673	371,391	342,674	357,554

* Excluding the addition provision for impairment of property, plant and equipment of approximately US$5.0 million made in the quarter ended 30 June 2016.

** Excluding the addition provision for potential claims of approximately US$4.2 million made in the quarter ended 31 March 2015.

*** Excluding the restructuring provision of approximately US$3.5 million made in the quarter ended 30 September 2014.

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Ms. Stephanie Cheung Wai Lin *(Vice-Chairman)*
Mr. Chang Wing Yiu
Mr. Ng Hon Chung

NON-EXECUTIVE DIRECTOR
Mr. Cheung Kwok Wing *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Professor Raymond Leung Hai Ming
(resigned on 28 April 2017)
Mr. Stanley Chung Wai Cheong
Mr. Ong Shen Chieh
Mr. Kong Tze Wing (appointed on 27 July 2017)

AUDIT COMMITTEE
Professor Raymond Leung Hai Ming
(resigned on 28 April 2017)
Mr. Stanley Chung Wai Cheong
Mr. Ong Shen Chieh *(Chairman)*
Mr. Kong Tze Wing (appointed on 27 July 2017)

NOMINATION COMMITTEE
Professor Raymond Leung Hai Ming
(resigned on 28 April 2017)
Mr. Stanley Chung Wai Cheong *(Chairman)*
Mr. Ong Shen Chieh
Mr. Kong Tze Wing (appointed on 27 July 2017)

REMUNERATION COMMITTEE
Professor Raymond Leung Hai Ming
(resigned on 28 April 2017)
Mr. Stanley Chung Wai Cheong *(Chairman)*
Mr. Ong Shen Chieh
Mr. Kong Tze Wing (appointed on 27 July 2017)

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE
Mr. Cheung Kwok Wing
Mr. Chang Wing Yiu

EXECUTIVE COMMITTEE
Ms. Stephanie Cheung Wai Lin *(Chairman)*
Mr. Ng Hon Chung

COMPANY SECRETARY
Ms. Marian Ho Wui Mee

REGISTERED OFFICE
80 Raffles Place #33-00
UOB Plaza 1
Singapore 048624
Tel: 65 6225 2626
Fax: 65 6225 1838

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS
23/F, Delta House
3 On Yiu Street, Shek Mun
Shatin, New Territories
Hong Kong
Tel: 852 2954 3137
Fax: 852 2954 2935

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

STATUTORY AUDITORS
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Partner: Mr. Kee Cheng Kong, Michael
(appointed since the financial year ended
31 December 2017)

Corporate Information

SINGAPORE SOLICITORS
Dentons Rodyk & Davidson LLP

HONG KONG LEGAL ADVISORS
Allen & Overy

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

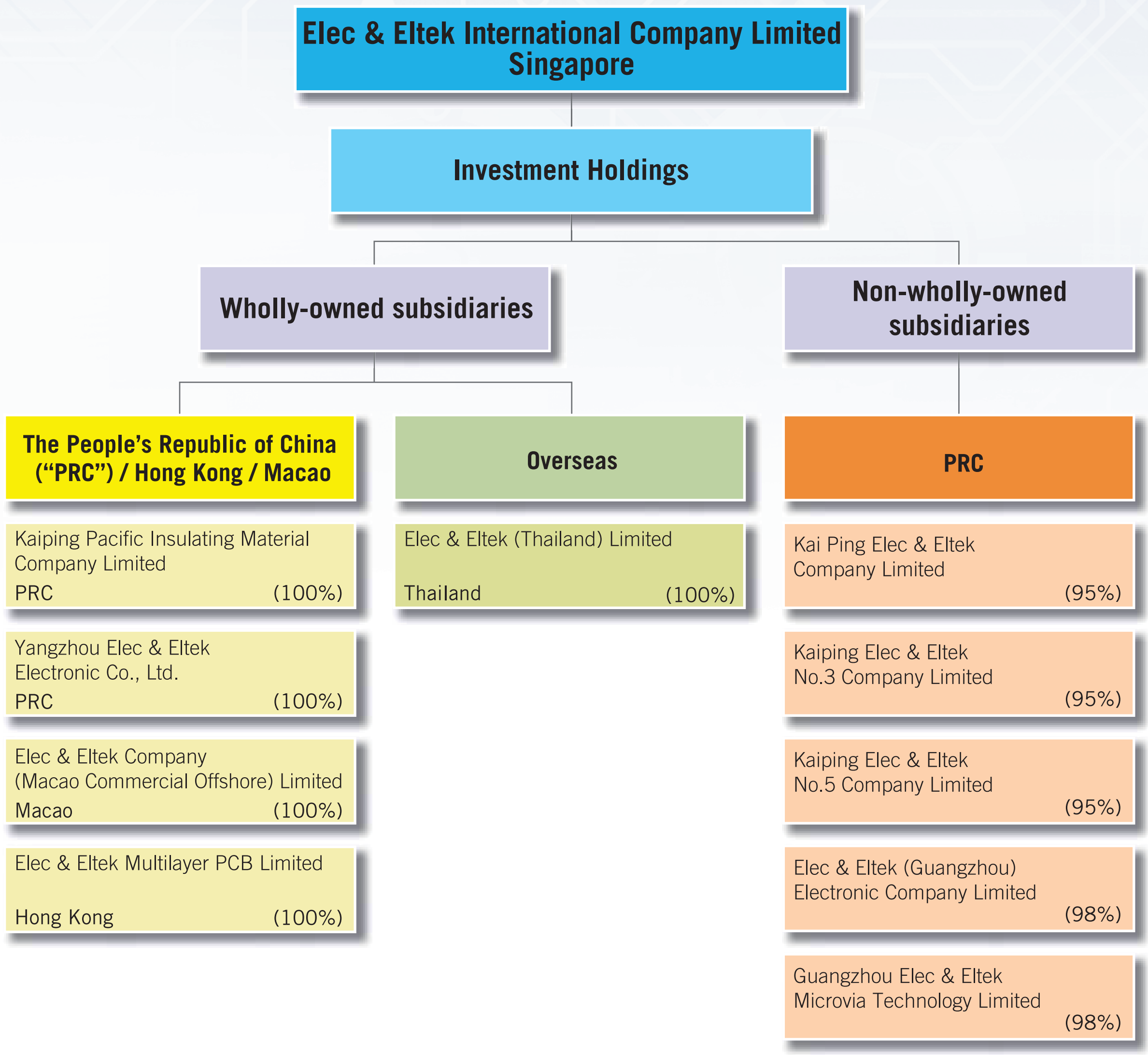
31 December 2017

規模化生產

Economy of Scale of Production

Structure of the Group

31 December 2017



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 2017 ("**FY2017**").

BUSINESS REVIEW

The Company is delighted to announce its results for the financial year ended 31 December 2017 (the "**Year under Review**" or "**FY2017**"). During the Year under Review, global demand for the electronics-related industries exhibited growth, which brought along greater demand for printed circuit board ("**PCB**") and laminates. The number of orders our Group received maintained a steady growth. Benefitting from increased market demand growth and shortage of laminates upstream materials, the price of laminates increased significantly. The Group improved its production efficiency proactively and achieved satisfactory results and thereby increased our profit margin.

The Group's revenue for FY2017 increased by 4.7% to approximately US$500.4 million (FY2016: US$478.1 million). The Group's gross profit increased by 34.9% to US$70.7 million in FY2017 as compared with that of FY2016 (FY2016: US$52.4 million), and gross margin grew to 14.1% (FY2016: 11.0%). The increase in gross profit was primarily attributable to the increased sales and expanded profit margin. The Group's net attributable profit (profit after tax and non-controlling interests) increased by 217.6% to US$36.2 million in FY2017, as compared with US$11.4 million in FY2016.

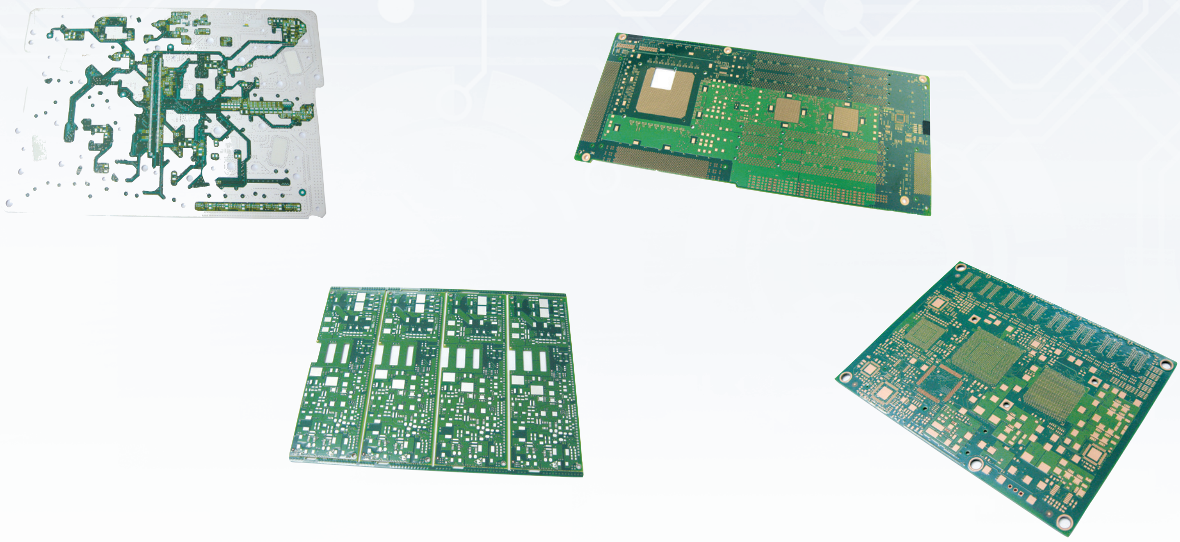
The Group's financial position remained healthy throughout the Year under Review. The Board has recommended a final one-tier tax exempt dividend of US$8.0 cents per share to shareholders of the Company, which will be subject to the shareholders' approval at the forthcoming annual general meeting.

To achieve a long-term growth potential, the Group continued to maintain a balanced portfolio of products. During the Year under Review, communication & networking products (including mobile phones) accounted for about 48.8% (FY2016: 50.6%) of the Group's PCB sales, while automotive PCB sales accounted for about 21.5% (FY2016: 22.8%) of the Group's PCB sales. Other products (including computer & peripherals, consumer electronics and industrial related products) accounted for about 29.7% (FY2016: 26.6%) of the Group's PCB sales. High Density Interconnect ("**HDI**") PCB accounted for approximately 27.3% (FY2016: 30.0%) of the Group's PCB sales.

Income tax expense increased by 37.0% from US$4.3 million in FY2016 to US$6.0 million in FY2017, 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 that may render the audited financial results FY2017 to be false or misleading in any material respect.

Chairman's Statement



LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group's net current assets was approximately US$18.0 million (31 December 2016: approximately US$9.1 million), making the current ratio 1.08 as compared to 1.05 as at 31 December 2016.

The net working capital cycle was 35 days as at 31 December 2017 (31 December 2016: 34 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 28 days (31 December 2016: 25 days).
- Trade receivables, in terms of debtors turnover days, increased to 109 days (31 December 2016: 101 days).
- Trade payables, in terms of creditors turnover days, increased to 102 days (31 December 2016: 92 days).

The Group's net gearing ratio (which is the ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2017 was approximately 11.8% (31 December 2016: 9.7%). As at 31 December 2017, the proportion of short-term and long-term bank borrowings stood at 65%: 35% (31 December 2016: 90%: 10%). The total equity of the Group, as at 31 December 2017, was approximately US$401.4 million (31 December 2016: approximately US$376.7 million). As at 31 December 2017, the Group had cash on hand and undrawn loan facilities of approximately US$26.0 million and US$34.7 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars. The Group did not face any material foreign exchange exposure during the Year under Review.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2017, as far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and promotes awareness towards environmental protection in its daily business operations. The Group is in compliance with international and national environmental standards and has implemented green production policies to raise efficiency and to minimize both energy consumption and pollutant discharge. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operations to enhance sustainability.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group maintains good relationships with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints, and make recommendations on remedies with the aim of improving service quality. The Group has a good relationship with its suppliers, and conducts a fair and strict appraisal of its suppliers on an annual basis.

HUMAN RESOURCES

As at 31 December 2017, the Group had approximately 8,700 employees (31 December 2016: approximately 8,700). The salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and the minimum wage guidelines prescribed by the relevant local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target 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 individual interests with the Group's interests.

POSSIBLE RISK EXPOSURE

The Group's business is highly dependent on the computer and computer peripherals, communications and network equipment and customer electronics industries, which are cyclical in nature, and the Group's industry is subject to rapid technological change. During FY2017, the Group further improved its comprehensive risk management system, which covered all aspects of corporate strategies, operation and finance. In future developments, the Group will be highly aware of the risks associated with the conduct of its business and will adopt effective tackling measures proactively.

Chairman's Statement

PROSPECTS

As the Company progresses into the new financial year, the operating environment for the PCB industry remains challenging. The Group is in the process of upgrading its production facilities in order to optimize its product performance, and in the long run, the Group plans to strengthen its scale in production automation, with a view to exercise further control over the operation costs, and to achieve production management model of higher quality, greater stability and improved efficiency, so as to enhance the Group's competitiveness. The Group's laminates business will continue its focus on thin laminates, and further increase its annual production capacity from 4.8 million sheets to 8.0 million sheets to capture business opportunities in the laminates market. In addition, the Group is in the process of constructing an industrial building in Guangzhou, the PRC by utilising our existing land with a total net floor area of approximately 60,000 sqm. will be leased in return for rental income after the completion of the project. It is expected that the project will bring about a rental income of around US$300,000 to US$400,000 per month to the Group in the future.

The Company place emphasis on product quality control to meet the customer's needs. Our engineering team endeavoured to expand the Group's customer base as well as obtain qualification in respect of its new projects. The Group is confident that it will be able to obtain more orders and increase our market share in each of its target markets.

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 for their hard work, loyal service and contributions made during 2017.

Cheung Kwok Wing
Chairman

1 March 2018

Report 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 dually 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**")) (the "**Hong Kong Code**"), in addition to the Singapore Code of Corporate Governance 2012 (the "**Singapore Code**"). In the event of any conflict between the Singapore Code and Hong Kong Code, the Company will comply with the more onerous provisions. Throughout FY2017, the Company has complied with the Singapore Code and the Hong Kong Code, except as 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 of the Company ("**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 the general overseeing of the management, the Board also performs various other functions, including, but not limited to:

(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 or other equity or debt instruments, payment of dividends or other distributions to shareholders;

(iii) assessing the risks the Group faces and reviewing and implementing appropriate measures to manage such risks;

(iv) nominating and appointing potential candidates for senior management and evaluating the performance and compensation of senior management;

(v) approving nominations to the Board;

(vi) reviewing and endorsing the framework for remuneration of the Board and senior management, as recommended by the Remuneration Committee; and

(vii) assuming overall responsibility for corporate governance of the Company.

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

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

The Board is responsible for performing the functions and roles set out in Code Provision D.3.1 of the Hong Kong Code and Principle 1 and its corresponding Guidelines of the Singapore 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 the Singapore Code and disclosure in this Corporate Governance Report.

(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 of the Board ("**Nomination Committee**"), the remuneration committee of the Board ("**Remuneration Committee**"), the employees' share option scheme committee of the Board ("**Employees' Share Option Scheme Committee**"), the audit committee of the Board ("**Audit Committee**") and the executive committee of the Board ("**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 on 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 may be 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 Report, as well as the attendance of each Board and Board committee member at these meetings are disclosed below:

		Board Committee				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Executive Committee**	**General Meeting**
Total number of meetings held	**4**	**4**	**1**	**1**	**12**	**1**
Executive Directors						
Stephanie Cheung Wai Lin *(Vice-Chairman)*	4	–	–	–	12	1
Chang Wing Yiu	2	–	–	–	–	–
Ng Hon Chung	4	–	–	–	12	–
Non-executive Director						
Cheung Kwok Wing *(Chairman)*	2	–	–	–	–	–
Independent Non-executive Directors						
Raymond Leung Hai Ming (resigned on 28 April 2017)	–	–	–	–	–	1
Stanley Chung Wai Cheong	4	4	1	1	–	1
Ong Shen Chieh	4	4	1	1	–	1
Kong Tze Wing (appointed on 27 July 2017)	2	2	1	1	–	–

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

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

(f) The Board adopts an internal framework whereby a formal letter of appointment, explaining the duties and responsibilities of a Director, is sent to each newly appointed Director. All newly appointed Directors would receive an orientation kit which includes, without limitation, the Company's Memorandum and Articles of Association, 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 other relevant training programmes conducted by the Company.

(g) During the period from the date of the last annual report to the date of this Report, in accordance with A.6.5 of the Hong Kong Code, Ms. Stephanie Cheung Wai Lin, Mr. Chang Wing Yiu, Mr. Ng Hon Chung, Mr. Cheung Kwok Wing, Mr. Stanley Chung Wai Cheong, Mr. Ong Shen Chieh and Mr. Kong Tze Wing have attended a seminar relating to the HK Listing Rules conducted by our Hong Kong Legal Advisors at the time.

Executive Committee

(h) The current Executive Committee comprises the following members: Stephanie Cheung Wai Lin (Chairman) and Ng Hon Chung.

(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 the operation of respective business units within the Group and to implement the performance targets as set out 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's approval for expansion guidelines.

  (iv) To formulate policies in relation to the Group's business operations for the Board's consideration and to supervise the implementation of, and compliance with, the policies laid down by the management.

  (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, where applicable. The members of the Executive Committee are expected to report to the Board immediately on any critical compliance matter as and when it arises.

BOARD MATTERS (Continued)

Executive Committee (Continued)

(vi) To address areas or topics specifically referred to the Executive Committee by the Board.

(vii) To do any such things and actions to enable the Executive Committee to discharge its powers and duties 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 ("**Executive Directors**", and each an "**Executive Director**"), one of whom is a non-executive Director ("**Non-executive Director**") and three of whom are independent non-executive directors ("**Independent Non-executive Directors**", and each an "**Independent Non-executive Director**"). The composition of the Board is as follows:

Executive Directors
Stephanie Cheung Wai Lin *(Vice-Chairman)*
Chang Wing Yiu
Ng Hon Chung

Non-executive Director
Cheung Kwok Wing *(Chairman)*

Independent Non-executive Directors
Raymond Leung Hai Ming (resigned on 28 April 2017)
Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing (appointed on 27 July 2017)

Non-compliance with Rules 3.10(1) and 3.21 of the HK Listing Rules

As at the date of the 2017 AGM, Professor Raymond Leung Hai Ming ("Mr. Leung") had served the Company as an independent non-executive Director for over nine (9) years. To ensure the independence of the independent non-executive Directors and maintain the Company's standards of good corporate governance practices, Mr. Leung did not offer himself for re-election at the 2017 AGM, and, accordingly, he ceased to be an independent non-executive Director upon the conclusion of the 2017 AGM. Mr. Leung also ceased to be the chairman of the nomination committee and remuneration committee of the Board and member of the audit committee of the Board, with effect from the conclusion of the 2017 AGM.

Following the resignation of Mr. Leung, the Company has only two independent non-executive Directors, the number of independent non-executive Directors of the Board falls below the minimum number of independent non-executive directors required under Rule 3.10(1) of the HK Listing Rules. The Company did not fulfil the requirement on the minimum number of independent non-executive Directors for the formation of audit committee stipulates under Rule 3.21 of the HK Listing Rules. On 27 July 2017, Mr. Kong Tze Wing ("Mr. Kong") was appointed as an independent non-executive Director and a member of the audit committee of the Board, member of the nomination committee of the Board, and member of the remuneration committee of the Board. After the appointment of Mr. Kong, the Company complies with the requirements of Rules 3.10 and 3.21 of the HK Listing Rules, and had three independent non-executive directors and the audit committee of the Board comprised three members.

BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

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

The Board considers that the current Board size and 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 ensure that the Board's functions are discharged effectively and simultaneously, all Independent Non-executive Directors have full access to the Chairman on all matters that require prompt attention. The Board also considers, amongst others, the policies and practices that have been put in place which provide for independent Board oversight.

Accordingly, no additional Independent Non-executive Director will 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 that 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, save for Mr. Ong Shen Chieh (please refer to paragraph (j) of Principle 4 for further details), 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 ("**AGM**"), as required under the Articles. As such, the Company considers that sufficient measures have been taken to ensure that 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 set out in Rule 3.13 of the HK Listing Rules and Guidelines 2.3 and 2.4 of the Singapore Code. 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.

(e) Under the Singapore Code, an independent director is one who has no relationship with the Company, its related companies, its 10% shareholders[1], 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 ensure that he acts in the best interests of the Company.

(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 of the Company ("**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 day-to-day 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 should appoint a lead independent Director as the Chairman is not an independent Director.

The Board is of the opinion that all Independent Non-executive Directors communicate regularly with the Chairman as and when the need arises. In addition, the Independent Non-executive Directors ensure that there is sufficient time for discussion of all agenda items, 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 that each Director possesses, collectively providing core competencies in finance, industry, business and management.

Nomination Committee

(c) The current Nomination Committee comprises the following members: Mr. Stanley Chung Wai Cheong (Chairman), Mr. Ong Shen Chieh and Mr. Kong Tze Wing, 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 and the cost of such professional advice will be 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.

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 for the selection of suitable new Directors;

(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 Guideline 2.3 and 2.4 of the Singapore Code, 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 the Chief Executive Officer;

(vi) to re-nominate Directors retiring at the AGM 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;

(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 AGM 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.

BOARD MATTERS (Continued)

Nomination Committee (Continued)

(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 for 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.

(i) During the period from the date of the last annual report to the date of this Report, the Nomination Committee had convened one meeting during which they considered, amongst other things, which Directors should retire as Directors at the forthcoming AGM.

(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 AGM. The retiring Directors are eligible to offer themselves for re-election. Mr. Kong Tze Wing, being a newly appointed Director, shall retire at the forthcoming AGM, and Mr. Chang Wing Yiu, Mr. Ng Hon Chung and Mr. Stanley Cheung Wai Cheong (all these three (3) of whom have been longest in office since their last re-election and who were all re-elected on the same day), shall retire from office by rotation, and being eligible, each of such Directors, shall offer themselves for re-election at the forthcoming AGM. The Nomination Committee (save that a member shall abstain from making a recommendation in respect of his or her own re-appointment) has recommended to the Board, the re-appointment of Mr. Kong Tze Wing, Mr. Chang Wing Yiu, Mr. Ng Hon Chung and Mr. Stanley Cheung Wai Cheong at the forthcoming AGM. 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 AGM.

    Mr. Ong Shen Chieh is not retiring by rotation pursuant to the Hong Kong Code and the Articles. According to the Companies Act (Chapter 50 of Singapore Statutes) (the "**Act**"), the Company must have a Singapore-resident Director at all times, failing which the Company and each of its Directors would be in breach of the Act. Given that Mr. Ong Shen Chieh is the sole Singapore-resident Director of the Company, the Company considers that he is not subject to retirement by rotation in order to comply with the Act.

BOARD MATTERS (Continued)

Nomination Committee (Continued)

(k) The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 42 to 44 and 46 to 47 respectively of this 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	28 April 2017	Kingboard[1]
Chang Wing Yiu	Executive/ Non-Independent	13 December 2004	29 April 2016	Kingboard[1]
Stephanie Cheung Wai Lin	Executive/ Non-Independent	1 August 2014	28 April 2017	Kingboard[1]
Ng Hon Chung	Executive/ Non-Independent	1 September 2014	29 April 2016	Nil
Raymond Leung Hai Ming (resigned on 28 April 2017)	Non-Executive/ Independent	1 January 2008	24 April 2015	China State Construction International Holding Ltd. (Hong Kong Stock Code: 3311)
Stanley Chung Wai Cheong	Non-Executive/ Independent	11 April 2011	29 April 2016	Nil
Ong Shen Chieh	Non-Executive/ Independent	30 June 2016	–	Eindec Corporation Limited (Singapore stock code: 42Z) P99 Holdings Limited (Singapore stock code: 5UV) Kakiko Group Limited (Hong Kong stock code: 2225)
Kong Tze Wing (appointed on 27 July 2017)	Non-Executive/ Independent	27 July 2017	–	Nil

Kingboard[1] – Kingboard Chemical Holdings Limited (Hong Kong stock code: 148)

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

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.

(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 the Board has approved, to be used for evaluating the effectiveness of the Board as a whole, as well as the performance of each Director. Such performance criteria also addresses how the Board enhanced long term shareholders' value. The set of performance criteria includes qualitative and quantitative factors, including (but not limited to), 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 the 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 Secretary 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) Our Company Secretary 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 Secretary is responsible for ensuring compliance with the Act, the listing manual of the SGX-ST, the HK Listing Rules and all other regulations applicable to the Company. Under the direction of the Chairman, the Company Secretary's 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: Mr. Stanley Chung Wai Cheong (Chairman), Mr. Ong Shen Chieh and Mr. Kong Tze Wing, all of whom are Independent Non-executive Directors.

(b) The Company has adopted the model of the 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 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.

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 make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's 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 Officer (or such 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 Officer (or such executive of equivalent rank) and senior management 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 and/or Chief Executive Officer and submitted for endorsement by the entire Board;

(vii) to consider and make recommendations on whether to grant 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, and to ensure that it is consistent with contractual terms of their contracts of service and is otherwise fair, and not excessive;

(ix) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct and 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 of information 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;

(xii) to ensure that 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, is available to answer questions at the AGM; and

(xiii) to seek expert advice, either within the Company or to enlist a professional third party, on the remuneration of all Directors, if necessary.

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 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 Report, the Remuneration Committee had convened one meeting and reviewed various remuneration matters, including, amongst others, 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 the 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 are subject to shareholders' approval at each AGM.

(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 that their remuneration packages are 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 good 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 114 to 116. The Board is of the view that given the sensitive and confidential nature of employee's remuneration, detailed disclosure on the top five key executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group. The amounts are presented in United States dollars equivalent (exchange rate: US$1: S$0.7466) instead of Singapore dollars as this Report is prepared in the functional currency of United States dollars.

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 adopted by the Company's shareholders in May 2008 (the "**2008 Scheme**"), including, but not limited to, the offer and grant of share options to eligible participants in accordance with the rules of the 2008 Scheme, to modify and/or amend the 2008 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 2008 Scheme.

(d) No options were granted since the commencement of the 2008 Scheme or as at the end of FY2017 to the Directors, controlling shareholders, eligible employees of the Company or their respective associates.

(e) Information on the 2008 Scheme is disclosed on page 48 in the Directors' Statement and pages 135 to 136 in Note 27 to the Financial Statements.

(f) The 2008 Scheme has a maximum duration of ten (10) years and it will expire on 8 May 2018. The Directors therefore wish, after the 2008 Scheme has expired, to establish the 2018 Share Option Scheme to replace the 2008 Scheme. An ordinary resolution will be proposed at the Company's forthcoming annual general meeting to consider, and if appropriate, approve the adoption of the 2018 Share Option Scheme and the termination of the 2008 Scheme. Given the Company is a subsidiary of Kingboard, the adoption of the 2018 Share Option Scheme will also be subject to the approval of the shareholders of Kingboard. In such connection, please refer to the Company's circular to be published for information.

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 reports, other price-sensitive public reports and reports to regulators (if required). In presenting the quarterly and annual financial statements to the 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.

ACCOUNTABILITY AND AUDIT (Continued)

Accountability (Continued)

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

(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 materially affect 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 by the Company's auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 59 and 66 of this Report.

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 and Financial Controller (the equivalent of Chief Financial 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

The Company had actively sought a replacement Independent Non-executive Director after the departure of Mr. Raymond Leung Hai Ming on 28 April 2017, and appointed Mr. Kong Tze Wing as an Independent Non-executive Director and a member of the Audit Committee on 27 July 2017. In the intervening period between the departure of Mr. Raymond Leung Hai Ming and the appointment of Mr. Kong Tze Wing, the Audit Committee comprised Mr. Stanley Chung Wai Cheong and Mr. Ong Shen Chieh.

(a) The current Audit Committee comprises the following members: Mr. Ong Shen Chieh (Chairman), Mr. Stanley Chung Wai Cheong and Mr. Kong Tze Wing, all of whom are Independent Non-executive Directors. The Board has ensured that the members of the Audit Committee are appropriately qualified to discharge their duties.

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

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

(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 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;

(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 the 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 the appointment, re-appointment and/or removal of a person or persons as 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;

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

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

(viii) to ensure that 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 where staff of the Company can, in confidence, 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 review the adequacy and effectiveness of the internal audit function at least annually;

(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 system of internal controls 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 investigation findings on internal control matters as delegated by the Board or on its own initiative and the 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 the 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 provisions of the Hong Kong Code (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;

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

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

(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 that 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, is available to answer questions at the AGM.

(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 FY2017.

(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 meetings. 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	418
Non-audit services	61
Total:	479

(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 matters:

(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 have sufficiently reviewed the system of internal controls.

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

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

In the review of the audited annual Financial Statements for FY2017, 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 the Audit Committee's 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 changes in relation to accounting standards and principles and practices through the quarterly meetings with the statutory auditors.

Key Audit Matters

The Audit Committee considered a number of key matters during the financial year ended 31 December 2017, taking into account the views of the Company's external auditor. The key audit matters and how they were addressed by the Audit Committee are detailed as follows:

S/N	Key Audit Matter from the Independent Auditors' Report	Comment from the Audit Committee of Elec & Eltek International Company Limited (the "Company")
(1)	*Allowance for inventory obsolescence*	
	As at 31 December 2017, the carrying amount of the Group's inventories amounting to US$44,156,000, net of allowance amounting to US$5,642,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US$2,629,000. The value of the inventory and the usage are affected by market demand and storage condition of the inventory. Management is required to assess the need for allowance for obsolete and/or slow-moving inventories which involves exercise of certain amount of judgement and estimate to determine whether: (a) Inventories are stated at the lower of cost or net realisable value; and (b) Allowance for obsolete and/or slow-moving inventories is adequate. These judgements include estimating future selling prices of finished products and future usability of raw materials and saleability of finished goods, taking into consideration changes in technology and customers' preference.	The Audit Committee of the Company ("**Audit Committee**") acknowledges that the assessment of the allowance for obsolete and/or slow-moving inventories requires significant judgment. The Audit Committee has evaluated the appropriateness of maintaining the levels of carrying amount of the Group's inventories and whether the allowance for obsolete and/or slow-moving inventories is adequate. The Audit Committee has also evaluated whether such inventories should be stated at the lower of cost or net realisable value. In carrying out the aforementioned evaluations, the Audit Committee has taken into account the estimated future selling prices of finished products, the future usability of raw materials and the saleability of finished goods, as well as potential changes in technology and customers' preference.

ACCOUNTABILITY AND AUDIT (Continued)

Key Audit Matters (Continued)

S/N	Key Audit Matter from the Independent Auditors' Report	Comment from the Audit Committee of Elec & Eltek International Company Limited (the "Company")
(2)	*Allowance for doubtful debts*	
	As at 31 December 2017, the Group has trade receivables amounting to US$168,280,000, net of allowance amounting to US$9,058,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made. These judgement include estimating and evaluating expected future receipts from customers based on past payment trend, age of the debts, and knowledge of the customers' businesses and financial condition.	The Audit Committee reviews the aging of trade receivables and the allowance for doubtful debts on a quarterly basis with the Management. During such reviews, the Management will present justifications for any proposed allowance made, having assessed the recoverability of trade receivables and whether the proposed allowance is adequate. While acknowledging the application of the Management's judgment, the Audit Committee is satisfied that there is a system in place for regular periodic review and updates by the Management, of any long outstanding debts, in assessing and determining the recoverability of trade receivables and adequacy of allowance made.
(3)	*Investment properties*	
	The carrying amount of Group's investment properties as at 31 December 2017 is US$101,692,000. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers using the direct comparison method. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used and the capitalisation rate may have a significant impact to the valuation.	The Audit Committee acknowledges that the assessment of the valuation of investment properties requires the application of significant judgment. The Audit Committee considered the methodologies and underlying assumptions applied by the valuers in arriving at the valuation of the properties. The Audit Committee considered the findings of the professional external valuers, including their assessment of the appropriateness of valuation methodologies, and the underlying assumptions applied in the valuation of investment properties. The Audit Committee was satisfied with the valuation process, the methodologies used and the valuation for investment properties.

ACCOUNTABILITY AND AUDIT (Continued)

Key Audit Matters (Continued)

S/N	Key Audit Matter from the Independent Auditors' Report	Comment from the Audit Committee of Elec & Eltek International Company Limited (the "Company")
(4)	*Impairment of property, plant and equipment*	
	The carrying amount of the Group's property, plant and equipment at 31 December 2017 is US$286,660,000. One of the subsidiaries which has property, plant and equipment with total carrying amount of US$14,499,000 at 31 December 2017 reported a loss for the financial year. Management is required to carry out an impairment assessment of property, plant and equipment on an annual basis. The impairment assessment requires evaluating whether any indicators of impairment existed in the property, plant and equipment by reference to the profitability of the relevant Cash Generating Units ("**CGUs**"). Where there are indicators, significant judgement and estimation is required in determining the recoverable amount of these property, plant and equipment using the value-in-use. Calculation determined by discounting the future cash flows from the continuing use of these property, plant and equipment to be generated from the relevant CGUs.	The Audit Committee considered the approach and methodology applied to the valuation model in the impairment assessment of property, plant and equipment, and the evaluation of whether there were any indicators of impairment that existed in the property, plant and equipment by reference to the profitability of the relevant CGUs. The Audit Committee reviewed the reasonableness of future cash flow forecasts applied by the Management in their impairment assessment. The Audit Committee acknowledges that where there are indicators of impairment, the application of significant judgement and estimation is required in determining the recoverable amount of these property, plant and equipment using the value-in-use.

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 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 the business risks and the system of 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 their function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing, which are set by the Institute of Internal Auditors.

(d) The Audit Committee has reviewed the effectiveness and adequacy of the internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights

Principle 14: Facilitate the exercise of shareholders' rights

Procedures for shareholders to convene extraordinary general meetings of the Company ("**EGM**") and AGM

(a) Pursuant to the Articles

An AGM shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any EGM 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 EGMs 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 AGM, by all the members entitled to attend and to vote thereat; and (b) in the case of an EGM, 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 AGM or any EGM at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such AGM or EGM 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 EGM 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 to duly convene an EGM 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 EGM and AGM (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 AGM, 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 headed "Directors of the Company" of the Company's website at http://www.eleceltek.com.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (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
23/F, Delta House
3 On Yiu Street, Shek Mun
Shatin, New Territories, Hong Kong

Fax: (852) 2954 2935

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. Marian Ho Wui Mee, being the Company's sole Company Secretary, has confirmed that, for the year under review, she has 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 SGX-ST Listing Manual Mainboard Rules ("**SGX Listing Manual**") and 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.

(d) Notices of shareholders' meetings are 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.

ACCOUNTABILITY AND AUDIT (Continued)

Company Secretary, Investor Relations and Communication with Shareholders (Continued)

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

(e) All resolutions in shareholders' meetings are 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 AGM

(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 proxies to attend and vote at all shareholders' meetings on his or her behalf. The Articles allow a shareholder to vote in absentia such as by 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 28 April 2017 ("**2017 AGM**"), the Chairman did not attend the 2017 AGM pursuant to Code Provision E.1.2 of the Hong Kong Code and Guideline 16.3 of the Singapore Code. The Chairman delegated the duty of attending the 2017 AGM to the Vice-Chairman, Ms. Stephanie Cheung Wai Lin, one of our Executive Directors, who was able to answer and address questions raised by shareholders at the 2017 AGM. 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 or the Singapore Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision D.3.1 of the Hong Kong Code. During the year, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Group, 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 Report on Corporate Governance.

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 SGX Listing Manual is disclosed in the section headed "Interested Persons Transactions" on page 143 of this Report.

CONTINUING CONNECTED TRANSACTIONS

Details of continued connected transactions for FY2017 which fall under Chapter 14A of the HK Listing Rules are set out in the section headed "Continuing Connected Transactions" on pages 54 to 56 in this Report.

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 contained in Appendix 10 to the HK Listing Rules (the "**Model Code**"). A copy of the internal memorandum is circulated to each Director and relevant employees, at least 30 days, 30 days and 60 days respectively before the date of the board meeting to approve the Company's quarterly results, interim 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 FY2017.

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:

    (i) Kingboard has complied with the terms of the Deed for FY2017 and has not entered into any transaction with the intent to breach the terms of the Deed during the abovementioned year.

    (ii) The Company has complied with the Corporate Governance Report as described in Appendix 14 to the HK Listing Rules for FY2017.

(c) There was no new business investment and other merger and acquisition opportunity being deliberated, accepted or declined by the Company for FY2017.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

Chang Wing Yiu
Director

1 March 2018

Profiles of Board of Directors and Core Management

EXECUTIVE DIRECTORS

Ms. Stephanie Cheung Wai Lin (張偉連), age 47, is an Executive Director, the Vice-Chairman and the Chief Executive Officer. She has joined our Group and has been our Executive Director and the Vice-Chairman since August 2014. She has also joined 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 (the Non-executive Director and the Chairman) and sister-in-law of Mr. Chang Wing Yiu (currently an Executive Director).

Mr. Chang Wing Yiu (鄭永耀), age 51, is an Executive Director. He joined our Group in December 2004 and was appointed as a Non-executive Director on 13 December 2004. He was re-designated from a Non-executive Director to an Executive Director with effect from 1 August 2014. Mr. Chang is also an executive director of Kingboard and a shareholder of Hallgain Management Limited. Mr. Chang graduated from the Hong Kong Polytechnic University with a Higher Diploma in Marine Electronics and he possesses over 24 years' experience in laminates production. He is also a member of our Employees' Share Option Scheme Committee. Mr. Chang is the brother-in law of Mr. Cheung Kwok Wing (the Non-executive Director and the Chairman) and Ms. Stephanie Cheung Wai Lin (an Executive Director and the Vice-Chairman).

Mr. Ng Hon Chung (吳漢鐘), age 60, 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 and Kaiping site. 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), age 62, is the Non-executive Director and the Chairman. 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 on 3 February 2005. In addition, Mr. Cheung is the chairman, executive director and one of the co-founders of Kingboard. Moreover, 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 possesses 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. Furthermore, 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 also appointed as a Justice of the Peace under section 3(1)(b) of the Justices of the Peace Ordinance of Hong Kong with effect from July 1, 2015. Mr. Cheung is the brother of Ms. Stephanie Cheung Wai Lin (an Executive Director and the Vice-Chairman) and the brother-in-law of Mr. Chang Wing Yiu (an Executive Director). Mr. Cheung is a director and shareholder of Hallgain Management Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Stanley Chung Wai Cheong (鍾偉昌), age 48, is an 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 possesses over 20 years' experience in accounting and financial management. He had also served as the financial controller for a number of listed companies in Hong Kong between 1997 and 2010 and, currently, he is the chief financial officer of HCT Asia Limited. During the period from 1997 to 2001, Mr. Chung was appointed as the financial controller and company secretary of Kingboard. Mr. Chung is the Chairman of our Nomination Committee and Remuneration Committee, and a member of our Audit Committee.

Mr. Ong Shen Chieh (王圣洁), age 41, is an Independent Non-executive Director. He joined our Group in June 2016 and was appointed as our Independent Non-executive Director on 30 June 2016. Mr. Ong holds a Bachelor of Science degree in Real Estate from the National University of Singapore. He has extensive experience in the sectors of corporate finance, private equity and mergers and acquisitions. Mr. Ong has been appointed as the managing director of Sakal Investments Limited since March 2016, a private equity investment firm, where he is responsible for the origination of investment opportunities across Asia as well as overseeing the execution of transactions of these investment opportunities. Furthermore, he is currently an independent non-executive director, the chairman of the nomination committee and a member of the audit committee and the remuneration committee of Eindec Corporation Limited, as well as an Executive Director of P99 Holdings Limited, both companies whose shares are listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. Mr. Ong has been appointed as an independent non-executive director of Kakiko Group Limited since September 2017, a Company whose shares are listed on the main board of SEHK. Mr. Ong is the Chairman of our Audit Committee, a member of our Remuneration Committee and Nomination Committee.

Mr. Kong Tze Wing (江子榮), ***JP***, age 66, is an Independent Non-executive Director. He joined our Group in July 2017 and was appointed as our Independent Non-executive Director on 27 July 2017. He holds a Bachelor's degree in Accounting and a Bachelor's degree in Business Administration. He has been appointed as a Justice of the Peace for Hong Kong since 2008. Mr. Kong has over 45 years of experience in the accounting industry. Mr. Kong is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants since 1982. He is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in 1995. He is also a fellow member of the Institute of Financial Accountants in the United Kingdom since 1995 and a fellow of CPA Australia since 2010. He is also a fellow-professional accountant of the Institute of Public Accountants in Australia since 2001. Mr. Kong has been a Certified Public Accountant since 1981. He is actively participating in community services and has been appointed by the Hong Kong government to sit on various committees and appeal boards in Hong Kong. Mr. Kong is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Kong has been an independent non-executive director of Sing Pao Media Enterprises Limited ("**Sing Pao**") since March 2007, a company previously listed on the Stock Exchange of Hong Kong Limited and ceased to be a director in June 2015. Sing Pao was incorporated in the Cayman Islands and its subsidiaries were principally engaged in the publication of newspapers, magazines and books; and provisions of advertising and promotion services, internet content provision and advertising. On 12 August 2015, the High Court of the Hong Kong SAR has ordered Sing Pao be wound up (the "**Sing Pao Winding Up**"). As at the date of this annual report, Sing Pao is in the process of winding up and Mr. Kong confirmed that he is not in a position to indicate the outcome or the current position of the Sing Pao Winding Up.

Note: For Directors' interest on Shares and Shares of the Company, please refer to the section headed "Directors' Interest in Shares and Debentures" in the Annual Report.

Profiles of Board of Directors and Core Management

COMPANY SECRETARY

Ms. Marian Ho Wui Mee (何韋郿), age 51, is the company secretary of the Company ("**Company Secretary**"). She was appointed as our Company Secretary on 22 December 2006 and she has been handling the corporate secretarial as well as legal matters for our Company. Ms. Ho is a senior partner in Dentons Rodyk & Davidson LLP's Corporate Practice Group. She was admitted to the Singapore Bar in 1991 and was admitted as a solicitor in England and Wales in 2003. She has been in private practice since 1991. Ms. Ho specializes in corporate finance as well as mergers and acquisitions. Her work in corporate finance covers, *inter alia*, rights issues, convertible bonds and notes issues, warrant issues and share option schemes. In relation to mergers and acquisitions, Ms. Ho has advised on a range of domestic and cross-border transactions, strategic alliances, business acquisitions and divestments, as well as corporate restructurings. Ms. Ho also advises on fund management and collective investment schemes, particularly regarding the compliance of offshore funds in Singapore. In addition, Ms. Ho acts as company secretary for a wide range of corporate secretarial clients, which includes private limited companies, public-listed companies and companies limited by guarantee. Ms. Ho was recognized by Asialaw, a publication that serves as the guide to Asia-Pacific's leading domestic and regional law firms, as a leading lawyer in general corporate practice in 2008, 2010, 2011, 2012 and 2013. Ms. Ho was also recognized by Asia Legal 500, a publication that assesses the strengths of law firms and lawyers, as a Recommended Lawyer for Capital Markets in 2015, and she was recognised most recently, in 2017, as an Acritas Star Lawyer.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Director's information disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Ong Shen Chieh, an Independent Non-executive director, was appointed as an independent non-executive director of Kakiko Group Limited(Hong Kong stock code: 2225), a company listed on the main board of SEHK, with effect from 26 September 2017.

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

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 67 to 142 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

DIRECTORS

The directors of the Company in office during the year and up to at the date of this report are:

Executive Directors:
Stephanie Cheung Wai Lin *(Vice-Chairman)*
Chang Wing Yiu
Ng Hon Chung

Non-executive Director:
Cheung Kwok Wing *(Chairman)*

Independent non-executive Directors:
Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing (appointed on 27 July 2017)
Raymond Leung Hai Ming (resigned on 28 April 2017)

Mr. Kong Tze Wing was appointed by the Board as a new Independent Non-Executive Director with effect from 27 July 2017. In accordance with Article 77 of the Articles, Mr. Kong Tze Wing will retire at the forthcoming AGM and will be eligible for re-election.

In accordance with Article 95(2) and 95(4) of the Articles, two (2) of our executive Directors, Mr. Chang Wing Yiu and Mr. Ng Hon Chung, and one (1) of our independent Non-Executive Directors, Mr. Stanley Cheng Wai Cheong, will retire from directorship by rotation, and, being eligible, each of such Directors, will offer themselves for re-election at the forthcoming Annual General Meeting ("**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 and without payment of compensation (other than statutory compensation).

Mr. Raymond Leung Hai Ming, being the Independent Non-executive Director, retired from the Company's directorship on 28 April 2017.

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 to acquire benefits by means of the acquisition of shares or debentures in the Company or any subsidiary in the Group.

Directors' Statement

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Certain 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 transaction, arrangement or contract of significance between the Company or any of its subsidiaries and Company's controlling shareholder or any of its subsidiaries, or in which a director of the Company or an entity connected with 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, UNDERLYING SHARES AND DEBENTURES

The Directors holding office at the end of the financial year had no interests in the share, underlying shares 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 Companies Act (Chapter 50 of 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, save as follows:

	Shareholdings registered in name of or beneficially held by directors		**Shareholdings in which directors are deemed to have an interest**	
Name of directors and companies in which interests are held	**At end of year**	At beginning of year or date of appointment, if later	**At end of year**	At beginning of year or date of appointment, if later
The Company				
Long position				
(Ordinary shares)				
Cheung Kwok Wing	**1,547,200**	1,507,200	**—**	—
Chang Wing Yiu	**486,600**	486,600	**—**	—
Ng Hon Chung	**60,000**	60,000	**—**	—
Kingboard				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**1,142,405**	2,952,405	**1,738,065**	1,902,065
Chang Wing Yiu	**6,216,488**	5,376,488	**1,570,740**	1,486,440
Stephanie Cheung Wai Lin	**1,479,000**	1,896,000	**20,000**	70,000

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Name of directors and companies in which interests are held	Shareholdings registered in name of or beneficially held by directors — At end of year	Shareholdings registered in name of or beneficially held by directors — At beginning of year or date of appointment, if later	Shareholdings in which directors are deemed to have an interest — At end of year	Shareholdings in which directors are deemed to have an interest — At beginning of year or date of appointment, if later
Kingboard (fellow subsidiary)				
(Options to subscribe for unissued ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**3,360,000**	6,760,000	**—**	—
Chang Wing Yiu	**2,660,000**	5,820,000	**—**	—
Stephanie Cheung Wai Lin	**2,460,000**	5,620,000	**—**	—
Kingboard Laminates Holdings Limited (fellow subsidiary)				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**1,043,000**	1,043,000	**—**	—
Chang Wing Yiu	**7,500,000**	800,000	**1,700,000**	1,700,000
Stephanie Cheung Wai Lin	**200,000**	—	**—**	—
Ng Hon Chung	**20,000**	20,000	**—**	—
Kong Tze Wing	**1,000**	1,000	**500**	500
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.

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Directors' Statement

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 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 fifth anniversary of the date of grant of the relevant option. 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 option to take up unissued shares of the Company or any corporation in the Group was 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.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all Non-executive Directors, is chaired by Mr. Ong Shen Chieh, an Independent Non-executive Director, and includes Mr. Stanley Chung Wai Cheong and Mr. Kong Tze Wing, Independent Non-executive Directors. The Audit Committee has met four times since the last 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 information 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 SGX Listing Manual.

AUDITORS

The financial statements for the FY2017 were audited by Deloitte & Touche LLP ("**DTT**"). DTT will retire as the auditor of the Company at the conclusion of the forthcoming AGM and will offer themselves for reappointment. A resolution for the re-appointment of DTT as auditors of the Company will be proposed in the forthcoming AGM.

Directors' Statement

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) ("**HKCO**") 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.

BUSINESS REVIEW

Discussion and analysis of the business review of the Group for FY2017 required by Schedule 5 to the HKCO, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in "Chairman's Statement" of this annual report, which discussion forms part of this "Directors' Statement".

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 FY2017 to be false or misleading in any material respect.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2017 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 67 and 68.

No interim dividend was paid to the shareholders of the Company during the year. The directors has recommended a final one-tier tax exempt dividend of US$8.0 cents per share to shareholders of the Company, whose names appear on the register of members of the Company on 11 May 2018, which will be subject to the shareholders approval at the forthcoming AGM, 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 on 14 May 2018 for the purpose of determining the shareholders' entitlements to the dividends to be proposed at the AGM to be held on 27 April 2018.

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 3 May 2018 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 East, 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 11 May 2018 will be entitled to such proposed dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2017, resulting in an increase in fair value of approximately US$1,767,000 which has been credited directly to profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately US$70,600,000 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.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of Company's shares.

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 Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**") and considers all of the Independent Non-executive Directors to be independent.

Directors' Statement

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the register of substantial shareholders and other shareholders maintained by the Company pursuant to Section 336 of of Part XV 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	10,978,500	5.87%
Jamplan (BVI) Limited ("**Jamplan**")	Interest in controlled corporation (Note 3)	136,041,665	72.78%
Kingboard	Interest in controlled corporation (Note 4)	136,041,665	72.78%
	Beneficial owner	1,622,500	0.87%
Hallgain Management Limited ("**HML**")	Interest in controlled corporation (Note 5)	137,664,165	73.65%

SUBSTANTIAL SHAREHOLDERS (Continued)

Long position (Continued)

Ordinary shares of the Company ("Shares") (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 10,978,500 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 136,041,665 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.

5. Approximately 37.85% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,622,500 Shares held by Kingboard and 136,041,665 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 a 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 2017.

Directors' Statement

CONTINUING CONNECTED TRANSACTIONS

Overview

The Group has entered into several transactions in the ordinary course of its business with Kingboard and its subsidiaries (other than members of the Group) (the "**Kingboard Group**") during the year ended 31 December 2017. Since Kingboard is a substantial shareholder of the Company, each of Kingboard and its subsidiaries (other than members of the Group) 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 HK 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 during the financial year ended 31 December 2017.

1. *Purchase of equipment*

On 7 November 2016, the Company entered into an equipment purchase framework agreement with Kingboard (the "**Equipment Purchase Framework Agreement**") to renew the old equipment purchase framework agreement which expired on 31 December 2016. 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 2017 to 31 December 2019. 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.

The annual caps for transactions under the Equipment Purchase Framework Agreement are US$10,000,000, US$11,000,000 and US$12,100,000 for three years ending 31 December 2017, 2018 and 2019. Please refer to the Company's circular dated 30 November 2016 for information.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Overview (Continued)

2. *Sale and purchase of goods and services*

On 7 November 2016, the Company entered into an master sales and purchases agreement with Kingboard (the "**Master Sales and Purchases Agreement**") to renew the old master sales and purchases agreement which expired on 31 December 2016. 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 2017 to 31 December 2019.

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.

The annual caps for (i) purchase of goods and/or services by the Group from Kingboard Group are US$165,000,000, US$189,800,000 and US$218,300,000 and (ii) sale of goods and/or services by the Group to the Kingboard Group are US$26,200,000, US$30,100,000 and US$34,600,000 under the Master Sales and Purchase Agreement for the three years ending 31 December 2017, 2018 and 2019. Please refer to the Company's circular dated 30 November 2016 for information.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Overview (Continued)

The table below illustrates the actual transaction amount and the corresponding annual cap for each of the above continuing connected transaction for the year ended 31 December 2017.

	Actual amount for the year ended 31 December 2017 (US$'000)	Corresponding annual cap for the year ended 31 December 2017 (US$'000)
Purchase of equipment	4,613	10,000
Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	107,881	165,000
Sale and purchase of goods and services - Goods sold to the Kingboard Group	25,058	26,200

The amounts of the above transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2017 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 Deloitte Touche Tohmatsu Hong Kong 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 and usual 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.

REMUNERATION POLICY

The Group's remuneration policy is to provide compensation packages at rates which reward good performance and the enhancement of shareholder value and to attract, retain and motivate the Directors and employees.

The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, having regard to the Company's operating results, individual performance and comparable market statistics. Employees of the Group are compensated based on their merit, qualifications and competence.

The 2008 Scheme is administered by the Employee's Share Option Scheme Committee. Details of the 2008 Scheme is set out in the section headed "Share Options" in this Directors' Statement and Note 27 to the Financial Statements.

The 2008 Scheme has a maximum duration of ten (10) years and it will expire on 8 May 2018. An ordinary resolution will be proposed at the Company's forthcoming annual general meeting to consider, and if appropriate, approve the adoption of the 2018 Share Option Scheme and the termination of the 2008 Scheme.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association of the Company, subject to the provisions of and so far as may be permitted by the statutes, every Director, auditor, secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all expenses, charges, cost, damages, claims, proceedings, losses or liabilities whatsoever which he may sustain or incur in or about the execution and discharge of the duties of his office or otherwise in relation thereto.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group; or existed during the year under review.

CHARITABLE DONATIONS

The Group did not make any charitable donation during the year under review.

DISTRIBUTABLE RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 71 and 72.

At 31 December 2017, the retained earnings of the Group amounted to approximately US$210,345,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float, as required under the Listing Rules, as at the latest practicable date prior to the issue of this annual report.

Directors' Statement

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 15.5% and 41.5%, 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 13.1% and 41.8%, 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

1 March 2018

Chang Wing Yiu
Director

1 March 2018

Independent Auditors' Report

TO THE MEMBERS OF
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED

OPINION

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages 67 to 142.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("**the Act**") and Singapore Financial Reporting Standards ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
Allowance for inventory obsolescence As at 31 December 2017, the carrying amount of the Group's inventories amounting to US$44,156,000, net of allowance amounting to US$5,642,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US$2,629,000. The value of the inventory and the usage are affected by market demand and storage condition of the inventory. Management is required to assess the need for allowance for obsolete and/or slow-moving inventories which involves exercise of certain amount of judgement and estimate to determine whether: (a) Inventories are stated at the lower of cost or net realisable value; and (b) Allowance for obsolete and/or slow-moving inventories is adequate. These judgements include estimating future selling prices of finished products and future usability of raw materials and saleability of finished goods, taking into consideration changes in technology and customers' preference.	We tested the design and implementation of the relevant key controls over the valuation of inventories. We tested inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the book value for a selected samples of finished goods and raw material. We looked out for slow moving and obsolete inventory during our attendance/observation of physical inventory count at year end. We considered the inventory ageing analysis of the Group at year end, and subsequent usage and sales of inventory after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business operations and the industry in which the Group operates. We discussed with management and challenged the assumptions used by management in arriving at the allowance for obsolete and/or slow-moving inventories and assessed the reasonableness and accuracy of the provisioning methodology. The key judgement and estimation on the allowance for obsolete and/or slow-moving inventories are disclosed in Note 3(iv) to the financial statements, and further information related to inventories are provided in Note 16 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for doubtful debts	
As at 31 December 2017, the Group has trade receivables amounting to US$168,280,000, net of allowance amounting to US$9,058,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made. These judgement include estimating and evaluating expected future receipts from customers based on past payment trend, age of the debts, and knowledge of the customers' businesses and financial condition.	We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks. We discussed with management and evaluated their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on trade receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with a focus on long outstanding debts and debts which are past due but not impaired. The key assumptions and estimation on allowance for doubtful debts and the Group's credit risk management are disclosed in Notes 3(iii) and 4 to the financial statements, and further information related to trade and bills receivables is provided in Note 14 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Investment properties	
The carrying amount of Group's investment properties as at 31 December 2017 is US$101,692,000. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers using the direct comparison method. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used and the capitalisation rate may have a significant impact to the valuation.	We assessed competency, capability and objectivity of the independent professional external valuers and read the terms of engagements of the valuers to determine whether there were any matters which might affect their objectivity or impede their scope of work. We assessed the valuation methodology (direct comparison method), assumptions and estimates used against general market practice for similar property type. We held discussions with the valuers both with and without presence of the management to discuss and understand the valuation process, the valuation methodology, performance of the properties and the significant judgement and assumptions applied, including future lease income and yields. We have also considered the adequacy and appropriateness of the disclosures made in the financial statements, including description of the inherent degree of subjectivity relating to significant unobservable inputs. The key judgement and estimation on investment properties are disclosed in Note 3(ii) to the financial statements, and further information related to investment properties, including the valuation techniques, the key inputs and the inter-relationships between the inputs and valuation is provided in Note 19 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
The carrying amount of the Group's property, plant and equipment at 31 December 2017 is US$286,660,000.	We tested the relevant key controls over the assessment of impairment of property, plant and equipment;
One of the subsidiaries which has property, plant and equipment with total carrying amount of US$ 14,499,000 at 31 December 2017 has reported a loss for the financial year.	We assessed and evaluated management's assessment for indicators of impairment of property, plant and equipment based on the financial information of the relevant CGUs;
Management is required to carry out an impairment assessment of property, plant and equipment on an annual basis. The impairment assessment requires evaluating whether any indicators of impairment existed in the property, plant and equipment by reference to the profitability of the relevant Cash Generating Units ("**CGUs**"). Where there are indicators, significant judgement and estimation is required in determining the recoverable amount of these property, plant and equipment using the value-in-use. Calculation determined by discounting the future cash flows from the continuing use of these property, plant and equipment to be generated from the relevant CGUs.	We assessed and evaluated the estimation of future profits/cash flows of the relevant CGUs, and challenged management's underlying assumptions, such as growth rates, gross profit margin and discount rates used in estimating and discounting the future profits/cash flows projections of the relevant CGUs by comparing against historical data/trend, market trend and comparable data of companies within the same industry or publicly available independent data and our knowledge of the business operations of the relevant CGUs; and We assessed the robustness of the estimation of future profits/cash flow projections by comparing the prior year's estimated profits/cash flows to the actual profits/cash flows achieved by the relevant CGUs to support the reliability and reasonableness of management's assumptions and estimates used. The disclosure of the above significant estimates is provided in Note 3(i) to the financial statements, and further information related to the property, plant and equipment is provided in Note 17 to the financial statements.

Independent Auditors' Report

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Directors' Statement, Corporate Profile, Financial Highlights and Calendar, Five Years' Financial Summary, Corporate Information, Structure of the Group, Chairman's Statement, Profiles of Board of Directors and Core Management and Interested Persons Transactions but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Report on Corporate Governance and Statistic of Shareholdings, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information which are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs. We have not performed our work at the date of this auditor's report.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore

1 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTES	THE GROUP 2017 US$'000	THE GROUP 2016 US$'000
Revenue	32	**500,388**	478,137
Cost of sales		**(429,704)**	(425,722)
Gross profit		**70,684**	52,415
Other operating income and gains	6	**4,806**	2,607
Distribution and selling costs		**(10,401)**	(10,902)
Administrative expenses		**(19,240)**	(19,372)
Other operating expenses and losses		**(1,876)**	(6,597)
Finance costs	7	**(1,230)**	(1,584)
Profit before taxation		**42,743**	16,567
Income tax expense	8	**(5,958)**	(4,348)
Profit for the year	9	**36,785**	12,219
Profit attributable to:			
Owners of the Company		**36,161**	11,387
Non-controlling interests		**624**	832
		36,785	12,219
		United States cents	United States cents
Earnings per share:			
– basic and diluted	12	**19.35**	6.09

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTE	THE GROUP 2017 US$'000	 2016 US$'000
Profit for the year	9	**36,785**	12,219
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, representing other comprehensive expense for the year, net of tax		**(875)**	(805)
Total comprehensive income for the year		**35,910**	11,414
Total comprehensive income attributable to:			
Owners of the Company		**35,286**	10,582
Non-controlling interests		**624**	832
		35,910	11,414

Statements of Financial Position

As at 31 December 2017

	NOTES	THE GROUP 2017 US$'000	THE GROUP 2016 US$'000	THE COMPANY 2017 US$'000	THE COMPANY 2016 US$'000
ASSETS					
Current assets					
Cash and bank balances	13	**25,985**	18,651	**179**	182
Trade receivables	14	**168,280**	131,523	**–**	–
Bills receivables	14	**3,555**	3,341	**–**	–
Other receivables	15	**13,216**	11,879	**1**	–
Prepaid land use rights	18	**399**	399	**–**	–
Inventories	16	**44,156**	33,315	**–**	–
Total current assets		**255,591**	199,108	**180**	182
Non-current assets					
Property, plant and equipment	17	**286,660**	260,415	**–**	–
Prepaid land use rights	18	**12,449**	12,613	**–**	–
Deposits for acquisition of plant and equipment	17	**10,401**	1,547	**–**	–
Investment properties	19	**101,692**	99,925	**–**	–
Subsidiary companies	20	**–**	–	**470,324**	468,783
Deferred tax assets	25	**84**	84	**–**	–
Total non-current assets		**411,286**	374,584	**470,324**	468,783
Total assets		**666,877**	573,692	**470,504**	468,965

Statements of Financial Position

As at 31 December 2017

	NOTES	THE GROUP 2017 US$'000	THE GROUP 2016 US$'000	THE COMPANY 2017 US$'000	THE COMPANY 2016 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	21	**47,286**	49,523	**–**	–
Trade payables	22	**133,012**	108,232	**–**	–
Bills payables	22	**17,293**	308	**–**	–
Other payables	23	**36,739**	30,257	**2,258**	3,590
Amounts due to subsidiary companies	24	**–**	–	**231,454**	219,579
Provision for taxation		**3,234**	1,668	**–**	–
Total current liabilities		**237,564**	189,988	**233,712**	223,169
Non-current liabilities					
Bank loans	21	**25,942**	5,659	**–**	–
Deferred tax liabilities	25	**2,003**	1,372	**–**	–
Total non-current liabilities		**27,945**	7,031	**–**	–
Capital, reserves and non-controlling interests					
Share capital	26	**113,880**	113,880	**113,880**	113,880
Reserves		**276,146**	252,075	**122,912**	131,916
Equity attributable to owners of the Company		**390,026**	365,955	**236,792**	245,796
Non-controlling interests		**11,342**	10,718	**–**	–
Total equity		**401,368**	376,673	**236,792**	245,796
Total liabilities and equity		**666,877**	573,692	**470,504**	468,965

Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	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$'000	Total equity US$'000
THE GROUP										
Balance at 1 January 2016	113,880	1,916	5,805	42,684	166	180,640	15,889	360,980	10,411	371,391
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	11,387	–	11,387	832	12,219
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	–	–	–	–	–	–	(805)	(805)	–	(805)
Total	–	–	–	–	–	11,387	(805)	10,582	832	11,414
Transfer from retained earnings to statutory reserve	–	–	447	–	–	(447)	–	–	–	–
Transactions with owners, recognised directly in equity										
Dividends paid (Note 11)										
– in respect of previous financial year	–	–	–	–	–	(5,607)	–	(5,607)	(525)	(6,132)
Total	–	–	447	–	–	(6,054)	–	(5,607)	(525)	(6,132)
Balance at 31 December 2016	113,880	1,916	6,252	42,684	166	185,973	15,084	365,955	10,718	376,673
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	36,161	–	36,161	624	36,785
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	–	–	–	–	–	–	(875)	(875)	–	(875)
Total	–	–	–	–	–	36,161	(875)	35,286	624	35,910
Transfer from retained earnings to statutory reserve	–	–	574	–	–	(574)	–	–	–	–
Transactions with owners, recognised directly in equity										
Dividends paid (Note 11)										
– in respect of previous financial year	–	–	–	–	–	(11,215)	–	(11,215)	–	(11,215)
Total	–	–	574	–	–	(11,789)	–	(11,215)	–	(11,215)
Balance at 31 December 2017	**113,880**	**1,916**	**6,826**	**42,684**	**166**	**210,345**	**14,209**	**390,026**	**11,342**	**401,368**

Statement of Changes in Equity

For the year ended 31 December 2017

Notes:

(i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options in prior years.

(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 in prior years.

	Share capital US$'000	**Capital reserve US$'000**	**Retained earnings US$'000**	**Total equity US$'000**
THE COMPANY				
Balance at 1 January 2016	113,880	1,916	131,839	247,635
Profit for the year, representing total comprehensive income for the year	–	–	3,768	3,768
Transactions with owners, recognised directly in equity				
Dividends paid (Note 11)				
– in respect of previous financial year	–	–	(5,607)	(5,607)
Total	–	–	(1,839)	(1,839)
Balance at 31 December 2016	113,880	1,916	130,000	245,796
Profit for the year, representing total comprehensive income for the year	–	–	2,211	2,211
Transactions with owners, recognised directly in equity				
Dividends paid (Note 11)				
– in respect of previous financial year	–	–	(11,215)	(11,215)
Total	–	–	(9,004)	(9,004)
Balance at 31 December 2017	**113,880**	**1,916**	**120,996**	**236,792**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**42,743**	16,567
Adjustments for:		
Allowance for doubtful debts	**1,389**	3,943
Finance costs	**1,230**	1,584
Depreciation of property, plant and equipment	**35,703**	37,573
Amortisation of prepaid land use rights	**164**	164
Gain on disposal of property, plant and equipment	**(231)**	(39)
Impairment loss recognised in respect of property, plant and equipment	**–**	5,000
Gain on fair value change of investment properties	**(1,767)**	(1,091)
Allowance for inventory obsolescence	**2,629**	2,211
Interest income	**(102)**	(20)
Operating income before movements in working capital	**81,758**	65,892
Increase in inventories	**(13,470)**	(2,901)
Increase in trade, bills and other receivables	**(39,697)**	(3,682)
Increase (decrease) in trade, bills and other payables	**48,047**	(3,555)
Net cash generated from operations	**76,638**	55,754
Interest income received	**102**	20
Interest paid	**(1,458)**	(1,781)
Income taxes paid	**(3,716)**	(3,427)
NET CASH FROM OPERATING ACTIVITIES	**71,566**	50,566
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**323**	5,938
Purchase of property, plant and equipment	**(61,852)**	(17,724)
Deposits paid for acquisition of property, plant and equipment	**(8,756)**	(4,396)
NET CASH USED IN INVESTING ACTIVITIES	**(70,285)**	(16,182)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**59,688**	37,900
Repayment of bank borrowings	**(41,642)**	(58,045)
Dividends paid by the Company	**(11,215)**	(5,607)
Dividends paid by subsidiary companies to non-controlling shareholders	**–**	(525)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**6,831**	(26,277)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,112**	8,107
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**18,651**	10,950
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET	**(778)**	(406)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	**25,985**	18,651

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 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 23/F, Delta House, 3 On Yiu Street, Shek Mun, 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 2017, the Group's net current assets and total assets less total current liabilities amounted to US$18,027,000 (2016: US$9,120,000) and US$429,313,000 (2016: US$383,704,000) 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 2017 were authorised for the issue by the Board of Directors on 1 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("**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 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("**INT FRS**") that are effective from that date and are relevant to its operations.

The adoption of these new or 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 amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 21. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 21, the application of these amendments has had no impact on the Group's consolidated financial statements.

Pronouncements issued but not yet effective

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council ("**ASC**") has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange ("**SGX**"), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The Group and the Company will be adopting the new framework for the first time for financial year ending 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) 1 and has determined that there will be no significant change to the Group's and the Company's current accounting policies or material adjustments on the initial transition to the new framework on date of transition, other than those that may arise from implementing the new/revised requirements of pronouncements effective at the same time, and the election of certain transition options available under SFRS (I) 1.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 31 December 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 1-40 *Investment Property*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

SFRS(I) 9 Financial instruments

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipate that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Additional disclosures will also be made in respect of financial instruments including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 and has anticipated that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

SFRS(I) 15 Revenue from contracts with customers

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipate that the initial application of the new SFRS(I) 15 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made in respect of trade receivables and revenue recognition, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 15 and has anticipated that the adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

SFRS(I) 1-40 Investment Property: Transfers of Investment Property

The pronouncement:

- retains the requirement that a transfer into, or out of, investment property can be made when, and only when, evidence of a change of use of the property exists.
- clarifies that the list of events constituting evidence of a change of use has occurred are only examples.

Management anticipate that the initial application of the new SFRS(I) 1-40 will result in changes to the accounting policies relating to transfers of investment property. Additional disclosures will also be made in respect of investment property, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 1-40 and has anticipated that the adoption of SFRS(I) 1-40 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

The Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management anticipate that the initial application of the new SFRS(I) INT 22 will result in changes to the accounting policies relating to foreign currency transaction and advance consideration. Additional disclosures will also be made in respect of advance consideration, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) INT 22 and has anticipated that the adoption of SFRS(I) INT 22 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

SFRS(I) 16 Leases

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

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

Management anticipate that there is no significant impact on financial statements other than certain accounting policies and additional disclosures relating to leases on the initial application of SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new SFRS(I) 16.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - o if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - o if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management anticipate that there is no significant impact on financial statements other than certain accounting policies and additional disclosures relating to income tax on the initial application of SFRS(I) INT 23. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new SFRS(I) INT 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The pronouncement addresses the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management does not plan to early adopt the amendments to SFRS(I) 10 and SFRS(I) 1-28.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 existing subsidiaries

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 and 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 separate 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.

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 at fair value, with changes in fair value 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.

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.

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 considered to be impaired when 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade 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 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.

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 to 10 years
Motor vehicles and yacht	5 to 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 indicator 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 until the reserve reaches 10% of authorised capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight-line basis.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 depreciable 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.

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 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.

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 and impairment 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 2017 was US$286,660,000 (2016: US$260,415,000). 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.

The Group tests whether properties, plant and equipment have suffered any impairment in accordance with its accounting policy whenever there is any indication that the assets may have been impaired. The recoverable amounts of properties, plant and equipment have been determined based on discounted cash flow method of each Cash Generating Unit ("CGU"). This requires the management to estimate the future cash flows expected from the CGU which involve key assumptions such as revenue growth rates, capital expenditures, terminal value and an appropriate discount rate in order to calculate the present value of the future cash flows. No impairment loss (2016: impairment of US$5,000,000) was recognised during the year ended 31 December 2017.

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

Key sources of estimation uncertainty (Continued)

(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$101,692,000 (2016: US$99,925,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(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 2017 amounted to US$9,058,000 (2016: US$7,980,000). 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 2017 are US$168,280,000 and US$3,555,000 (2016: US$131,523,000 and US$3,341,000) respectively.

(iv) Allowance for inventory obsolescence

The management of the Group reviews an ageing 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 2017 amounted to US$5,642,000 (2016: US$4,434,000). 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 2017 is US$44,156,000 (2016: US$33,315,000).

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

Key sources of estimation uncertainty (Continued)

(v) 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 2017 is US$3,234,000 (2016: US$1,668,000). The Group's deferred tax assets and deferred tax liabilities at 31 December 2017 are US$84,000 (2016: US$84,000) and US$2,003,000 (2016: US$1,372,000), respectively.

(vi) 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.

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	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	**203,612**	158,430	**180**	182
Financial liabilities				
Amortised cost	**260,272**	193,979	**231,745**	219,820
Financial guarantee contracts	**–**	–	**1,967**	3,349

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.

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

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.

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
USD	–	–	162	2	–	–	–	–
HKD	347	208	285	1,628	–	69	9	–
RMB	73,099	140,329	59,255	73,892	–	–	–	–
SGD	117	327	98	93	–	3	49	87
GBP	–	4	–	13	–	–	–	–
EUR	–	–	95	168	–	–	–	–
JPY	–	–	–	3	–	–	–	–
THB	10,790	15,846	6,414	6,841	–	–	–	–
TWD	–	–	–	5	–	–	–	–
MYR	–	–	12	5	–	–	–	–

The following table detail the sensitivity to a 5% increase and decrease in the Chinese Renminbi and Thai Baht 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.

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

Foreign exchange risk management (Continued)

If the Chinese Renminbi and Thai Baht strengthens by 5% against the United States Dollars, profit or loss will decrease by:

	THE GROUP	
	2017	2016
	US$'000	US$'000
Chinese Renminbi	**(692)**	(3,322)
Thai Baht	**(219)**	(450)

For a 5% weakening of the Chinese Renminbi and Thai Baht 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.

No sensitivity analysis on other currencies of the Group 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.

No sensitivity analysis on currencies of the Company has been prepared as the directors of the Company considered that the financial impact arising from exchange rate fluctuation on the currencies is immaterial.

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 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 2017 would increase/decrease by US$301,000 (2016: loss increase/decrease by US$362,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

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 to the financial statements.

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

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.

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							
2017							
Variable interest rate instruments:							
Bank loans	2.04	42,095	5,731	26,471	74,297	(1,069)	73,228
Non-interest bearing:							
Trade and other payables	–	175,426	11,618	–	187,044	–	187,044
		217,521	17,349	26,471	261,341	(1,069)	260,272

	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							
2016							
Variable interest rate instruments:							
Bank loans	2.19	34,095	16,145	5,783	56,023	(841)	55,182
Non-interest bearing:							
Trade and other payables	–	125,489	13,308	–	138,797	–	138,797
		159,584	29,453	5,783	194,820	(841)	193,979

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							
2017							
Non-interest bearing:							
Amount due to subsidiary companies	–	231,745	–	–	231,745	–	231,745
2016							
Non-interest bearing:							
Amount due to subsidiary companies	–	219,820	–	–	219,820	–	219,820

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in Note 29, if the full guarantee amount is claimed by the counterparty to guarantee, is US$201,435,000 (2016: US$222,772,000). The earliest period that the guarantee could be called is within 1 year (2016: 1 year) from the end of the reporting period.

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							
2017							
Variable interest rate instruments:							
Cash and bank balances	0.46	25,995	–	–	25,995	(10)	25,985
Non-interest bearing:							
Trade and other receivables	–	177,627	–	–	177,627	–	177,627
		203,622	–	–	203,622	(10)	203,612
2016							
Variable interest rate instruments:							
Cash and bank balances	0.11	18,684	–	–	18,684	(33)	18,651
Non-interest bearing:							
Trade and other receivables	–	138,235	1,544	–	139,779	–	139,779
		156,919	1,544	–	158,463	(33)	158,430

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							
2017							
Non-interest bearing:							
Cash and bank balances and other receivables	–	180	–	–	180	–	180
2016							
Non-interest bearing:							
Cash and bank balances	–	182	–	–	182	–	182

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.

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	
	2017 US$'000	2016 US$'000
Income		
Sales to related companies	**(25,058)**	(15,882)
Expenses		
Purchases from related companies	**107,881**	128,562
Purchase of equipment from related companies	**4,613**	5,526
Sharing of office space and office expenses paid to related companies	**134**	78

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	
	2017	2016
	US$'000	US$'000
Directors (Note 10)		
Salaries, bonuses and other costs	**3,050**	2,581
Provident fund and other defined contributions	**27**	25
	3,077	2,606
Key management executives		
Salaries, bonuses and other costs	**918**	874
Provident fund and other defined contributions	**20**	20
	938	894

6. OTHER OPERATING INCOME AND GAINS

	THE GROUP	
	2017	2016
	US$'000	US$'000
Interest income	**102**	20
Compensation received*	**1,344**	–
Gain on disposal on property, plant and equipment	**231**	39
Gain on fair value changes of investment properties	**1,767**	1,091
Gain on foreign exchange	**747**	781
Others	**615**	676
	4,806	2,607

* This pertains to compensation received from the PRC government for a piece of land returned to the PRC government many years ago.

7. FINANCE COSTS

	THE GROUP	
	2017	2016
	US$'000	US$'000
Interest on bank loans	**1,458**	1,781
Less: Amounts capitalised	**(228)**	(197)
	1,230	1,584

8. INCOME TAX EXPENSE

	THE GROUP	
	2017	2016
	US$'000	US$'000
Current tax:		
Singapore income tax	**1**	1
PRC enterprise income tax	**3,869**	3,680
Hong Kong income tax	**453**	(12)
	4,323	3,669
Underprovision of current tax:		
PRC enterprise income tax	**–**	111
Hong Kong income tax	**–**	16
	–	127
Deferred tax liabilities for undistributed earnings (Note 25)	**1,635**	552
	5,958	4,348

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. 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 2017, there are three subsidiary companies (2016: three) in the PRC qualified as High-New Technology Enterprise.

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.

8. INCOME TAX EXPENSE (Continued)

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

	THE GROUP	
	2017 US$'000	2016 US$'000
Profit before taxation	**42,743**	16,567
Tax charge at the domestic income tax rate of 25% (Note)	**10,686**	4,142
Tax effect of expenses not deductible for tax purposes	**1,106**	3,110
Tax effect of income not taxable for tax purpose	**(3,778)**	(1,078)
Underprovision in previous years	**–**	127
Tax effect of tax losses not recognised	**2,215**	254
Utilisation of tax losses previously not recognised	**(4,836)**	(2,736)
Effect of different tax rates of subsidiaries operating in other jurisdictions/areas other than the PRC	**(1,070)**	(23)
Deferred tax liabilities for undistributed earnings (Note 25)	**1,635**	552
Tax charge for the year	**5,958**	4,348

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

9. PROFIT FOR THE YEAR

	THE GROUP	
	2017 US$'000	2016 US$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments		
– Remuneration	**3,008**	2,535
– Fees	**42**	46
– Contributions to defined contribution plans	**27**	25
	3,077	2,606
Staff costs (excluding directors' emoluments)		
– Salaries and employees benefits	**87,751**	87,054
– Contributions to defined contribution plans	**3,109**	2,820
Depreciation of property, plant and equipment	**35,703**	37,573
Amortisation of prepaid land use rights	**164**	164
Statutory auditor's emoluments		
– Audit fees paid to auditors	**418**	418
– Non-audit fees paid to auditors	**61**	53
Gain on disposal of property, plant and equipment	**(231)**	(39)
Impairment losses recognised in respect of property, plant and equipment (included in other operating expenses and losses)	**–**	5,000
Allowance for doubtful debts	**1,389**	3,943
Allowance for inventory obsolescence	**2,629**	2,211
Gain on foreign exchange	**(747)**	(781)

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

	Year ended 31 December 2017								
	Cheung Kwok Wing US$'000	Stephanie Cheung Wai Lin US$'000	Chang Wing Yiu US$'000	Ng Hon Chung US$'000	Ong Shen Chieh US$'000	Stanley Chung Wai Cheong US$'000	Kong Tze Wing US$'000 (note 1)	Raymond Leung Hai Ming US$'000 (note 2)	Total US$'000
Fees	–	–	–	–	15	15	7	5	42
Other emoluments:									
Salaries and other benefits	–	127	181	262	–	–	–	–	570
Performance related incentive payment*	–	962	1,228	192	20	27	–	9	2,438
Contributions to defined contribution retirement benefit plans	–	6	9	12	–	–	–	–	27
Total emoluments	–	1,095	1,418	466	35	42	7	14	3,077

	Year ended 31 December 2016								
	Cheung Kwok Wing US$'000	Stephanie Cheung Wai Lin US$'000	Chang Wing Yiu US$'000	Ng Hon Chung US$'000	Ong Shen Chieh US$'000	Stanley Chung Wai Cheong US$'000	Raymond Leung Hai Ming US$'000	Larry Lai Chong Tuck US$'000 (note 3)	Total US$'000
Fees	–	–	–	–	8	15	15	8	46
Other emoluments:									
Salaries and other benefits	–	105	161	260	–	–	–	–	526
Performance related incentive payment*	–	773	989	193	–	27	27	–	2,009
Contributions to defined contribution retirement benefit plans	–	5	8	12	–	–	–	–	25
Total emoluments	–	883	1,158	465	8	42	42	8	2,606

Notes:

(1) Mr. Kong Tze Wing was appointed as Independent Non-executive Director of the Company on 27 July 2017.

(2) Mr. Raymond Leung Hai Ming resigned on 28 April 2017.

(3) Mr. Larry Lai Chong Tuck resigned on 30 June 2016.

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

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

Number of Directors in remuneration bands

	THE GROUP	
	2017	2016
US$373,281[(1)] and above	**3**	3
US$186,641[(2)] to US$373,280[(2)]	**–**	–
Below US$186,640	**4**	4
	7	7

(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 (2016: 3 directors) of the Company for both years. The details of the emoluments paid to the remaining 2 individuals (2016: 2 individuals) were as follows:

	THE GROUP	
	2017 US$'000	2016 US$'000
Salaries and other benefits	**396**	377
Performance related incentive payments	**113**	113
Contributions to retirement benefits scheme	**10**	10
	519	500

Their emoluments were within the following bands:

	THE GROUP	
	2017 No. of employees	2016 No. of employees
US$319,804[(1)] to US$383,764[(1)]	**1**	1
US$127,922[(2)] to US$191,882[(2)]	**1**	1
	2	2

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

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$37,328 (equivalent to S$50,000) was related to the Chairman, the Chief Executive Officer or any other Director of the Company.

The five highest paid employees in the Group, excluded 3 directors (2016: 3 directors) of the Company for both years were as follows:

	THE GROUP	
	2017 US$'000	2016 US$'000
Salaries and other benefits	**709**	740
Performance related incentive payments	**209**	134
Contributions to retirement benefits scheme	**20**	20
	938	894

Their emoluments were within the following bands:

	THE GROUP	
	2017 No. of employees	2016 No. of employees
US$186,641[1] to US$373,281[1]	**2**	1
Below US$186,640[2]	**3**	4
	5	5

(1) Equivalent to S$250,000 to S$500,000
(2) Equivalent to S$250,000

As the Company have to maintain confidentially of staff remuneration matter, remuneration of five highest pay employees in the Group would not be disclosed as it is not in the best interest of the Company to do so given the highly competitive industry condition.

11. DIVIDENDS

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

	THE GROUP AND THE COMPANY	
	2017 **US$'000**	2016 US$'000
In respect of previous financial year		
Dividend paid:		
– Final one-tier tax exempt dividend for 2016: United States 6.0 cents (2015: United States 3.0 cents) per ordinary share	**11,215**	5,607

No dividend in respect of current financial year was paid or declared during both years.

The Directors have recommended a one-tier tax exempt final dividend of United States 8.0 cents (2016: United States 6.0 cents) per share amounting to US$14,954,000 (2016: US$11,215,000) 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.

12. EARNINGS PER SHARE

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

	THE GROUP	
	2017 **US$'000**	2016 US$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**36,161**	11,387
	2017 **'000**	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted 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	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Cash at bank and on hand (cash and cash equivalents)	**25,985**	18,651	**179**	182

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

Fixed deposits bear interest at average effective interest rate of 0.46% (2016: 0.11%) per annum and for a tenure of less than three months.

14. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2017 US$'000	2016 US$'000
Trade receivables:		
– Third parties	**172,109**	135,205
– Related companies	**5,229**	4,298
Less: Allowance for doubtful debts	**(9,058)**	(7,980)
Total trade receivables	**168,280**	131,523
Bills receivables	**3,555**	3,341

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, at the end of the reporting period:

	THE GROUP	
	2017 US$'000	2016 US$'000
Within 90 days	**133,674**	113,882
91 to 180 days	**34,606**	17,641
	168,280	131,523

An allowance has been made for estimated irrecoverable amounts from the sales of goods to third parties of US$9,058,000 (2016: US$7,980,000). This allowance has been determined by reference to past default experience and assessment of recoverability by management.

14. TRADE AND BILLS RECEIVABLES (Continued)

At the end of the reporting period, the bills receivables are aged within 180 days (2016: 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 generally may not be fully recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of US$22.4 million (2016: US$30.6 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 109 days (2016: 101 days).

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

	THE GROUP	
	2017	2016
	US$'000	US$'000
Over due by 1 to 90 days	**21,329**	30,562
Over due by 91 to 180 days	**1,079**	–
	22,408	30,562

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.

Movement in the allowance for doubtful debts:

	THE GROUP	
	2017	2016
	US$'000	US$'000
Balance at beginning of the financial year	**7,980**	5,512
Currency realignment	**38**	82
Amounts written off during the financial year	**(349)**	(1,557)
Increase in allowance recognised in profit or loss	**1,389**	3,943
Balance at end of the financial year	**9,058**	7,980

15. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2017 **US$'000**	2016 US$'000	**2017** **US$'000**	2016 US$'000
Deposits	**1,375**	1,453	**–**	–
Prepaid expenses	**2,627**	2,348	**1**	–
Other tax refundable*	**4,797**	4,616	**–**	–
Others	**4,417**	3,462	**–**	–
	13,216	11,879	**1**	–

* 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	
	2017 **US$'000**	2016 US$'000
Raw materials	**11,180**	8,525
Work-in-progress	**16,402**	11,469
Finished goods	**16,574**	13,321
	44,156	33,315

The cost of inventories recognised as an expense of US$429.7 million (2016: US$428.1 million) includes approximately US$2,629,000 (2016: US$2,211,000) in respect of allowance for inventory obsolescence.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Freehold buildings US$'000	Leasehold land and building 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 2016	6,961	5,156	145,549	61,517	9,485	521,602	1,564	10,251	762,085
Currency realignment	–	–	77	88	22	695	6	20	908
Reclassifications	–	–	322	–	21	464	–	(807)	–
Additions	–	–	6,787	2,441	143	11,856	93	1,279	22,599
Disposals	–	–	–	(128)	(460)	(40,791)	(141)	(361)	(41,881)
At 31 December 2016	6,961	5,156	152,735	63,918	9,211	493,826	1,522	10,382	743,711
Currency realignment	–	–	53	78	13	937	9	22	1,112
Reclassifications	–	–	2,624	–	–	8,559	–	(11,183)	–
Additions	–	–	–	1,916	104	54,915	86	5,059	62,080
Disposals	–	–	–	(2,758)	(644)	(31,598)	(71)	–	(35,071)
At 31 December 2017	6,961	5,156	155,412	63,154	8,684	526,639	1,546	4,280	771,832
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2016	–	4,534	35,014	49,462	9,027	376,343	1,460	–	475,840
Currency realignment	–	–	69	84	22	684	6	–	865
Charge for the financial year	–	63	3,935	3,555	187	29,752	81	–	37,573
Impairment loss recognised in profit or loss	–	–	–	–	–	5,000	–	–	5,000
Disposals	–	–	–	(128)	(460)	(35,253)	(141)	–	(35,982)
At 31 December 2016	–	4,597	39,018	52,973	8,776	376,526	1,406	–	483,296
Currency realignment	–	–	87	87	53	906	10	9	1,152
Charge for the financial year	–	60	3,677	2,553	177	28,954	112	170	35,703
Disposals	–	–	–	(2,758)	(644)	(31,506)	(71)	–	(34,979)
At 31 December 2017	–	4,657	42,782	52,855	8,362	374,880	1,457	179	485,172
CARRYING AMOUNTS									
At 31 December 2017	6,961	499	112,630	10,299	322	151,759	89	4,101	286,660
At 31 December 2016	6,961	559	113,717	10,945	435	117,300	116	10,382	260,415

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2016, the directors conducted a review of the Group's plant and machinery and determined that a number of those assets were impaired, due to technical obsolescence. The recoverable amounts of the relevant assets have been determined on the basis of their value-in-use.

The key assumptions used for the value-in-use calculation are those regarding the revenue growth rates, expected capital expenditures, terminal value and discount rate. Management prepares cash flow forecasts derived from the most recent financial budgets approved by the Board of Directors for the next five years with growth rate for revenue and expenses based on the industry growth forecast and customer base. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The discount rate in measuring the amount of value in use was 18% (2016: 20%) in relation to plant and machinery. Based on the value-in-use estimation, management is of the view that no impairment (2016: US$5,000,000) is required in respect of plant and equipment, which are used in the Group's fabrication and distribution of PCB segment for the year ended 31 December 2017.

Management has performed certain sensitivity analysis on the value-in-use calculation and concluded that if growth rate for revenue decreases by 5% or the estimated costs growth rate increases by 5% and all other variables were held constant, the result will not change significantly.

Details of the freehold and leasehold properties held by the Group as at 31 December 2017 are set out below:

	Description and location	Gross area (sq. m.)	Tenure	Use
(i)	Land at No. 134 Moo 2 Soi Sriyothin Pakred-Pathumthani Road, Bang-Khayang, Muang District, Thailand	82,080	Freehold	Industrial
(ii)	Building at No. 3 Linjiang Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	42,965	Leasehold	Industrial
(iii)	Building at Lot No. 7303-0076, Majialong Gongye Road, Nanshan District, Shenzhen City, Guangdong Province,the PRC	5,441	Leasehold	Industrial
(iv)	Building at No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	61,885	Leasehold	Industrial
(v)	Building at West of Shidai Avenue, Yizheng Economic Development Zone, Jiangsu Province,the PRC	76,681	Leasehold	Industrial

During the year, US$228,000 (2016: US$197,000) 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 2.2% (2016: 2.2%).

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	THE GROUP	
	2017 **US$'000**	2016 US$'000
Balance at beginning of the financial year	**1,547**	1,833
Currency realignment	**98**	(4)
Transferred to additional of property, plant and equipment during the financial year	**—**	(4,678)
Additional during the financial year	**8,756**	4,396
Balance at end of the financial year	**10,401**	1,547

18. PREPAID LAND USE RIGHTS

	THE GROUP
	US$'000
Cost:	
At 1 January 2016, 31 December 2016 and 31 December 2017	16,734
Accumulated amortisation:	
At 1 January 2016	3,558
Amortisation during the year	164
At 31 December 2016	3,722
Amortisation during the year	164
At 31 December 2017	3,886
Carrying amount:	
At 31 December 2017	12,848
At 31 December 2016	13,012

	THE GROUP	
	2017 **US$'000**	2016 US$'000
Current	**399**	399
Non-current	**12,449**	12,613
	12,848	13,012

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

19. INVESTMENT PROPERTIES

	THE GROUP	
	2017	2016
	US$'000	US$'000
At fair value		
Balance at beginning of the financial year	**99,925**	98,834
Gain on fair value change included in profit or loss	**1,767**	1,091
Balance at end of the financial year	**101,692**	99,925

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$6,841,000 (2016: US$5,911,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties are US$1,073,000 (2016: US$1,118,000).

Fair value measurement of Group's investment properties

The fair values of the Group's investment properties at 31 December 2017 and 31 December 2016 have been determined on the basis of valuation carried out at the respective year end date by independent valuer, Roma Appraisals Limited (Note) having 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.

19. INVESTMENT PROPERTIES

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

Name of property	Fair value as at 31 December 2017 US$'000	2016 US$'000	Valuation methodology	Significant unobservable inputs	Range (price per square metre) 2017 US$	2016 US$
Factories at Eastern park of Guangzhou Economic and Technological Development	**36,960**	37,198	Direct Comparison Method	Price per square metre, using market direct comparables and taking into account location and other individual factors such as size of property and layout/design	**263**	341-383
Factory at Nanjing Economic and Technological Development Zone, The PRC	**2,320**	2,358	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	**421**	470-487
Apartment units of Jin Ian Court, Hong Yuan Garden, Guangdong Province, The PRC	**522**	343	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	**1,036**	675-689
Office units at Merit Industrial Centre, Hong Kong	**61,890**	60,026	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	**4,432-4,839**	4,297-4,699

The gross floor area of the underlying investment properties as at 31 December 2017 was 13,895 sq.m. (2016: 13,895 sq.m.)

19. INVESTMENT PROPERTIES (Continued)

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

The key input used in valuing the investment properties was the price per square metre, adjusted for location, size of property, layout and design, which the higher the price used would result in the higher the fair value measurement of the investment properties, and vice versa.

Details of investment properties held by the Group as at 31 December 2017 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

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

20. SUBSIDIARY COMPANIES

	THE COMPANY	
	As at 31 December 2017 US$'000	As at 31 December 2016 US$'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	**25,240**	23,232
Amounts due from subsidiary companies	**422,357**	422,824
	470,324	468,783

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.

20. SUBSIDIARY COMPANIES (Continued)

Details of the principal subsidiary companies at 31 December 2017 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
				2017 %	2016 %	
^	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$60,000,000	**100.0**	100.0	Manufacturing and distribution of PCB raw materials
@	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	Distribution of PCBs
ß	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

20. SUBSIDIARY COMPANIES (Continued)

@ Audited by Deloitte Touche Tohmatsu - Hong Kong.

ß Audited by PYS Audit Company Limited for statutory purpose.

% Audited by Deloitte Touche Tohmatsu - Macau for statutory purpose. Deloitte Touche Tohmatsu Certified Public Accountants LLP 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 Certificated Public Accountants LLP 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.

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.

In accordance with the requirements of Rules 715 and 716 the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

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	
		2017	2016
Investment holding	Singapore	**10**	10
	Hong Kong	**4**	4
	British Virgin Islands	**2**	2
		16	16
Manufacturing/ Property investment	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

20. SUBSIDIARY COMPANIES (Continued)

Principal activities	Principal place of business	Number of non-wholly-owned subsidiaries 2017	2016
Manufacturing/ Property investment	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 LOANS

	THE GROUP	
	2017 US$'000	2016 US$'000
Bank loans	**73,228**	55,182

	THE GROUP	
	2017 US$'000	2016 US$'000
Bank loans A	**47,286**	49,523
Bank loans B	**25,942**	5,659
	73,228	55,182
Less: Amount due within one year shown under current liabilities	**(47,286)**	(49,523)
Amount shown under non-current liabilities	**25,942**	5,659

21. BANK LOANS (Continued)

The details of the bank loans are as follows:

(a) Bank loans A totalling US$47,286,000 bore interest at weighted effective rates of 2.04% (2016: 2.19%). The interest rates are repriced at 0.8% to 1.0% (2016: 1.0% to 2.5%) per annum over 1, 2, 3 or 6 months (2016: 1, 2 or 3 months) London Interbank Offer Rate ("**LIBOR**") or Hong Kong Interbank Offer Rate ("**HIBOR**"). Bank loans A and the related interest are repayable at the end of each interest period of 1, 2, 3 or 6 months (2016: 1, 2 or 3 months) from the date of drawdown and are covered by corporate guarantee from the Company; and

(b) Bank loans B totalling US$25,942,000 bore interest at weighted effective rates of 2.04% (2016: 2.19%). The interest rates are repriced at 1.7% per annum over 1, 2 or 3 months LIBOR. Bank loans B are repayable on 22 April 2019 while the interests are payable at the end of each interest period of 1, 2, 3 or 6 months from the date of drawdown.

Bank loans B are covered by corporate guarantee from the Company, and the Company undertakes to maintain:

(i) a consolidated tangible net worth at a level not less than US$300,000,000 (2016: 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

Bank loans B are also provided under negative pledges from the Company as follows:

(i) the Group has compiled with the financial covenants as at the end of the financial year;

(ii) 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.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017 US$'000	Financing cash flows (i) US$'000	31 December 2017 US$'000
Bank loans	55,182	18,046	73,228
	55,182	18,046	73,228

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

22. TRADE AND BILLS PAYABLES

	THE GROUP	
	2017	2016
	US$'000	US$'000
Third parties	**89,129**	68,248
Related companies (note)	**43,883**	39,984
Total trade payables	**133,012**	108,232
Bills payables	**17,293**	308

Note: Related companies are subsidiaries of the ultimate holding company other than the Group.

Trade and bills payables are non-interest bearing and generally on 15 - 120 days' terms (2016: 15 - 120 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	THE GROUP	
	2017	2016
	US$'000	US$'000
Within 90 days	**92,699**	78,415
91 to 180 days	**28,695**	18,695
Over 180 days	**11,618**	11,122
	133,012	108,232

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

23. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Accrued expenses	**30,121**	25,999	**291**	241
Financial guarantee contracts	**–**	–	**1,967**	3,349
Other payables	**6,618**	4,258	**–**	–
	36,739	30,257	**2,258**	3,590

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	
	2017	2016
	US$'000	US$'000
Deferred tax assets	**84**	84
Deferred tax liabilities	**(2,003)**	(1,372)

Deferred tax assets

	Excess of tax written down value over carrying amount of property, plant and equipment US$'000
THE GROUP	
At 1 January 2016	83
Currency realignment	1
At 31 December 2016 and 2017	84

25. DEFERRED TAXATION (Continued)

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 2016	(26)	(1,402)	(1,428)
Currency realignment	1	17	18
Charge to profit or loss for the year	(12)	(540)	(552)
Utilised during the year	–	590	590
At 31 December 2016	(37)	(1,335)	(1,372)
Currency realignment	–	(128)	(128)
Charge to profit or loss for the year	–	(1,635)	(1,635)
Utilised during the year	–	1,132	1,132
At 31 December 2017	(37)	(1,966)	(2,003)

At the end of the reporting period, the Group has unutilised tax losses of US$40.2 million (2016: US$50.7 million) available for offset against future profits. Included in the unutilised tax losses are tax losses of US$25.0 million, (2016: US$39.5 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.

At the end of the reporting period, all the temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised. At 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$512,000. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2017		2016	
	No. of shares	**US$'000**	No. of shares	US$'000
Issued and fully paid:				
At the beginning and the end of the year	**186,919,962**	**113,880**	186,919,962	113,880

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.

In 2017 and 2016, there are no options outstanding 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 2012 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.

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.

27. SHARE-BASED PAYMENTS (Continued)

The duration of the 2008 Scheme is ten years from the adoption date with a remaining life of approximately 2 months. The total number of shares that may be issued shall not exceed 17,963,506 shares (which represents 10% of the total number of shares in issue of the Company as at the adoption date or 10% of the total number of shares in issue of the Company as at the respective dates of the Company's annual report for the year ended 31 December 2017). Subject to certain conditions being satisfied, the scheme limit may be increased to 15% of the total number of shares in issue 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 in issue of the Company from time to time.

No qualifying participant who is a substantial shareholder or an independent non-executive director of Kingboard, or any of their respective associates shall be granted any options, which, if exercised in full, would result in the shares issued and issuable to such person under the 2008 Scheme in the 12-month period up to and including the proposed grant date for such options representing in aggregate over 0.1% of the number of shares then in issue, unless such grant of options is approved in advance by the shareholders of the Company in general meeting.

No qualifying participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates shall be granted any options, which, if exercised in full, would result in the shares issued and issuable to such person under the 2008 Scheme in the 12-month period up to and including the proposed grant date for such options, unless such grant of options is approved in advance by the shareholders of the Company in general meeting: (a) representing in aggregate over 0.1% of the number of shares then in issue; and (b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of such options is made to such person under the relevant scheme, in excess of HK$5 million.

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 2016 and 2017.

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$3,136,000 (2016: US$2,845,000) represents contributions payable to these plans by the Group at rates specified in the rules of the respective plans.

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
(i) Bank guarantees given to third parties (unsecured)*	**853**	822	**–**	–
(ii) Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured)	**–**	–	**201,435**	222,772

* 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	
	2017 US$'000	2016 US$'000
Capital expenditure not provided for in the financial statements:		
Commitments in respect of contracts placed for plant expansion	**28,867**	5,335

31. OPERATING LEASES ARRANGEMENT

The Group as lessee

	THE GROUP	
	2017	2016
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense in the current year	**52**	99

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

	THE GROUP	
	2017	2016
	US$'000	US$'000
Within one year	**47**	67
In two to five years	**–**	20
Total	**47**	87

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 outs its investment properties in the PRC and Hong Kong under operating leases. Property rental income earned during the year was US$6,841,000 (2016: US$5,911,000). Properties have committed tenants of one to over five years (2016: one to five years).

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

	THE GROUP	
	2017	2016
	US$'000	US$'000
Within one year	**5,167**	4,554
In the second to fifth years inclusive	**15,131**	8,107
Over fifth year	**3,718**	5,303
	24,016	17,964

32. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS

The Group's operating activities are attributable to two reporting and operating segments on (i) fabrication and distribution of PCB; and (ii) property investment. These reportable segments have 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.

There are two (2016: two) reportable and operating segments in current year as follows:

(a) fabrication and distribution of PCB segment, which engages in the fabrication and distribution of PCB; and

(b) property investment segment, which engages in properties rental.

Segment revenues and results

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

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Consolidated US$'000**
For the year ended 31 December 2017			
Segment revenue			
Revenue from external customers	**493,547**	**6,841**	**500,388**
SEGMENT RESULTS	**36,387**	**7,535**	**43,922**
Corporate and other unallocated expenses			**(1,179)**
Profit before taxation			**42,743**

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Consolidated US$'000
For the year ended 31 December 2016			
Segment revenue			
Revenue from external customers	472,226	5,911	478,137
SEGMENT RESULTS	11,710	5,884	17,594
Corporate and other unallocated expenses			(1,027)
Profit before taxation			16,567

Note: The directors of the Company are not aware of any transactions between the operating segments during the year.

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment and without allocation of certain items of expenses. This is the measure reported to the Executive Directors of the Company for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Unallocated US$'000**	**Consolidated US$'000**
For the year ended 31 December 2017				
ASSETS				
Segment assets	**535,513**	**105,379**	**–**	**640,892**
Unallocated assets	**–**	**–**	**25,985**	**25,985**
Consolidated total assets				**666,877**
LIABILITIES				
Segment liabilities	**(261,995)**	**(1,511)**	**–**	**(263,506)**
Unallocated liabilities	**–**	**–**	**(2,003)**	**(2,003)**
Consolidated total liabilities				**(265,509)**

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended 31 December 2016				
ASSETS				
Segment assets	453,809	101,232	–	555,041
Unallocated assets	–	–	18,651	18,651
Consolidated total assets				573,692
LIABILITIES				
Segment liabilities	(192,386)	(1,593)	–	(193,979)
Unallocated liabilities	–	–	(3,040)	(3,040)
Consolidated total liabilities				(197,019)

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

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances; and
- all liabilities are allocated to operating segments other than provision for taxation and deferred tax liabilities.

Other segment information

For the year ended 31 December 2017

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Segment total US$'000**	**Unallocated US$'000**	**Total US$'000**
Amounts included in the measure of segment profit or segment assets and liabilities:					
Gain on fair value of investments properties	**–**	**(1,767)**	**(1,767)**	**–**	**(1,767)**
Depreciation and amortisation	**35,703**	**–**	**35,703**	**–**	**35,703**

For the year ended 31 December 2016

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Segment total US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment profit or segment assets and liabilities:					
Gain on fair value of investments properties	–	(1,091)	(1,091)	–	(1,091)
Depreciation and amortisation	37,573	–	37,573	–	37,573
Impairment loss on property plant and equipment	5,000	–	5,000	–	5,000

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	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Asia				
The PRC (including Hong Kong)	**299,575**	247,704	**396,787**	361,026
South East Asia*	**51,072**	47,089	**14,499**	13,558
Others*	**30,108**	31,949	**–**	–
	380,755	326,742	**411,286**	374,584
Europe*	**83,312**	121,388	**–**	–
North and Central America*	**32,320**	27,042	**–**	–
Rest of the World*	**4,001**	2,965	**–**	–
	500,388	478,137	**411,286**	374,584

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

Revenue from major products and services

	2017 US$'000	2016 US$'000
PCB	**433,991**	433,867
Laminates and others	**59,556**	38,359
Rental income	**6,841**	5,911
	500,388	478,137

Information about major customers

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

	2017 US$'000	2016 US$'000
Customer A	**76,678**	95,426
Customer B	**45,570**	52,835

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

For the year ended 31 December 2017, 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	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$100,000)	
US$'000	**FY2017**	FY2016	**FY2017**	FY2016
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**–**	–	**4,613**	5,526
	–	–	**4,613**	5,526
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**–**	–	**87,013**	109,672
Delta Realty Limited	**52**	–	**–**	–
Elec & Eltek Corporate Services Limited	**82**	78	**–**	–
Heng Yang Kingboard Chemical Co., Ltd.	**–**	–	**1,865**	1,549
Hong Kong Fibre Glass Company Limited	**–**	–	**17,784**	16,206
Huizhou Chung Shun Chemical Company Limited	**–**	–	**1,219**	1,121
Techwise (Macao Commercial Offshore) Circuits Limited	**–**	–	**–**	14
	134	78	**107,881**	128,562
Provision of goods and services				
Chung Shun Laminates (Macau Commercial Offshore) Limited	**–**	–	**7,493**	5,036
Express Electronics (Suzhou) Co., Ltd.	**–**	–	**324**	3,014
Techwise (Macao Commercial Offshore) Circuits Limited	**–**	–	**17,241**	7,832
	–	–	**25,058**	15,882

Statistics of Shareholdings

As at 1 March 2018

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	33	1.29	1,182	0.00
100 - 1,000	266	10.38	181,676	0.10
1,001 - 10,000	1,644	64.17	6,679,476	3.57
10,001 - 1,000,000	610	23.81	26,812,699	14.35
1,000,001 AND ABOVE	9	0.35	153,244,929	81.98
TOTAL	**2,562**	**100.00**	**186,919,962**	**100.00**

As at 1 March 2018, 25.23% 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)	–	137,664,165
Kingboard Chemical Holdings Limited ("**Kingboard**") (2)	1,622,500	136,041,665
Jamplan (BVI) Limited ("**Jamplan**") (3)	–	136,041,665
Kingboard Investments Limited ("**KIL**") (4)	10,978,500	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 37.85% 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.

Elec & Eltek 依利安達

Elec & Eltek International Company Limited

www.eleceltek.com