Aztech

A Dynamic Corporation

ANNUAL REPORT 2013

Aztech

ANNUAL REPORT

2013

A Dynamic Corporation

A Dynamic Corporation
Recognised for
Value, Innovation and Excellence

CONTENTS

01. Vision & Businesses
02. Global Presence
04. Letter to Shareholders
06. Board of Directors
08. Senior Management
09. Corporate Information
Financial Calendar
10. Financials at a Glance
12. Operations Review
20. Sustainability Report
24. Highlights of the Year
25. Corporate Governance Report
49. Financial Statements

A Dynamic Corporation
Recognised for
Value, Innovation and Excellence

CONTENTS

01. Vision & Businesses
02. Global Presence
04. Letter to Shareholders
06. Board of Directors
08. Senior Management
09. Corporate Information
Financial Calendar
10. Financials at a Glance
12. Operations Review
20. Sustainability Report
24. Highlights of the Year
25. Corporate Governance Report
49. Financial Statements

Our Business Strengths

Aztech

innovate to connect

Abiding to our commitment in leading the electronics market, we continue to push the boundaries of the development of stylish and innovative Broadband and Networking products through services of OEM, Telco, Retail Distribution and Contract Manufacturing.

AZ e-lite

Light Up with LED!

AZ e-lite's business comprises the design and manufacturing of quality and eco-friendly LED lighting. Targeting both public and private sectors, its wide range of LED lighting is suitable for use in commercial and residential applications.

Az Marine

As the marine logistics unit of Aztech Group, Az Marine offers a wide range of marine services. We provide full-fledged marine transportation as well as third-party chartering services.

Az United

Az United's business is in the procurement and supply of materials for the building construction industry and infrastructure development projects. We are a Building and Construction Authority (BCA) of Singapore registered specialist contractor for Essential Construction Materials with a L6 grading.

Shiro

simply delectable

Shiro targets the retail and food services industry in Singapore and overseas with the mission of supplying restaurant grade quality food. We supply a wide range of canned abalone, seafood products, frozen food, finger food and wine.

Aztech Group

Established in 1986, Aztech Group Ltd is a dynamic international corporation with principal activities in Electronics & LED Lighting Design & Manufacturing, Materials Supply, Marine Logistics and Food Business.

The Group has:

8 sales offices in Singapore, USA, Germany, Philippines, China, Hong Kong and Malaysia

4 R & D centres in Singapore, China and Hong Kong

Electronics and LED Lighting manufacturing plant in China

A fleet of 25 marine vessels

Customers from over 50 countries

1,600 employees worldwide


Our products are sold to more than
50
countries
Norway
Sweden
Russia
Denmark
Netherlands
Germany
UK
Belgium
France
Croatia
Bulgaria
Switzerland
Spain
Italy
Portugal
Turkey
Azerbaijan
Palestine
Israel
Egypt
Saudi Arabia
UAE
Pakistan
China
Japan
Dongguan (Manufacturing Plant)
Shenzhen
Hong Kong
Vietnam
Myanmar
Thailand
Cambodia
Philippines
Nigeria
Sri Lanka
Malaysia
Brunei
Singapore (HQ)
Maldives
Indonesia
Zambia
Australia
South Africa
New Zealand

Letter to Shareholders

Amidst the recovering economic climate, the Group registered S$6.47 million net profit for FY2013

Michael Mun
Group CEO and Chairman

We are living in a dynamic world, marked by continuous change, activity and progress. It is vital to constantly identify market trends, update yourself and come up with new strategies to remain viable in this business world.

We started to diversify back in 2008 in pursuit of growth opportunities. In these 5 years, we have built our foundations to grow these new business segments. Today, we are a multi-disciplined corporation with design and manufacturing capabilities and global presence.

We strive to be a dynamic international corporation recognised for Value, Innovation and Excellence. It is with this positive attitude and vigour that we present to you our FY2013 results.

FY2013 Financials

The global economy's jagged recovery inched forward in 2013, with fast-growing emerging markets losing pace while developed nations gained strength.

Amidst the recovering economic climate, the Group registered S$6.47 million net profit for FY2013, driven by improvement in product mix offering, productivity, operational efficiency and sourcing strategies. Total revenue improved by 7.8% against the same period last year to S$241.15 million with corresponding Gross Profit margin improved to 13.2% from 8.5% in FY2012.

The overall financial position of the Group remained healthy with consistent positive operating cash flows. The Group's FY2013 EBITDA was at S$15.83 million with shareholders' funds of S$84.65 million. Earnings per share were 1.33 cents and NTA per share was 16.70 cents.

The Board of Directors has recommended a final dividend of 0.75 cents per share, subject to shareholders' approval, to be paid out on 20 May 2014.

FY2013 Operations

In FY2013, we continued to proactively expand our product line in the Electronics, LED Lighting and Food Supply sectors while pursuing projects for Materials Supply and marine chartering services.

Electronics (Aztech)

Still our largest revenue contributor, the Electronics sector registered a revenue growth of 8.8% to S$164.15m compared to FY2012 on improved sales of both Data Communication and LED Lighting products.

During the year, the Group continued to expand our range of networking products. We have launched a suite of HomePlugs including the 200Mbps models (HL113E, HL113EP, HL113EW), 500Mbps models (HL117E, HL117EP, HL117EW) and the 600Mbps model (HL119EP). We have also introduced new products such as FG7002 4-port Dual Frequency Wireless+ VOIP Fibre Gateway and WIPC408HD High Definition Wireless IP Camera. In addition, we have rolled out our consumer electronic product range with the Aztech VC2000 Smart Robotic Vacuum Cleaner.

Aztech products are currently sold in 43 countries and used by 30 Telcos & ISPs, showing our global reach and strong reputation for our OEM, Telco, Retail Distribution and Contract Manufacturing businesses. The Group will continue to promote Aztech as the leading networking brand in the region and come up with innovative products to meet the needs of different customer segments.

With increasing sales of electronics products, the Group is looking into expanding our overseas presence. In June 2013, we have set up a new office – Aztech Electronics Philippines – to provide R&D, product testing and technical support for our customers. This is an important step to boost Aztech's market leadership in Southeast Asia.

LED Lighting (AZ e-lite)

The LED lighting segment has performed well in 2013, a result of increased market acceptance as well as our efforts in expanding our international distributor network. We have clinched many contracts to provide LED lighting for commercial buildings, public facilities, retail shops and residential buildings in Singapore, Hong Kong, Malaysia, Australia, Europe and other countries.

To meet the huge demand for LED tubes for the replacement market, we have focused on expanding our LED tube range with improved efficiency and enhanced functionality. These include adding features such as rotatable end-cap, emergency battery pack and motion sensor, as well as increasing the light output and efficacy of our tubes for customers who require superb performance at low energy consumption.

To fulfil the orders for our LED lighting products, we have taken measures to improve our manufacturing capacity and productivity, such as expanding our manufacturing plant in China, as well as introducing automation for the production lines and assembly lines.

Materials Supply (Az United) & Marine Logistics (Az Marine)

For Materials Supply, Az United has completed several major projects for construction and reclamation sand. Today, Az United is a major sand importer in Singapore with multiple sourcing capabilities and substantial contribution to the Group revenue.

Revenue from Materials Supply and Marine Logistics businesses was S$74.40 million in FY2013, a 7.5% increase compared to FY2012. During the year, we focused on the fulfilment and execution of several contracts for supply of construction and reclamation sand.

In connection with the execution of the contracts, inter-segment integration of services was employed, which translated to improved performance for the Marine Logistics segment. The Group will actively seek for infrastructure materials supply and chartering services projects to increase revenue.

Food Business (Shiro)

Revenue from the food business contributed S$2.61 million to the Group turnover in FY2013. We have been busy gearing up to expand our Food business.

In July 2013, Shiro moved into its new premise in Senoko which houses its office, warehouse, cold room and production facilities. We have also set up the Shiro R&D division to spearhead innovative and high-quality F&B product line ups.

The aim is to enhance Shiro's expertise in food to cater to both local and international markets. We will continue to develop the Shiro brand and introduce more wine and dine items to boost the product range.

Looking Ahead

The Group is at the juncture where we can leverage the efforts of the last 5 years for shareholders' value creation moving forward. With the strong foundation of each business within the Group, I am confident that we are well positioned to capitalise on the market opportunities to deliver better results.

Special Thanks

As we close 2013 on a profitability note, I would like to take this opportunity to thank our shareholders, valued customers and business associates for their continuing trust and support in us. We also recognise the contribution and commitment of our staff, management and Board of Directors. Let us work together to scale greater heights in FY2014!

Michael Mun
Group CEO & Chairman

Board of Directors

Front row left to right

Philip Tan Tee Yong
Lead Independent Director
Chairman of AC and Member of RC and NC

Michael Mun Hong Yew
Group CEO and Chairman
Member of NC

Back row left to right

Jeremy Mun Weng Hung
Executive Director
Senior Vice President

Khoo Ho Tong
Independent Director
Chairman of RC and Member of AC and NC

Colin Ng Teck Sim
Independent Director
Chairman of NC and Member of RC and AC

Martin Chia Heok Miin
Executive Director
Senior Vice President

Michael Mun Hong Yew

Group CEO and Chairman
Member of NC

Mr Mun is one of Aztech's co-founders and is responsible for the overall strategy and direction of the Group. He started Aztech in 1986 and transformed Aztech from a PC maker to a multi-disciplined company focusing on Electronics and LED lighting products with in-house R&D and full-fledged manufacturing facilities, as well as Materials Supply, Marine Logistics and Food businesses. He is a member of the Nominating Committee.

Martin Chia Heok Miin

Executive Director
Senior Vice President

Mr Chia joined Aztech in 1989 and was appointed as a Board Director in 2006. He is responsible for the sales activities of the Group and heads the international sales of Datacom segment. Mr Chia also assists in overseeing the Group's Materials Supply and Marine Logistics sectors. He holds directorships in some of Aztech's subsidiaries.

Jeremy Mun Weng Hung

Executive Director
Senior Vice President

Mr Jeremy Mun joined Aztech in 2002 and was appointed as a Board Director in 2006. He is in charge of the Group's marketing and branding activities to raise its profile in the international market. He is also responsible for the product development and sales activities of the Group's LED lighting segment. He holds directorships in some of Aztech's subsidiaries.

Philip Tan Tee Yong

Lead Independent Director
Chairman of AC and Member of RC and NC

Mr Tan is the owner and Managing Director of PTOS Singapore Pte Ltd. He is a Fellow of the Chartered Institute of Management Accountants, CGMA and a CPA. He has over 40 years of experience in banking, accounting, finance, marketing and sales, commercial and banking software development, consulting, manufacturing and entrepreneurship. Mr Tan was a Member of Parliament for 2 terms aggregating 7 years.

Khoo Ho Tong

Independent Director
Chairman of RC and Member of AC and NC

Mr Khoo is a practising Public Accountant for over 20 years. He is a council member and member of various sub-committees of the Institute of Certified Public Accountants, Singapore. Mr Khoo is the Treasurer and Council member of the Asean Federation of Accountants.

Colin Ng Teck Sim

Independent Director
Chairman of NC and Member of RC and AC

Mr Ng is a practising lawyer with over 25 years of experience. His practice focuses on corporate banking and finance. Mr Ng was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1982 and as a solicitor of the Supreme Court of England & Wales in 2000. He obtained a Master of Business Administration (Accountancy) in 2007 from Nanyang Technological University and is a Notary Public and a Member of the SGX-ST's and Catalist's Appeals Panel.

Senior Management

Michael
Lee Thiam Seong
Senior Vice President, Strategic Alliance

Mr Lee has been with the Group since 2006. He is responsible for developing strategic alliances for the Group and assisting in the management of new businesses undertaken by the Group. He brings with him over 20 years of business, corporate and financial experiences. He holds a Bachelor's degree in Accounting with Computing from University of Kent, Canterbury, United Kingdom.

Pavani Nagarajah
Senior Vice President, Legal and Corporate Affairs

Ms Nagarajah joined Aztech in 1998 and heads the legal and corporate secretarial department, managing all legal matters of the Group. Ms Nagarajah also heads the departments of Investor Relations and Corporate HR, and is the Company Secretary and the Secretary of Aztech's Audit, Nominating and Remuneration Committees. She holds a Bachelor of Laws (Hons) degree and a Graduate Diploma in law from the National University of Singapore.

Jason
Saw Chwee Meng
Senior Vice President, Research and Development

Mr Saw joined Aztech in May 2005. He is responsible for the planning, coordination, and execution of product designs and development handled by the R&D Centres and heads the technical support service team for the related products. He holds a Diploma in Electronics Engineering from Ngee Ann Polytechnic, Singapore.

Herman
So Kam Hung
Senior Vice President, Finance

Mr So joined Aztech in 2003. He is responsible for the Group's financial management and treasury functions. Mr So has over 15 years of working experience in the finance, accounting and auditing fields. He holds a Bachelor's degree in Accountancy from Monash University, Australia. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Corporate Information

CEO / CHAIRMAN

Michael Mun Hong Yew

DIRECTORS

Michael Mun Hong Yew
Martin Chia Heok Miin
Jeremy Mun Weng Hung
Philip Tan Tee Yong
Colin Ng Teck Sim
Khoo Ho Tong

LEAD INDEPENDENT DIRECTOR

Philip Tan Tee Yong

AUDIT COMMITTEE

Philip Tan Tee Yong (Chairman)
Colin Ng Teck Sim
Khoo Ho Tong

NOMINATING COMMITTEE

Colin Ng Teck Sim (Chairman)
Khoo Ho Tong
Michael Mun Hong Yew
Philip Tan Tee Yong

REMUNERATION COMMITTEE

Khoo Ho Tong (Chairman)
Philip Tan Tee Yong
Colin Ng Teck Sim

COMPANY SECRETARIES

Pavani Nagarajah
Pradeep Kumar Singh

AUDITORS

Deloitte & Touche LLP
6 Shenton Way,
OUE Downtown 2, #32-00
Singapore 068809

PARTNER-IN-CHARGE

Cheung Pui Yuen
Appointed July 21, 2010

REGISTRAR

B.A.C.S Pte Ltd
63 Cantonment Road
Singapore 089758

REGISTERED OFFICE

31 Ubi Road 1 #09-01
Singapore 408694

COMPANY REGISTRATION NO.

198601642R

Financial Calendar FY2013

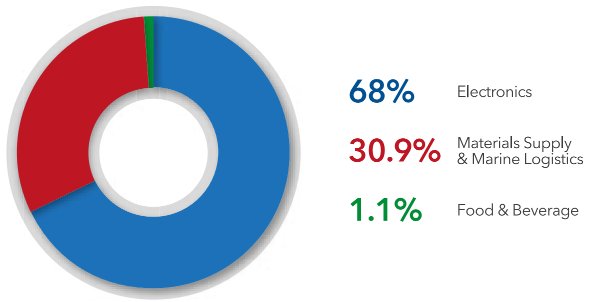
ANNOUNCEMENT OF RESULTS	
1st Quarter	29 APR 2013
2nd Quarter	26 JUL 2013
3rd Quarter	23 OCT 2013
Full Year	21 FEB 2014
Annual Report and Accounts Issued On	27 MAR 2014
FY2013 Annual General Meeting	25 APR 2014

Financials at a Glance

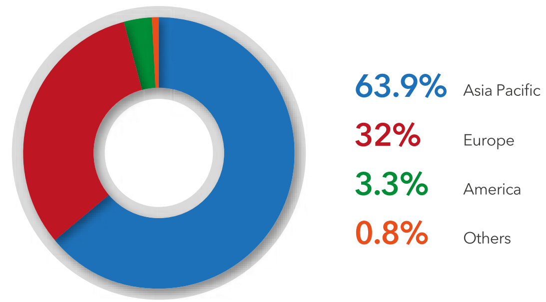
	2013 S$'000	2012 S$'000	2011 S$'000	2010 S$'000	2009 S$'000
Results					
Revenue	**241,146**	223,605	235,438	211,336	280,267
EBITDA	**15,832**	9,802	4,374	18,413	30,424
Net profit (loss) for the year	**6,470**	230	(24,974)	5,330	15,418
Net cash inflow (outflow)	**1,185**	(15,125)	9,953	(4,304)	(1,148)
Assets & Liabilities					
Net current assets	**27,754**	22,135	27,419	39,212	35,847
Total assets	**173,572**	147,437	171,024	184,204	195,142
Total liabilities	**88,924**	70,348	90,893	78,127	82,811
Total borrowings	**50,639**	35,437	56,095	49,679	49,400
Shareholders' equity	**84,648**	77,089	80,131	106,077	112,331
Per Share Basis (in cents)					
Earnings (Loss) - basic	**1.33**	0.05	(5.12)	1.09	3.75
Gross dividend	**0.75**	n.a.	n.a.	0.60	1.75
Net asset value	**17.41**	15.86	16.48	21.73	23.04
Ratios					
Net profit margin	**2.7%**	0.1%	n.a.	2.5%	5.5%
Current ratio	**1.32**	1.34	1.33	1.62	1.58
Dividend payout ratio	**56.4%**	n.a.	n.a.	55.0%	46.7%
Dividend cover	**1.77**	n.a.	n.a.	1.82	2.14
Net gearing ratio	**29.5%**	15.0%	20.2%	14.5%	11.8%
Return on assets	**3.7%**	0.2%	n.a.	2.9%	7.9%
Return on equity	**7.6%**	0.3%	n.a.	5.0%	13.7%

n.a. Not applicable

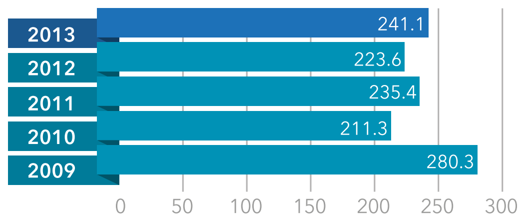
Turnover by Business Segment (%)



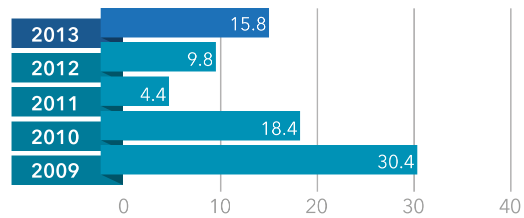
Turnover by Geographical Region (%)



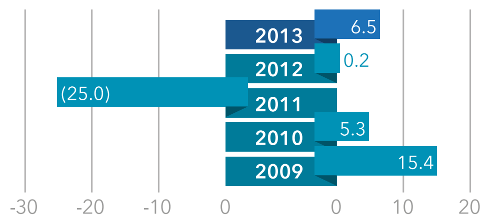
Group Turnover (S$m)



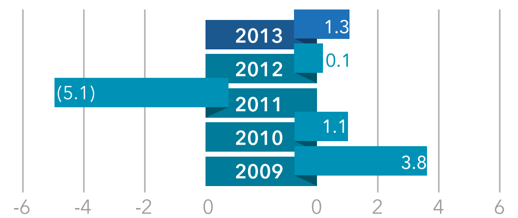
EBITDA (S$m)



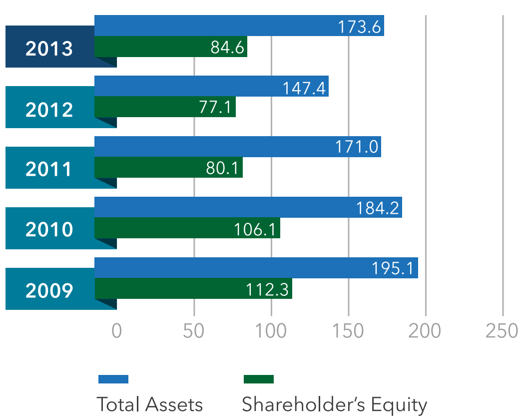
Net Profit (Loss) (S$m)



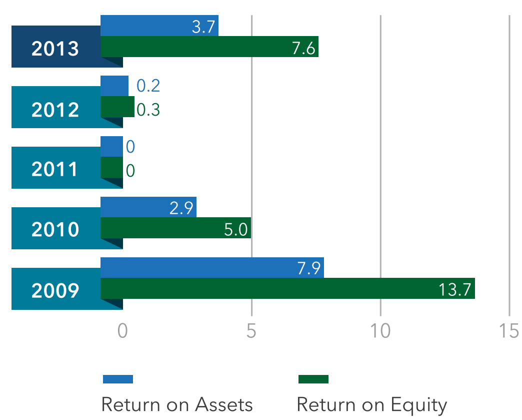
Earnings (Loss) Per Share (cents)



Shareholders' Equity & Total Assets (S$m)



Return on Equity & Return on Assets (%)



Operations Review - **Electronics**

Aztech builds its core competencies on electronics products and is supported by its manufacturing plant in China, Sales Offices in 7 countries and 4 R&D Centres. We design and manufacture a wide range of electronics and communications equipment for OEM, Telco, Contract Manufacturing and Retail Brand Distribution.

Aztech
innovate to connect

In FY2013, the Electronics sector continued to be the main contributor to the Group's revenue with S$164.15 million (representing 68% of Group revenue). Grounded with strong operating fundamentals, the Electronics sector was able to mitigate the impact of the competitive operating environment and remained profitable.

Aztech
Electronic Products

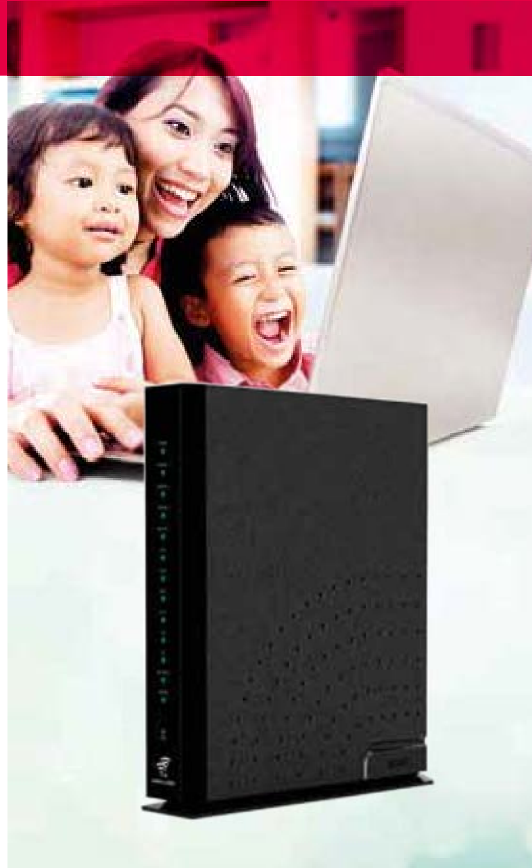
OEM/Telco

Aztech continues to work closely with Telcos and Internet Service Providers (ISP) supplying ADSL2+, VDSL2, Fibre Gateway, Powerline, 3G/4G and Wireless products. Today, Aztech has built for established brands in more than 40 countries.

Contract Manufacturing

A key part of our electronics business is Contract Manufacturing which contributes 42% of the Electronics revenue. We provide complete Contract Manufacturing services for electronics PCBA assembly, plastic tooling, plastic injection and complete box built products.

Helming our manufacturing operations is our vertically-integrated factory in China, which is capable of handling high volume and high mix productions.



Equipped with state-of-the-art manufacturing equipment, strong process and test engineering capabilities as well as cost efficient structure, we deliver high performance products with fast turnaround from product transfer to mass production.

The Group's resources and experience enable the Contract Manufacturing team to deliver manufacturing services that can be customised to suit the needs of every customer.

Aztech Brand Products

Aztech manages a wide retail distribution network under its own brand. We produce broadband and networking products for end consumers in more than 10 countries, including Singapore, Malaysia, Hong Kong, Thailand, Vietnam, Indonesia, Philippines, Myanmar, Turkey, UAE and Saudi Arabia.

In 2013, we expanded our range of networking products and introduced new consumer electronic products. These include:

Broadband Products

- FG7002 4-port Dual Frequency Wireless+ VOIP Fibre Gateway

Networking Products

- HL119EP - Smart Link HomePlug AV2 600Mbps with Pass Through
- HL117EP - HomePlug AV 500Mbps Ethernet Adapter with Pass Through
- HL113EW - HomePlug AV 200Mbps Single-Band 150Mbps Wireless-N Extender
- WIPC408HD - HD Wireless-N IP Camera with Pan and Tilt

HL119EP
SmartLink HomePlug AV2
600Mbps with
AC Pass Through

Consumer Electronics Products

- VC2000 - Smart Robotic Vacuum Cleaner

To promote the Aztech brand, the Group has intensified its marketing efforts and participation in trade shows such as Broadband World Forum 2013 (Amsterdam) as well as consumer IT shows in Singapore, Malaysia and Hong Kong. Moving forward, the Group will continue to focus on its core Electronics business and promote Aztech as the leading broadband and networking brand in the region.

Operations Review - **LED Lighting**

Established in 2009, AZ e-lite specialises in the design and development of high-quality LED lighting for commercial and residential lighting applications. With the increasing adoption of LED lighting worldwide, AZ e-lite has seen strong revenue growth in FY2013 and will continue this growth trend.

According to the IHS Lighting Report 2013, the LED lamps revenue is set to boom from 2014. With the falling price of LEDs and government policies towards energy-efficient lighting, adoption of LEDs is happening at a faster pace than ever before. Global revenue for LED integrated luminaires is forecast to grow by US$31 billion between 2012 and 2021, with manufacturing/ industrial and outdoor street lighting leading the way.

Leveraging on this global trend and its end-to-end design and manufacturing capabilities, AZ e-lite has seen strong growth in its LED lighting sales. It has clinched many projects to supply LED lighting for both new-build and replacement markets worldwide. These include government buildings, public housing projects, commercial and industrial buildings, schools, hospitals and retail outlets.

Global Distributor Network

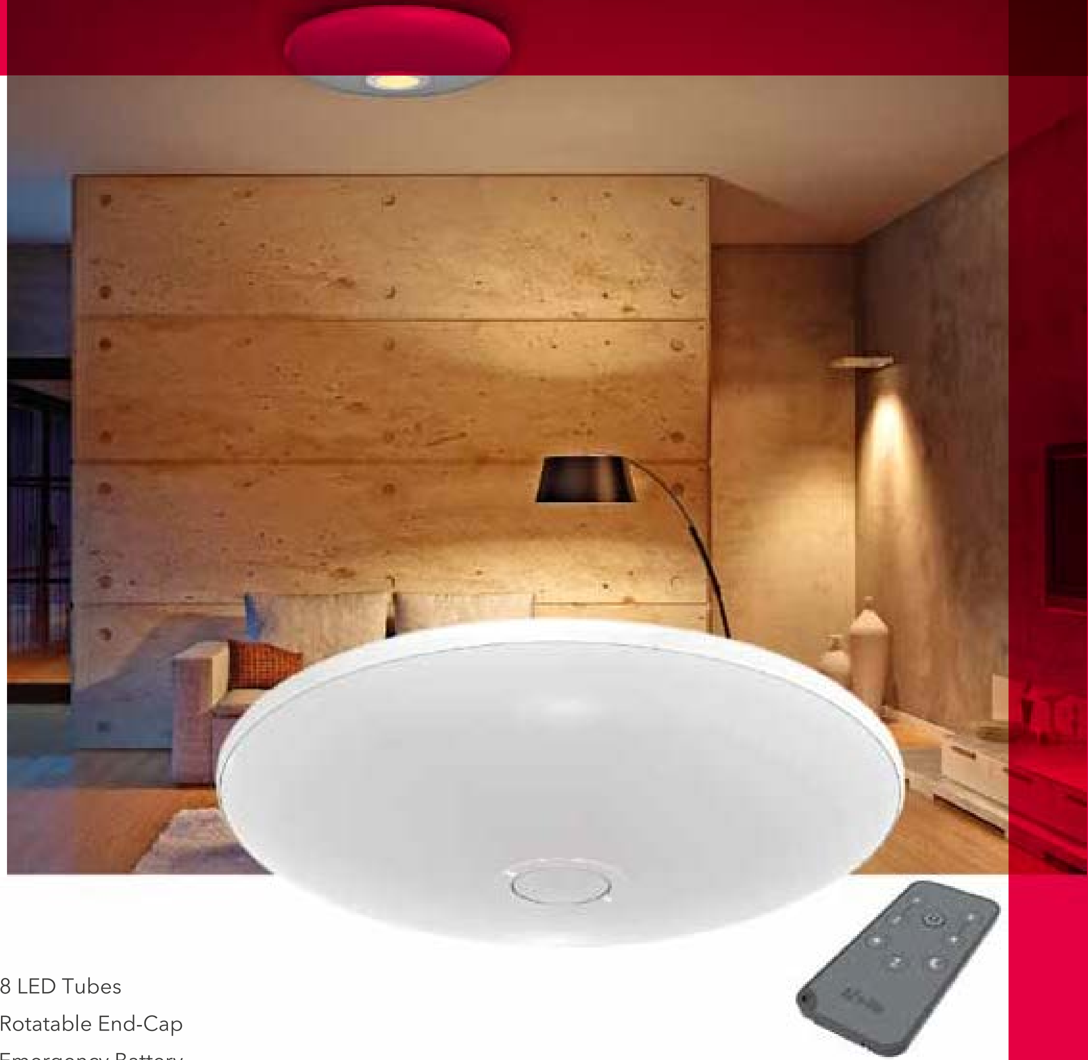
With a global distributor network covering Australia, Belgium, Brunei, France, Germany, Hong Kong, Italy, Malaysia, Netherlands, New Zealand, Singapore, Spain, Switzerland, UAE and UK, AZ e-lite products are currently sold to 30 countries worldwide.

AZ e-lite

Light Up with LED!

The widened distributor network will enable AZ e-lite to enhance its brand name and presence in the global LED lighting market. Branding and marketing efforts include participation in international exhibitions, such as the Hong Kong International Lighting Fair 2013, as well as other events such as HomeDec Malaysia, Archidex Malaysia and Urban Sustainability R&D Congress, Singapore.

During the year, AZ e-lite expanded its LED lighting product offerings with enhanced version of LED tubes. We now have a full range of LED tubes from entry series to professional series with additional features such as rotatable end-cap which allows beam direction to be adjusted from 0-90 degrees, emergency battery pack which enables the tubes to be lit for over 3 hours in the event of power failure, as well as motion sensor that can dim the lights to 20% brightness in absence of human traffic. The AZCEL LT8B-EP series is the only emergency LED tube in Singapore to be certified by PSB.



Range of LED Tubes

- AZCEL LT8B-E – Entry series of T8 LED Tubes
- AZCEL LT8BR-E – T8 Tubes with Rotatable End-Cap
- AZCEL LT8B-EP – T8 Tubes with Emergency Battery Pack
- AZCEL LT8S – T8 Tubes with Microwave Sensor
- AZCEL LT8B-P – Professional T8 LED Tubes with high efficiency of 125 lm/W
- AZCEL LT8B-62 – Yellow LED Tube which filters UV light, ideal for clean rooms and printing shops

New LED Lighting Products

In addition to LED tubes, AZ e-lite has also launched several new LED lighting products in 2013, including:

- AZCESS LFE series – 2-feet / 4-feet LED Batten Fittings, available in Battery Pack and Motion Sensor options
- AZPAND LFC2 series – 1, 2, 3, 4-feet LED T5 Fittings with seamless light (no black spots when joining multiple lighting fixtures)
- AZSENCE LDR3H12 series – 3.5-inch dimmable recessed LED Downlights
- AZPRESS+ 1930M – 19-inch LED Ceiling Light with dimmable and adjustable light
- AZPLORE LBHR series – 8-inch / 11-inch 2D Luminaires with IP65 rating
- AZCEND / AZIS – new version of E27 and MR16 LED Bulbs / Spotlights
- AZURE LED Marine Solar Light – can be mounted on the sides of vessels as indicator or safety lighting
- AZUDE iSwitch – Intelligent Lighting Switch with programmable lighting scenes
- Handheld Light – portable and rechargeable LED flashlight

Expansion of Manufacturing Facilities

To cater for the increasing demand for LED lighting products, we have taken measures to expand our manufacturing facilities. A second plant has been set up in 2013 for the manufacturing of LED luminaires. In addition, automation has been implemented for the production lines and assembly lines to increase productivity.

AZSENCE LDR3H12
3.5-inch
LED Downlight

Operations Review - **Materials Supply & Marine Logistics**

Started in 2008, Az United and Az Marine marked the Group's foray into the Materials Supply and Marine Logistics sectors. Both subsidiaries have since expanded their capabilities and successfully completed several multi-million dollar projects in the region.

Az Marine Az United

Az United

Az United's business is in the procurement and supply of materials for the building construction industry and infrastructure development projects. Today, we are a major sand importer in Singapore with multiple sourcing capabilities and substantial contribution to the Group revenue.

Az United is capable of providing full supply chain management from dredging, freight transportation, stevedoring and supply of sand for both the public and private sectors. Since 2008, we have imported over 20 million tons of infrastructure materials from various source countries like Cambodia, Vietnam, Philippines and Malaysia. We work closely with the concession holders in various countries to ensure a consistent supply of sand. We also work hand in hand with the dredging companies to monitor the loading process so as to ensure better quality sand.

FY2013 was a fruitful year for Az United. During the year, we focused on the fulfilment and execution of several major contracts for supply of construction and reclamation sand. Revenue from Materials Supply segment was S$71.45 million in FY2013, a 5.4% increase compared to FY2012.

We also put utmost emphasis to ensure occupational health and safety in our work procedures. Az United has been awarded the BS OHSAS 18001:2007 Certification by TUV Rheinland Cert GmbH for supply and stockpile of construction materials, as well as BizSAFE Star level by the Workplace Safety and Health Council in Singapore for promoting workplace safety and health in its operations.

With our excellent track record and experienced team in operating and managing the entire supply chain, Az United is well positioned to offer a one-stop solution to service the growing construction and infrastructure sectors in Singapore and the region.

Az Marine

As the marine logistics unit of Aztech Group, Az Marine provides a wide range of marine services. We provide full-fledged marine transportation as well as third-party chartering and transhipment services in support of break bulking requirement of bulk vessels.

Az Marine currently boasts a sizable fleet of vessels comprising 11 tugs ranging from 2200BHP to 3600BHP, 9 barges between 300ft to 365ft, 2 conveyor barges and 3 work boats.

The Group has taken efforts to improve the vessel utilisation rates and lower the operating, maintenance and repair costs for the vessels. Az Marine will continue to play a pivotal and integral role in support of the Group's infrastructure material business and transhipment requirement while expanding into third-party services and marine transportation.

Operations Review - **Shiro**

Shiro
simply delectable

The venture into Food business in 2009 is part of the Group's long-term strategy to create a new revenue stream. Shiro has since established itself as a distributor of premium food products to restaurants and food service industry in Singapore.

Year 2013 has been a busy year for Shiro, marked by aggressive business expansion and accelerated R&D and business activity.

As part of its expansion plan to keep pace with market demand, Shiro moved into its new premise in Senoko which houses its office, warehouse, cold room and innovation lab in July 2013. The bigger facility will enable Shiro to expand its sales and operations team, widen its product range and embark on marketing activities such as food tasting and business networking events.

Shiro's new cold storage facilities achieved Grade A (Excellent) from Agri-Food & Veterinary Authority of Singapore (AVA), the highest standard available.

During the year, Shiro expanded its food product range with premium items such as wine, champagne, Wagyu beef, lobsters, scallops, shrimps, foie gras and Mullard duck. In addition to its Jade brand of canned abalone and shellfish products, Shiro is a distributor for other brands which include Gourmet Chef Packers for UHP lobster meat, Aux Champs d'Élisé for foie gras and Junta for its award-winning Chilean wine.

To bring Shiro to the next level and raise the bar for its quality of F&B products, the Shiro R&D division was set up in September 2013. The R&D team will spearhead innovative and high-quality F&B product line up with the aim to enhance Shiro's expertise in food to cater to both local and international markets.

For FY2013, revenue from the food business contributed S$2.61 million to the Group turnover. Moving forward, we will continue to develop the Shiro brand, introduce more F&B items as well as seek to establish retail presence through more sales channels.

Jade Abalone
Tender in texture

Duck Foie Gras
Delicacy with rich flavour
and smooth texture

Sustainability Report

Aztech is committed to managing the social and environmental impact of our business. We are committed to care for our people, develop products that are environmental friendly and give back to society wherever we operate.

Recruitment drive at tertiary institutions

Aztech Movie Treat

Aztech takes a strong stance towards corporate sustainability. We believe that being sustainable creates long-term consumer and employee value by not only creating a "green" strategy aimed towards the natural environment, but taking into consideration every dimension of how a business operates in the social, cultural, and economic environment.

Employee Care

We believe that our people are central to the company's growth and crucial to our continued sustainability. In line with our mission of empowering employees with resources, skills and knowledge, the Group continuously looks to develop the potential of our staff through nurturing and upgrading their skills.

Employees are encouraged to keep themselves updated on major developments in their areas of expertise to have a better understanding of the business environment.

To appreciate staff for their hard work, we organise events such as Dinner & Dance and Aztech Movie Treat, as well as give out Long Service Awards for staff who have served the company for at least 5 years.

Talent Recruitment and Retention

Aztech participates in various recruitment activities to attract talents, including:

- print and online job posting
- staff referral scheme
- career fairs

To retain talented individuals, we advocate internal promotions to staff who have good potential and have made outstanding contributions to the company. Periodically, we review our staff's career development as well as our welfare and benefits scheme to provide a caring work environment.

Performance Appreciation

Our remuneration framework helps to drive motivation and productivity of our employees. It also serves to ensure that salary levels commensurate to an individual's performance and skills. The incentive component of this framework recognises the individual's achievements through performance-based bonuses.

The Appraisal System ensures that new and current employees receive regular feedback on their performance. New employees are appraised upon completion of their probationary period while current employees are appraised annually. Roadmaps and expectations are discussed freely with employees to help them set goals and chart their career path.

Electronic Communication Platforms

Access to the Intranet is given to all employees and provides them with information such as company policies, department information, processes and workflow. The Intranet also allows employees to apply for leave and claims, request for IT service and conduct purchase requisitions.

Employees are encouraged to participate and interact on our social media platform such as our Aztech, AZ e-lite and Shiro Facebook pages. Updates are communicated via internal Electronic Direct Mailers (EDMs) and email blasts to update employees on our happenings and events.

Promoting healthy living with brisk walking activities

Az United staff performing volumetric survey of sand

Workplace Health and Safety

A healthier workplace is a safer workplace. To promote healthy living, we organised wellness activities such as Brisk@Botanics for staff to participate.

Safety and Health Management System

An important part of our operations is Occupational Health and Safety, which is incorporated into our business activities. Aligning with the Singapore Government's vision of "a safe and healthy workplace for everyone", Aztech performs risk assessments and implements risk controls so that workplace hazards are reduced or eliminated.

Our employees are reminded of the importance and value of workplace safety and are engaged to make their workplace a safer place to work in through the following:

(i) complying with the company's safety and health regulations and using necessary safety equipment where required;

(ii) continually improving the safety of our facilities and preventing industrial injuries; and

(iii) reporting possible safety hazards so that they can be addressed promptly.

Aztech maintains site-specific programmes to respond to emergencies. These include but are not limited to evacuation procedures, qualification and training of first aiders and emergency response drills. Emergency systems such as fire alarm systems, emergency lighting and use of protective equipment are also in place to ensure safety of our employees. Emergency Response Teams (ERTs) are located throughout our facilities and its members are trained to respond to various incidents such as fire and medical crisis, and are required to have the skills and knowledge on controlling its impact and minimising injury and damage.

Since 2012, Az United has in place an occupational health and safety management system which is certified to OHSAS 18001:2007 standard and achieved BizSAFE Star status. This OHS management system comprises a comprehensive policy and set of supporting procedures addressing occupational safety, emergency preparedness, occupational illness and injury, machine safeguarding as well as physically demanding work.

Various Aztech subsidiaries have achieved BizSAFE certifications issued by the Workplace Safety and Health Council in Singapore for promoting workplace safety and health in its operations. They include:

- Az United – BizSAFE Star Level
- Aztech Technologies – BizSAFE Level 4
- AZ e-lite – BizSAFE Level 4
- Shiro – BizSAFE Level 3

bizSAFE

In Q4 2013, Aztech's factory in China implemented the Workplace Occupational Health Management System and was identified as a model organisation by the Dong Guan Safety Production Supervision Bureau.

Sustainability Report

A Glow of Love CSR event

Distributing packet lunch for needy families

Blood Donation Drive

Community Involvement

Beyond upgrading our capabilities and growing our business, Aztech also balances business objectives with the needs of our people, communities and the environment by integrating sustainability and corporate social responsibility (CSR) in all aspects of our operations.

In keeping with the Group's philosophy to give back to the society, we participated actively in various community events and initiatives.

Walk for Our Children

Causes related to children continue to be the primary focus of Aztech's fund-raising efforts for the less privileged segments of the community. Since 2008, the Group has supported the Singapore Children's Society "Walk for Our Children" event to raise funds for 46,000 less privileged children, youth and families.

More than 40 Aztech staff, senior management and family members participated in the walkathon-cum-carnival, held at Bishan-Ang Mo Kio Park on 29 September 2013. The Group raised about S$5,000 from pledge card donations and sale of food items at the event.

Sponsoring LED Lights

Aztech organised the "A Glow of Love" CSR project on 17 August 2013 for the third year running. The project aims to educate the public on the benefits of switching to LED lights and also brighten up the homes of low-income families.

More than 30 Aztech employees helped to install LED light bulbs sponsored by AZ e-lite for 100 families residing in 1-room rental flats in Bukit Merah, Singapore. Packet lunch was also provided for these families.

Donation Drives

Aztech actively responded to appeal for donations in the event of natural disasters such as the Typhoon Haiyan in Philippines and Sichuan earthquake in China. About S$20,000 was raised from Aztech staff, which was donated to support the various relief and recovery efforts.

To meet the growing need for blood supply, the Group has an annual blood donation drive in Singapore, where staff are encouraged to donate blood at the Health Sciences Authority's blood bank.

Aztech Charity Calendar

Another CSR initiative was the partnership with Muscular Dystrophy Association of Singapore (MDAS) to design and print the 2014 calendar which was crafted with beautiful art pieces painstakingly drawn by MDAS members. MDAS is a self-help, non-profit organisation that provides enrichment programme for those suffering from muscular dystrophy.

Youth Sponsorship & Internship

The Group actively engages in sponsorship of student activities, such as tertiary institution open houses. We also take in tertiary students from polytechnics and local universities as interns to improve their skill sets and enhance their work experience. In 2013, we hired a total of 10 interns under the Aztech Internship Programme in Singapore.

Aztech believes that such meaningful contribution benefits the less fortunate and will continue to support community events to reach out to them.

Walk for Our Children CSR event

Aztech Charity Calendar - partnership with Muscular Dystrophy Association of Singapore (MDAS)

Quality Management

Aztech's quality policy is to provide quality products and services through continual improvements so as to enhance customers' satisfaction. Certified since 2004, Aztech's quality management systems were developed, implemented and maintained according to ISO 9001 and TL9000 standards.

Our senior management actively reviews our quality policy and objectives annually for adequacy and effectiveness, benchmarking our performance with industry statistics and continually striving to improve our quality management systems.

Customer satisfaction levels are a leading indicator for purchasing intentions and loyalty. Our quality policy ensures that we provide the highest level of service to our customers by understanding their requirements through regular communications, visits and surveys. Feedback received from our customers are analysed and actions are taken to implement improvements. This is done to ensure that our customers have a positive experience with our products and services.

Food products supplied by Shiro are regulated for safety and wholesomeness by the local authority. In 2013, Shiro implemented measures for compliance with the relevant acts and regulations in its storage and distribution processes. This resulted in achieving Grade A (Excellent) from Agri-Food & Veterinary Authority of Singapore (AVA) for its cold store.

Environment Management

Aztech believes in protecting our environment and to share this belief, we show support through our participation in the annual Earth Hour by switching off non-essential lights in our offices and manufacturing plants worldwide. We further inculcate this to our employees through our Green Campaign by encouraging them to save water and electricity and to use recycled paper.

We minimise solid and hazardous waste in our operations through reusing and recycling materials such as our product packaging. Hazardous wastes are identified, carefully collected and disposed by qualified waste processing contractors according to local legal requirements. Factors that affect the environment such as wastes and air emissions are monitored and inspected annually by local authorities.

Our manufactured products comply with the Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation. The RoHS Directive aims to protect human health and the REACH Regulation makes industry players responsible for assessing and managing the risks posed by chemicals and provides appropriate safety information to its users. We collaborate with our suppliers and solicit their support in the management of hazardous substances.

Innovation

With emphasis on sustainable product design and innovation, Aztech is dedicated to manufacture products that minimise the negative impact on the environment, making them more economically viable, socially acceptable and ecologically tenable.

Our R&D team is constantly developing green products that are well received in the market, such as our line of eco-friendly HomePlugs with low power consumption and range of energy-efficient LED lighting products.

We will continue to focus on sustainable design as a strategy for innovation and business growth.

Highlights of the Year

JANUARY

- Takashimaya Chinese New Year Food Fair, Singapore

MARCH

- IT Show, Singapore

APRIL

- PIKOM PC Fair, Malaysia

MAY

- HomeDec, Malaysia

JUNE

- PC Show, Singapore
- CommunicAsia, Singapore
- Archidex, Malaysia
- Urban Sustainability R&D Congress, Singapore
- Aztech Movie Treat

AUGUST

- Hong Kong Computer & Communications Festival
- PIKOM PC Fair, Malaysia
- "A Glow of Love" CSR Project

SEPTEMBER

- Comex, Singapore
- "Walk for Our Children" CSR Project

OCTOBER

- Broadband World Forum, Amsterdam
- Hong Kong International Lighting Fair (Autumn Edition)
- HomeDec, Malaysia
- Blood Donation Drive

NOVEMBER

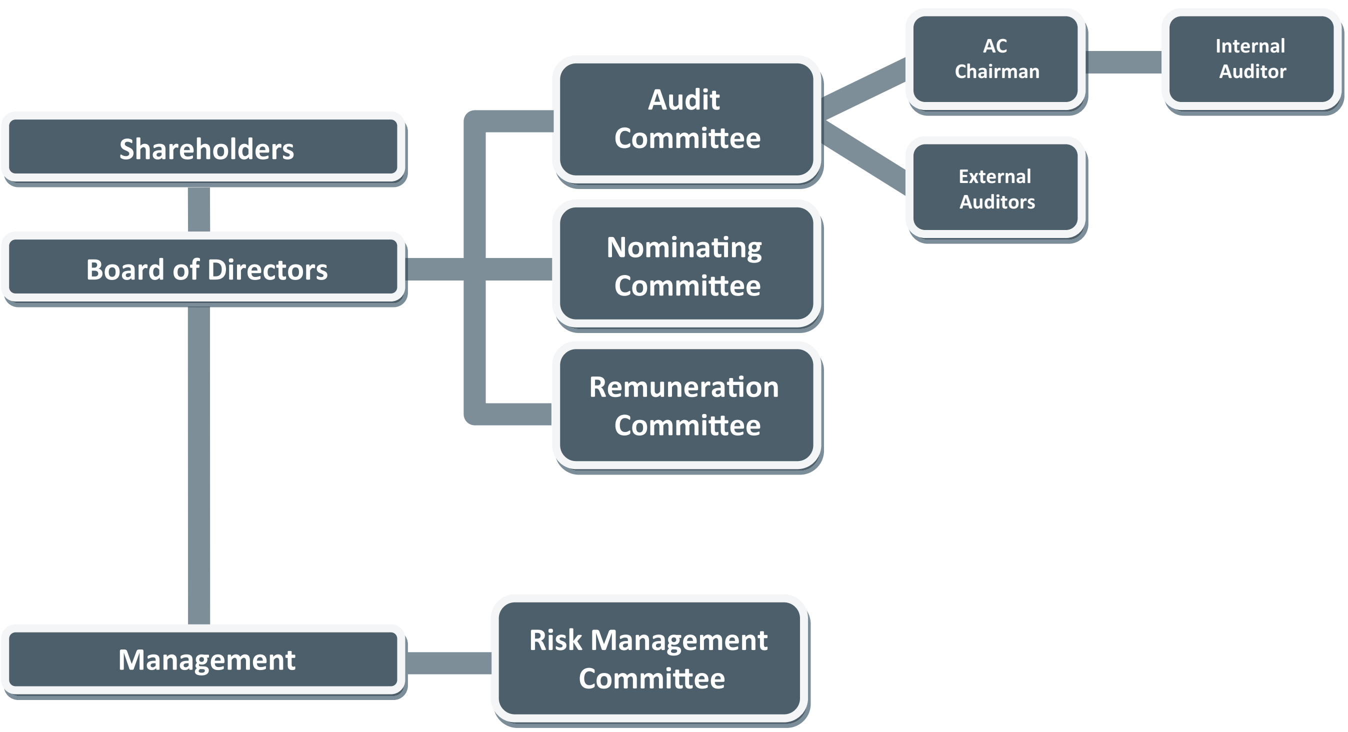
- Sitex, Singapore
- Dong Guan Electronics Fair, China

Aztech Group Ltd ("Aztech") is genuinely committed to achieving the highest standard of corporate governance and transparency. To this end, Aztech has put in place a set of well-defined policies, practices and processes which enhances corporate transparency, accountability, business integrity, performance and protects shareholders' interests.

In the spirit of improving its report on corporate governance, this report is presented in tabular form with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code").

Aztech's Board of Directors is pleased to confirm that for the financial year ended 31 December 2013, Aztech has adhered to the principles and guidelines of the Code as well as the Listing Manual of SGX-ST ("Listing Manual") where appropriate and any deviations from the Code are explained in this report.

Structure of Aztech's Corporate Governance



Corporate Governance Report

HIGHLIGHTS

Transparency

Quarterly financial reports since 2007
Updates on stock information displayed on the website
Improved Ranking on Governance Transparency Index 2013 – Ranked within the Top 84 (2012 : 156)
Exact remuneration of CEO is disclosed
Exact remuneration of Executive Directors is disclosed

Risk Management & Internal Controls
Improved internal control reporting
Internal Auditor reports on Adequacy of Internal Controls in AC meeting

Corporate Governance
Aztech's Code of Corporate Governance ("Aztech's Code") was amended to comply with the Code.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board protects shareholders' long-term value by overseeing the overall affairs of the Group. In addition to its statutory responsibilities, the Board performs the following functions:

Guideline 1.1 of the Code: Board's role

i. It provides entrepreneurial leadership, sets strategic goals and objectives and considers sustainability issues as part of its strategic formulation.
ii. It approves budget and financial plans, key operational matters, major fundings and investment proposals.
iii. It monitors and assesses significant risk factors, reviews the adequacy of internal controls and ensures that the Company's strategies are in the interest of the shareholders.
iv. It assumes the responsibility for corporate governance.

The Board also, on a quarterly basis, reviews and approves the final reporting statements before releasing them to shareholders via the SGXNet. In the event of any inadequacy, the Board gives clear directive to ensure the relevant controls are put into place.

Every Director is expected at all times to exercise due diligence, act in good faith and consider the interests of the Company.

Guideline 1.2 of the Code: Directors as fiduciaries in the interest of the Company

Board Committees

To facilitate execution of the Board's responsibility, the Board has delegated certain functions to the following committees:

Guideline 1.3 of the Code: Delegation of the Board's authority

- Audit Committee ("AC")
- Nominating Committee ("NC")
- Remuneration Committee ("RC")

Each Committee has well defined terms of reference setting out the duties and authorities given to it. The terms of reference are reviewed by the Board to ensure their continued relevance.

Guideline 1.4 of the Code: Board to meet regularly

The Board meets regularly and sets aside time to attend presentations by senior executives on strategic issues relating to specific business areas to allow the Board to develop a good understanding of the Group's businesses. In addition to the scheduled meetings each year, the Board meets when warranted by circumstances. In the financial year ended 31 December 2013, a total of six board meetings were held. The attendance of the Directors at meetings of the Board and Board Committees during the year will be discussed below.

The schedules of Board meeting, Board Committee meeting and Annual General Meeting for the whole year are circulated in advance to the Directors for them to plan their attendance. When Directors are not able to attend meetings in person, telephonic means are used as permitted under Aztech's Articles of Association. Timely communications are achieved through electronic means. The Board and Board Committees may also make decisions via written resolutions.

The attendance of the Directors at scheduled meetings during the financial year ended 31 December 2013 is disclosed below:

	Board of Directors	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
	Number of Meetings Held			
	6	5	2	1
Name of Director	**Number of Meetings Attended**			
Michael Mun Hong Yew (Executive Director)	6	5*	2	-
Colin Ng Teck Sim (Independent Director)	6	5	2	1
Philip Tan Tee Yong (Independent Director)	6	5	2	1
Khoo Ho Tong (Independent Director)	6	5	2	1
Martin Chia Heok Miin (Executive Director)	6	5*	-	-
Jeremy Mun Weng Hung (Executive Director)	6	5*	-	-

*Attendance by invitation of the AC

Aztech has guidelines setting out the specified transactions which require Board's approval. The Group has established financial authorizations and approval limits for operating and capital expenditures and the acquisition and disposal of investments. All commitments to term loans and credit lines from banks require the approval of the Board. In particular, Aztech's Code requires Board's approval for any transfer of capital asset or any expenditure exceeding $500,000 which was not previously included in the approved annual budget, any investment which is not in the ordinary course of the Group's businesses, any guarantee by the Group in excess of $250,000 and any borrowing or lending of funds (other than in the ordinary course of the Group's businesses).

Guideline 1.5 of the Code: Guidelines on Matters for Board Approval

In the event that new Directors are appointed, they will receive comprehensive orientation and briefings to ensure familiarity with the Group's businesses, transparency and corporate governance practices.

Guideline 1.6 of the Code: Orientation, Briefing, Updates and Training

All existing Directors were briefed on the Group's businesses and governance practices, policies, business risks as well as statutory and other duties and responsibilities as Directors at the time of their respective appointments. Current Directors receive Company-funded training on relevant laws and governance practices. Courses offered by the Singapore Institute of Directors are also circulated to individual Directors to encourage them to attend relevant training courses that could enhance their knowledge as Directors of Aztech.

In the event of an appointment of a new Director, he or she will be briefed on his or her duties and responsibilities through oral and written means. He or she will also be provided with Aztech's Code.

Guideline 1.7 of the Code: New Director

BOARD COMPOSITION AND GUIDANCE

Principle 2
There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of six Directors comprising three Executive Directors and three Independent Directors. With Independent Directors comprising one-half of the Board, there is a strong and independent element on the Board.

Guideline 2.1 & 2.2 of the Code: Strong and Independent Element on the Board;
One-half of the Board shall be Independent Directors

The Board has adopted the concept of Independent Directors as provided in the Code. Upon appointment, every Independent Director shall complete a form confirming his independence. Every Independent Director shall notify the Company Secretary immediately of any change in circumstances that may result in him not being able to meet the criteria for independence.

Guideline 2.3 of the Code: Independent Director

For the financial year under review, Mr Tan, Mr Khoo and Mr Ng have served tenures of more than nine years. Hence, their independence has been rigorously reviewed by the Board with the following key assessment topics:

Guideline 2.4 of the Code: Rigorous Review of Directors Serving Beyond 9 Years

- Directors' independence under the Code
- Directors' independence from Management
- Directors' independence from substantial shareholders
- Directors' related party transactions
- Whether Directors' compensation were fixed
- Whether Directors expressed their views during Board meetings

After conducting the assessment above, the Board is of the view that all three Directors have maintained their independence and are deemed to be independent.

The Board has reviewed and examined the size and composition of the Board and Board Committees and is of the view that the current size and existing composition is conducive to effective discussion and decision-making.

Guideline 2.5 of the Code: Size of the Board

The Board consists of members with relevant core competencies in areas such as accounting, business, industrial knowledge, strategic planning and customer-based experience and knowledge. The detailed profiles of each Director are found in the "Board of Directors" section in this Annual Report.

Guideline 2.6 of the Code: Composition of the Board

Non-Executive Directors constructively challenge and help develop proposals on strategy, review the performance of Management in achieving agreed goals and objectives and monitor the reporting of performance. They discuss matters such as Board processes, succession planning, corporate governance initiatives and the Group's performance, amongst others.

Guideline 2.7 of the Code: Non-Executive Directors

To facilitate a more effective check on Management, Non-Executive Directors set aside time to meet without the presence of Management. Where required by circumstances, non-scheduled meetings of Non-Executive Directors are also held.

Guideline 2.8 of the Code: Non-executive Directors' Meeting without the presence of Management

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The functions of Chairman and Group's CEO are held by Mr Michael Mun.

Guideline 3.1 & 3.2 of the Code: Chairman and CEO

Mr Michael Mun provides strong leadership and vision and is very knowledgeable about the businesses of the Group. As Chairman of the Board, he ensures that the Board is properly and promptly apprised of all pertinent information and issues faced by the various business sectors of the Group. He encourages constructive relations between the Board and the Management and between Executive Directors and Non-Executive Directors. He also ensures that a high standard of corporate governance practices is achieved.

As CEO of Aztech, Mr Michael Mun sets business strategies, goals and corporate direction. He plays a key and hands-on role in the day-to-day operations of the Group and developing the businesses of the Group.

The Chairman and CEO's remuneration package is reviewed periodically by the RC. To ensure a strong and independent element and adequate safeguards against uneven concentration of power, the AC and the RC are composed of all Independent Directors.

Considering the current size and operation of the Group, the Board is of the view that it is in the best interest of the Group that Mr Michael Mun be the Chairman and CEO of Aztech to ensure that the decision-making process of the Group would not be unnecessarily hindered.

Mr Tan has served as Lead Independent Director ("LID") of the Board since 2 October 2006. He was re-appointed as the LID on 1 October 2012 and shall continue to serve as such until 2 October 2014.

Guideline 3.3 of the Code: Appointment of Lead Independent Director

As the LID, Mr Tan coordinates the activities of the Independent Directors and assists the Chairman and the Board in ensuring effective corporate governance in managing the affairs of the Board and Aztech. He is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

Mr Tan also leads meetings with Independent Directors without the presence of other Directors and provides feedback to the Chairman after such meetings.

Guideline 3.4 of the Code: Lead Independent Director's Feedback

BOARD MEMBERSHIP

Principle 4
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC of Aztech has been established to make recommendations to the Board on all board appointments. The NC ensures that a formal and transparent procedure for the appointment and re-nomination of Directors is in place. Its written terms of reference are stated in Aztech's Code. The key terms of reference and duties of NC are as follows:-

Guideline 4.1 of the Code: Composition of NC

i. facilitate formal and transparent process for appointing, re-nominating, re-electing and removing directors;
ii. determine the independence of directors;
iii. review each director's competencies and contributions;
iv. implement a formal process to assess the performance and contributions of each individual director, Board Committee and the Board as a whole;
v. assess if the Board is able to adequately discharge its obligations to oversee Management performance and provide guidance to the Group; and
vi. review of training and professional development programs for the Board.

The NC comprises the following four Board members:-

- Colin Ng Teck Sim (Chairman)
- Khoo Ho Tong
- Philip Tan Tee Yong
- Michael Mun Hong Yew

Three of the NC members, including the Chairman, are Independent Directors. In order to comply with Guideline 4.1 of the Code that the LID should be a member of NC, Mr Tan was appointed on 5 November 2012.

The NC recommends the process of evaluation of the Board, Board Committees and individual Directors' performance, competencies, commitment and contribution. It reviews training and professional development programs for the Board and recommends the appointment and re-appointment of Directors. Pursuant to Article 107 of Aztech's Articles of Association, at the Annual General Meeting in every year, one-third of the Directors for the time being (other than the Managing Director) or if their number is not three or multiple of three, then the number nearest one-third shall retire from office. Article 108 of Aztech's Articles of Association further provides that the Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Guideline 4.2 of the Code: NC's Recommendations

The NC annually reviews the independence of Directors and provides its views to the Board.

Guideline 4.3 of the Code: NC's Determination of Directors' Independence

All Directors annually disclose their directorships in listed and non-listed companies to the NC. The NC then ascertains whether a Director with multiple board representations is able to and has been adequately carrying out his duties. Aztech's Code provides that the number of listed company board representations which a Director may hold should be no more than six directorships for a Director with full-time employment and eight directorships for a Director with no full-time employment.

Guideline 4.4 of the Code: Multiple Directorships

Taking into account the results of the assessment of the effectiveness of individual Directors, the NC is satisfied that all Directors have adequately carried out their duties as such notwithstanding their multiple board representations.

The Company does not have alternate Directors.

Guideline 4.5 of the Code: Avoid Appointment of Alternate Directors

When an existing Director chooses to retire or the need for a new Director arises, the NC shall review the range of expertise and skills of the Board. The NC will then determine the appropriate selection criteria and identify candidates with relevant experience for the appointment of a new Director. After the NC has reached a decision, it will recommend the candidate for the Board's approval.

Guideline 4.6 of the Code: Process for Selection, Appointment and Re-Appointment of Directors

The date of appointment, last re-appointment and directorships (present and those held over the preceding three years in listed companies) of each Director are disclosed below:

Guideline 4.7 of the Code: Key Information on Directors

Michael Mun Hong Yew
Date first appointed: 6 August 1986
Directorship in Listed Company: Aztech Group Ltd

Martin Chia Heok Miin
Date first appointed: 8 June 2006
Date last re-elected: 26 April 2013
Directorship in Listed Company: Aztech Group Ltd

Jeremy Mun Weng Hung
Date first appointed: 8 June 2006
Date last re-elected: 27 April 2012
Directorship in Listed Company: Aztech Group Ltd

Philip Tan Tee Yong
Date first appointed: 26 June 1993
Date last re-elected: 8 April 2011
Directorship in Listed Company: Aztech Group Ltd

Colin Ng Teck Sim
Date first appointed: 12 October 1993
Date last re-elected: 8 April 2011
Directorships in Listed Companies:
Aztech Group Ltd

Achieva Limited (present)	Independent Director Chairman of NC Member of AC and RC
CEI Contract Manufacturing Limited (present)	Independent Director Chairman of NC Member of AC and RC

Chaswood Resources Holdings Ltd (present)	Independent Director Chairman of AC and RC
TSH Corporation Limited (past)* *(24 November 2000 to 31 March 2014)*	Independent Director Member of RC and NC

Khoo Ho Tong
Date first appointed: 12 November 2002
Date last re-elected: 26 April 2013
Directorships in Listed Companies:
Aztech Group Ltd

Nam Lee Pressed Metal Industries Ltd (present)	Independent Director Chairman of AC Member of RC and NC

Mr Jeremy Mun Weng Hung is the son of Mr Michael Mun Hong Yew.

Mr Khoo Ho Tong, who is over the age of 70 years, will retire at the forthcoming AGM and be subject to re-appointment by the Company's shareholders pursuant to Section 153(6) of the Companies Act, Chapter 50 ("Companies Act").

Mr Philip Tan Tee Yong will retire by rotation at the forthcoming AGM pursuant to Article 107 of the Company's Articles of Association and be subject to re-election by the Company's shareholders.

Further key information of Directors is disclosed at pages 6-7 of this Annual Report.

BOARD PERFORMANCE

Principle 5
There should be a 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.

The NC assesses the performance and effectiveness of the Board as a whole, of its Board Committees and the individual Directors' contributions to the effectiveness of the entire Board annually. In order to further strengthen the evaluation process of the Board as a whole, the CFO, Internal Auditor and Company Secretary are also called to assess the effectiveness of the Board.

Guidelines 5.1 - 5.3 of the Code:
Process of Evaluation of the Board, Board Committees and Individual Directors

Evaluation of the Board as a Whole and Board Committees
The process of evaluating the performance of the Board and of Board Committees is as follows:

(i) An assessment checklist (the "Assessment Checklist") for annual evaluation, which takes into consideration factors such as Board's and of the Board Committees' composition, proceedings and relationship with Management, is completed by the Board members and Board Committee members.
(ii) The Company Secretary collates and presents the feedback from the completed Assessment Checklist to the NC.
(iii) The NC will assess and discuss the performance of the Board as a whole and the Board Committees every year and ascertain key areas for improvement and actions to be undertaken.

Evaluation of Individual Director
The process of evaluating the performance of the individual Directors is as follows:

(i) The Board members rate the Directors by completing the Directors' Assessment Checklist. The Checklist aims to assess the Director's attendance and participation at Board meetings, leadership capability, ability to strategize and propose sound business direction and general effectiveness.
(ii) The Company Secretary collates and presents the feedback from the completed Assessment Checklist to the NC.
(iii) The NC will then review and appoint a member of the NC to discuss the feedback with the individual Board members.

The Chairman acts on the results of evaluation. In consultation with NC, he may provide appropriate guidance to the respective Director to improve his performance.

For FY2013, the NC is of the view that the Board, Board Committees and all Directors have contributed effectively and demonstrated full commitment to their roles.

ACCESS TO INFORMATION

Principle 6

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management believes that complete, adequate and timely information is essential to the Board's effective and efficient discharge of its duties. The Board has separate and independent access to Management.

Guideline 6.1 of the Code: Complete, Adequate and Timely Information from the Management

On a regular basis, Management provides the Board with adequate updates to keep the Board abreast of the Group's operational and financial performance as well as any challenges that the Group's operations may face. Management also keeps Directors updated on regulatory changes as well as major developments in the business environment. The finance team presents financial highlights and a detailed analysis of each quarter's performance and addresses any queries that the Board may have.

Guideline 6.2 of the Code: Information Provided to the Board

Agenda, draft minutes of meetings, Board and Board Committee papers, disclosure documents, budgets, forecasts and related materials are circulated in advance of the meeting to the Directors for them to suggest items for the Agenda and to enable the Board to prepare for the meetings. Budgets are discussed annually and any material variance between the projections and actual results are explained comprehensively by the finance team.

Directors have separate and independent access to the Company Secretary. The role of the Company Secretary is clearly defined in Aztech's Code. The Company Secretary is present in all Board and Board Committee meetings and is responsible for ensuring that Board procedures are observed and that Aztech's Memorandum and Articles of Association, relevant rules and regulations, including Companies Act, Listing Manual and the Code are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices as well as facilitating trainings for Directors. She ensures that good information flows within the Board and Board Committees and between Management and Independent Directors. She is also the channel of communications between the Company and SGX-ST.

Guideline 6.3 of the Code: Directors' Access to Company Secretary

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Guideline 6.4 of the Code: Appointment and Removal of Company Secretary

The Directors, either individually or as a group, may, subject to the approval of the Chairman, take independent professional advice at the expense of the Company.

Guideline 6.5 of the Code: Independent Advice

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following three Directors:

Guideline 7.1 of the Code: Establishment of the RC

- Khoo Ho Tong (Chairman)
- Philip Tan Tee Yong
- Colin Ng Teck Sim

In order to minimize the risk of any potential conflict of interest, all RC members are Independent and Non-Executive Directors. No RC member is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC assists the Board in establishing and implementing a framework for the remuneration of Directors and Key Management Personnel. The key terms of reference of RC are as follows:-

(i) facilitate a formal and transparent process in fixing the remuneration of Directors and Key Management Personnel; and

(ii) adopt performance measurement tools as may be appropriate for the purpose of assessing the performance of Directors and Key Management Personnel.

The RC reviews all aspects of remuneration including, but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind. The RC reviews all proposed remuneration, including all adjustments and promotions of Executive Directors and Key Management Personnel. The quantum of remuneration and promotion is finalized only upon the approval of the RC and the endorsement of the Board.

Guideline 7.2 of the Code: RC's Review of Remuneration of the Board and Key Management Personnel

Being managers of their own businesses and in view of their extensive experience, all members of the RC are familiar with executive compensation matters. All members have access to advice and input from the Head of Human Resources and, if required, may seek the advice of internal and external experts.

Guideline 7.3 of the Code: RC to Seek Expert Advice on Remuneration

The RC reviews the Executive Directors' service agreements to ensure that such agreements contain fair and reasonable termination clauses which are not overly generous.

Guideline 7.4 of the Code: RC's Review of Company's Obligations upon Termination of Executive Directors and Key Management Personnel

LEVEL AND MIX OF REMUNERATION

Principle 8
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC conducts annual review of the Executive Directors' and Key Management Personnel's remuneration. It ensures that their compensation packages are structured to link rewards to corporate and individual performance. The RC also takes into account the financial and commercial state of the Company as well as the interests of shareholders and the long-term success of the Company.

Guideline 8.1 & 8.2 of the Code: Structure of Remuneration of Executive Directors and Key Management Personnel

All Independent and Non-Executive Directors have no service agreements with Aztech. Directors' fees are paid to them based on their level of contribution, taking into account factors such as the effort and time spent and responsibilities assigned to them.

Guideline 8.3 of the Code: Remuneration of Non-Executive Directors

The Board concurred with the RC's proposal for the Directors' fees for the year ending 31 December 2014 which shall be paid on a quarterly basis, subject to shareholders' approval at the AGM. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive, taking into account the effort and time spent and the necessary onerous responsibilities of the Directors as the Group has diversified into new business sectors in the last five years.

All Executive Directors have service agreements approved by the RC and renewed every three years.

Guideline 8.4 of the Code: Reclaiming Incentive Components of Remuneration from Executive Directors and Key Management Personnel

DISCLOSURE ON REMUNERATION

Principle 9
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Company annually reports to shareholders on the remuneration of its Directors, CEO, top Key Management Personnel and employees who are immediate family members of a Director or the CEO and whose remuneration exceeds $50,000.

Guideline 9.1 of the Code: Report to Shareholders

Guideline 9.2 of the Code:
Full Disclosure of Director and CEO's Remuneration on a Named Basis

For transparency and in strict compliance with the Code, full disclosure of each Director's remuneration and the breakdown and basis for such are provided below:

	Philip Tan Tee Yong	Colin Ng Teck Sim	Khoo Ho Tong	Michael Mun Hong Yew	Martin Chia Heok Miin	Jeremy Mun Weng Hung
Board Member (Basic)	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
Member of one or more Committees	$20,000	$20,000	$20,000	$20,000	-	-
Chairman of NC	-	$10,000	-	-	-	-
Chairman of RC	-	-	$10,000	-	-	-
Chairman of AC	$30,000	-	-	-	-	-
Lead Independent Director	$5,000	-	-	-	-	-
Total	**$85,000**	**$60,000**	**$60,000**	**$50,000**	**$30,000**	**$30,000**

CEO's Remuneration

In strict compliance with the Code, the exact remuneration and the breakdown of the CEO's remuneration (who is also an Executive Director) for the financial year ended 31 December 2013 is set out below:

CEO and Executive Director	Salary and Director's Fees	Bonus	Profit Sharing	*Others	Total
Michael Mun Hong Yew	$843,080	$132,180	$77,639	$189,492	$1,242,391

* The contribution to the Central Provident Fund, allowances and car cost (if any) are included in the column referred to as "Others" above.

In appreciation of the CEO's contributions and service to the Company, two club memberships will be granted to him upon his retirement. None of the other Directors and Key Management Personnel has similar termination, retirement or post-employment benefits.

Executive Directors' Remuneration

The exact remuneration and the breakdown of remuneration of the Executive Directors for the financial year ended 31 December 2013 are set out below:

Executive Directors	Salary and Director's Fees	Bonus	Profit Sharing	*Others	Total
Martin Chia Heok Miin	$304,908	$34,500	$10,000	$58,118	$407,526
Jeremy Mun Weng Hung	$202,360	$29,000	$10,000	$60,214	$301,574

* The contribution to the Central Provident Fund, allowances and car cost (if any) are included in the column referred to as "Others" above.

Top Key Management Personnel

Guideline 9.3 of the Code: Remuneration of Top 5 Key Management Personnel

The term "Key Management Personnel" is defined in the Code to mean "the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company". Having regard to the authority and responsibilities conferred on the members of our management team, the Company's Key Management Personnel (who are not Directors or CEO) are as follows:

1. Michael Lee Thiam Seong - Senior Vice President, Head of Strategic Alliance
2. Jason Saw Chwee Meng - Senior Vice President, Head of Research and Development
3. Pavani Nagarajah - Senior Vice President, Head of Legal and Corporate Affairs
4. Herman So Kam Hung - Senior Vice President, Head of Finance/CFO

In addition to the activities of the Group managed by the Key Management Personnel as set out above, the sales as well as the marketing and branding activities of the Group are headed by our two Executive Directors, Mr Martin Chia Heok Miin and Mr Jeremy Mun Weng Hung respectively. For the financial year ended 31 December 2013, save as disclosed above, Aztech and its subsidiary companies do not have any other personnel who fall within the definition of "Key Management Personnel".

To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interest of the Company not to fully disclose the exact remuneration of each of the top Key Management Personnel. Instead, the remuneration of top Key Management Personnel (who are not Directors or the CEO) is disclosed in bands of $100,000. The breakdown of their remuneration is as follows:

Top Key Management Personnel	Salary and Director's Fees (%)	Bonus (%)	Profit Sharing (%)	*Others (%)	Total (%)
Between $300,000 and $400,000					
Michael Lee Thiam Seong	68	14	3	15	100
Between $200,000 and $300,000					
Jason Saw Chwee Meng	70	12	2	16	100
Pavani Nagarajah	70	12	4	14	100
Between $100,000 and $200,000					
Herman So Kam Hung	81	12	5	2	100

* The contribution to the Central Provident Fund, allowances and car cost (if any) are included in the column referred to as "Others" above.

Employee Who Is an Immediate Family Member of a Director or CEO

Guideline 9.4 of the Code: Remuneration of Employees who are Immediate Family Members of a Director or the CEO and whose Remuneration exceeds S$50,000 during the year

For the financial year ended 31 December 2013, save as disclosed in the following table, the Company and its subsidiary companies did not have any other employee who is an immediate family member of a Director or CEO and whose remuneration exceeded $50,000.

The breakdown of the remuneration of Mun Weng Kai (Wen Yongjia), the son of Michael Mun Hong Yew (the CEO and a substantial shareholder of Aztech) and brother of Jeremy Mun Weng Hung (an Executive Director of Aztech and its subsidiaries) is disclosed below:

	Salary (%)	Bonus (%)	Profit Sharing (%)	*Others (%)	Total (%)
Between $150,000 and $200,000					
Mun Weng Kai (Wen Yongjia)	52	13	3	32	100

* The contribution to the Central Provident Fund, allowances and car cost (if any) are included in the column referred to as "Others" above.

Guideline 9.5 of the Code: Employee Share Schemes

The Group does not have any share based compensation scheme or long-term incentive schemes in force such as share option schemes or share grant schemes.

Guideline 9.6 of the Code: Link Between Remuneration and Performance

Aztech adheres to a performance-based remuneration system for Executive Directors and Key Management Personnel comprising a basic salary and a variable performance bonus based on the Group's performance and individual performance.

Aztech has a short-term incentive scheme in the form of a profit sharing scheme (the "Scheme") to encourage Executive Directors, Key Management Personnel and key staff to become more involved and committed to the business, especially to those values, attitudes and practices which foster profitability of the Company. The Scheme for Executive Directors is discussed in the Directors' Report at page 52-53. In addition to the Executive Directors, the Key Management Personnel are also eligible to share in the same profit sharing pool (the "Pool") as described in page 53. The quantum of payment from the Pool for Executive Directors and Key Management Personnel is proposed by the CEO to the RC. Thereafter, the RC will make recommendations to the Board for their endorsement. The Board will deliberate on the RC's recommendations and, if deemed acceptable, approve the payment of profit sharing.

For the financial year ended 31 December 2013, all Executive Directors are entitled to payment on the Scheme.

ACCOUNTABILITY

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

As the Board is accountable to the shareholders, it believes that it should always conduct itself to deliver maximum sustainable value to shareholders. To this end, the Board provides a balanced and understandable assessment of the Company's performance, position and prospects through quarterly and annual financial reports as well as timely announcements on developments in the Group's businesses.

Guideline 10.1 of the Code: Board to Provide Balanced and Understandable Assessment of Company's Performance

In addition to meeting its statutory disclosure obligations, the Group provides powerpoint presentation on the Group's quarterly results detailing insights to the operational and business challenges faced by the Group's various business sectors.

Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNet and Company's website. As a matter of good corporate governance practice, the Board reviews and approves all financial reports before releasing the same. Aztech's Annual Reports are also easily accessible on the Company's website (www.aztech-group.com) and the original hard copies are available upon request.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, for instance, by establishing written policies where appropriate.

Guideline 10.2 of the Code: Board to Ensure Compliance with Legislative and Regulatory Requirements

Pursuant to Rule 705(5) of the Listing Manual, the Board issues negative assurance statements in its interim financial results announcements confirming that to the best of its knowledge, nothing has come to the attention of the Board which may render the interim financial statements false or misleading in any material aspect.

Management recognizes the importance of providing the Board with a continual flow of relevant information accurately and timely for it to effectively perform its duties. In view of the fact that Management provides the Board with appropriate detailed management accounts, comparison of actual performance with the budget, highlights of key business indicators and projections for the next quarter, the Company believes that the information is adequate to give the Board an understanding of the Company's financials and actual performance. Hence, the foregoing information is only provided on a quarterly basis.

Guideline 10.3 of the Code: Management to Provide the Board with Management Accounts

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for governance of risks and sets the direction for the Group to monitor and manage risks and internal control systems. To this end, the Board reviews the Group's businesses and operational activities as presented by Management to identify areas of significant risks and recommends appropriate measures to control and mitigate such risks. Annually, the Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

Guideline 11.1 and 11.2 of the Code: Board Determine Levels of Risk Tolerance and Risk Policies and Review Adequacy and Effectiveness of Risk Management and Internal Control Systems

For the year ended 31 December 2013, the Board has received assurance from the CEO and the CFO 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.

Guideline 11.3 of the Code: Board to Comment on Adequacy and Effectiveness of Internal Controls

The Company has a Risk Management Committee ("RMC") which assists the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. The members of the RMC comprise two Executive Directors, the CFO and the Company Secretary.

Guideline 11.4 of the Code: Establishment of Risk Committee

AUDIT COMMITTEE

Principle 12
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Directors, all of whom are non-executive and independent and free from Management and business relationships with any substantial shareholder. The members of AC are as follows:

Guideline 12.1 of the Code: Composition of AC

- Philip Tan Tee Yong (Chairman)
- Khoo Ho Tong
- Colin Ng Teck Sim

The operation of the AC is guided by its terms of reference. The key terms of reference of AC will be discussed below in detail.

All members of the AC have the requisite accounting expertise and experience to discharge their duties competently. The AC Chairman, Mr Philip Tan Tee Yong has accounting and business expertise and experience. The other members, Mr Khoo Ho Tong and Mr Colin Ng Teck Sim have expertise in accounting, legal and business issues.

Guideline 12.2 of the Code: Qualification of AC Members

To effectively discharge its duties, the AC has the explicit authority to investigate any matters within its terms of reference. Moreover, it has full access to and co-operation by Management. It also has full discretion to invite any Director or Management to attend its meetings. The Company ensures that full resources are available for the AC to discharge its functions properly.

Guideline 12.3 of the Code: AC to Have Full Access and Co-operation of Management

The key terms of reference of the AC are:-

Guideline 12.4 of the Code: Duties of AC

i. reviewing the scope and results of the audit and its cost effectiveness;
ii. conducting an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination;
iii. keeping the nature and extent of non-audit services under review, seeking to balance the maintenance of objectivity and value for money;
iv reviewing the significant financial reporting issues and judgments;
v. ensuring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
vi. reviewing the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems established by the management;
vii. reviewing the effectiveness of the Company's internal audit function;
viii. making recommendations to the Board on the appointment, reappointment and removal of the External Auditors;
ix. approving the remuneration and terms of engagement of the External Auditors;

x. reviewing the scope and results of the external audit and the independence and objectivity of the External Auditors annually;
xi. reviewing the internal audit programme and report;
xii. reviewing interested person transactions (as defined in the Listing Manual) and report its findings to the Board;
xiii. reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action; and
xiv. undertaking such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has full access to External Auditors and Internal Auditor and meets them at least annually without the presence of Management.

Guideline 12.5 of the Code: AC to Meet Auditors without the Presence of Management

The AC reviews the independence of the External Auditors annually. The AC has recommended to the Board the re-appointment of Deloitte & Touche LLP as the Company's External Auditors at the forthcoming AGM.

Guideline 12.6 of the Code: AC to Review Independence of External Auditors

The aggregate amount of fees paid to the External Auditors for the financial year ended 31 December 2013 and breakdown of the fees paid in total for audit and non-audit services respectively are stated below:

External Auditor Fees for FY2013	***$'000***
Total Audit Fees	*395*
Total Non-Audit Fees	*98*
Total Fees Paid	***493***

AC has reviewed all non-audit services provided by External Auditors to the Company. The AC is of the opinion that they would not affect the independence of External Auditors.

Aztech confirms that it has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of auditors.

Whistleblowing Policy

To reinforce a culture of good business ethics and governance, a Whistleblowing Policy has been in place by which Directors, officers and employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy defines the processes clearly to ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken.

Guideline 12.7 of the Code: Whistleblowing Policy

Employees are encouraged to raise serious concerns to their immediate supervisors. However, if they are not comfortable speaking with their supervisors or are not satisfied with their supervisor's response, they can approach the head of their division or the Internal Auditor directly.

The Internal Auditor is responsible for investigating and resolving all reported complaints and allegations concerning violations and shall advise the LID of all of his or her findings. The Internal Auditor shall work with the LID and the Group's Head of Human Resources to address all violations so that appropriate action may be taken against the perpetrator.

There have been no reported incidents pertaining to whistleblowing for FY2013.

AC Activities

During the financial year ended 31 December 2013, the AC conducted the following:

Guideline 12.8 of the Code: AC's Activities

1. review of quarterly financial statements prior to approving and recommending to the Board that such statements be released;
2. review the interested person transactions of the Group; and
3. review the External Auditors' proposed audit scope and approach.

The Internal Auditor highlights to the AC any material non-compliance or lapses in internal controls and the measures taken to address them. The AC reviews the timeliness of actions taken by Management to address the recommendations of the auditors.

The AC discusses with the External Auditors the changes to accounting standards, Listing Rules of SGX-ST and other regulations which could have an impact on the Groups' business and financial statements.

No former partner or Director of the Company's existing auditing firm acts as a member of the AC.

Guideline 12.9 of the Code: Prohibition for Certain Persons to be an AC Member

INTERNAL AUDIT

Principle 13
The company should establish an internal audit function that is independent of the activities it audits.

Aztech's internal audit function is serviced in-house. The Internal Auditor reports directly to the AC Chairman although she would also report administratively to the CEO. As Aztech's Internal Auditor, Ms Carrie Cheung has unfettered access to all Company documents, records, properties and personnel including access to the AC.

Guideline 13.1 and 13.2 of the Code: Internal Audit Function and Internal Auditor

The Group's Internal Auditor also continuously performs financial and operational audits to ensure effectiveness of and compliance with Aztech's system of internal controls. All operating companies within the Group are subjected to audit on a rotational basis. The Internal Auditor participates in all AC meetings and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Group's Internal Auditor has the requisite professional qualification, skill, knowledge and experience. She effectively fulfills the audit plan and timetable and issues audit reports timely. She is active in promoting awareness and importance of good governance, risk management and control matters. She is an associate member of the Hong Kong Institute of Certified Public Accountants, has adopted and met with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Guideline 13.3 and 13.4 of the Code: Qualifications of Internal Audit Function

The AC biannually reviews the adequacy and effectiveness of Aztech's internal audit function. For the financial year ended 31 December 2013, the AC is satisfied that the internal audit function is adequate and effective.

Guideline 13.5 of the Code: Review of Adequacy and Effectiveness of Internal Audit Function

On an annual basis, the Internal Auditor prepares and executes an internal audit program to review the adequacy and effectiveness of the system of internal controls of the Group. With the Group's diversification into new businesses for the past five years, the internal audit program has been modified to meet the needs of the Group. The Internal Auditor works closely with Management to promote effective risk management, internal control and governance practices. On special request of the Board, the Internal Auditor provides reports on specific issues raised by the Board. In addition, the External Auditors would highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All findings and recommendations for both internal and external audit processes are made to the Board. The Board will then give a comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls and risk management systems. The Board's commentary will include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14
Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guideline 14.1 of the Code: Facilitate the Exercise of Ownership Rights by All Shareholders

Aztech is highly committed to maintaining and constantly improving its standards of corporate disclosure and transparency. To this end, Aztech provides timely communication with shareholders. Aztech makes timely disclosures of any new material information through SGXNet and Aztech's website.

Guideline 14.2 of the Code: Opportunity for Shareholders to Participate at General Meetings

Aztech ensures that shareholders have the opportunity to participate effectively at general meetings, which are held at a venue easily accessible by public transportation. Information on shareholders meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNet, published in local newspapers and posted on the Company website. Applicable rules during meetings, including the voting procedures that govern general meetings, are duly communicated to shareholders.

Guideline 14.3 of the Code: Appointment of Proxies

In view of Article 90(2) of the Company's Articles of Association, a member is not entitled to appoint more than two proxies to attend and vote at the same General Meeting. In view of this, Guideline 14.3 has not been adopted.

COMMUNICATION WITH SHAREHOLDERS

Principle 15
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Group is required under the Listing Manual to inform shareholders of all developments that may have a material impact on the Group. The Board ensures full compliance with this statutory requirements and has established a disclosure policy that embraces transparency in the Group's affairs, while safeguarding the Group's commercial interests and confidentiality obligations imposed by trading partners.

Aztech has an effective policy on investor relations to regularly convey pertinent information to shareholders. Key information for the investment community is available on Aztech's website. Aztech's website also contains a wealth of information such as corporate, financial and stock information. Shareholders may also opt to subscribe for Company announcements and SGXNet filings of Aztech by simply filling out the details required on Aztech's website.

Guideline 15.1 and 15.2 of the Code:
Effective Investor Relations

Aztech discloses information timely to shareholders. Since 2007, Aztech has adopted quarterly financial results reporting.

The Board addresses shareholders' concerns during the General Meeting. Aztech has a dedicated investor relations team headed by the Company Secretary. The team communicates to shareholders and attends to their queries and concerns. Institutional shareholders and analysts can contact investor relations officers whose contact details are available on Aztech's website.

Guideline 15.3 and 15.4 of the Code:
Dialogue with Shareholders

The form, frequency and amount of dividends of the Company will depend on the Group's earnings, financial position, result of operations, capital expenditures and other factors. For the year ended 31 December 2013, the Company is declaring a final one-tier tax exempt dividend of $0.0075 per share.

Guideline 15.5 of the Code:
Policy on Dividends

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Aztech strongly encourages and supports shareholders' attendance and participation at general meetings. In the event that shareholders will not be able to attend the general meetings, Aztech's Articles of Association allows a shareholder to appoint up to two proxies to attend and vote in place of the shareholder.

Guideline 16.1 of the Code:
Shareholders' Participation at General Meetings

At general meetings, every matter requiring approval is proposed as a separate resolution and the Chairman declares the number of proxy votes received for and against each resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on.

Guideline 16.2 of the Code:
Separate Resolutions on Separate Issues

In order to address shareholders' queries, all Directors are present at the general meetings. External Auditors are also present to answer questions on the conduct of audit and the preparation and content of the auditor's report. Aside from the Directors and External Auditors, Aztech's Registrar, BACS Pte Ltd, also attends the meetings.

Guideline 16.3 of the Code:
Presence of Directors at General Meetings

The results of the general meeting are released to shareholders via SGXNet on the same day the meeting is held. The Company Secretary prepares the minutes of the general meeting which will be available to shareholders upon request.

Guideline 16.4 of the Code:
Minutes of General Meeting

As required by the Listing Manual, the Company intends to adopt voting by poll effective 1 August 2015.

Guideline 16.5 of the Code:
Resolutions by Poll

Interested Person Transactions ("IPTs")

Under Chapter 9 of the Listing Manual, an IPT means a transaction between an entity at risk (the listed company, its subsidiaries or associated companies) and an interested person (director, chief executive officer or controlling shareholder or any of their associate(s)).

In the light of the provisions of the Listing Manual, Aztech has adopted the procedure for internal controls on IPT as follows:

1. All proposed significant IPTs are reviewed by Aztech Finance Team and AC.
2. Aztech's finance team also prepares the list of IPTs every quarter and submits the list to the Company's CFO for review.
3. The CFO will then forward the list to the Company's Internal Auditor.
4. The Internal Auditor will then review and, where necessary, request for information to confirm that the transactions are conducted at arm's length.
5. CFO will report to the AC on a quarterly basis on any IPT.

The transactions entered into with interested persons during the financial year ended 31 December 2013 which fall under Rule 907 of the Listing Manual are:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)
Purchase of tipper trucks from a company related to Michael Mun Hong Yew and Mr Jeremy Mun Weng Hung*	$1,083,000	-
Services rendered by a company related to Michael Mun Hong Yew and Jeremy Mun Weng Hung*	$740,000	-
Sale of car to Michael Mun Hong Yew pursuant to his Service Agreement	$136,000	-

**Under Rule 904 (6) of the Listing Manual, any transaction of provision or receipt of services, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (through one or more interposed entities) would be considered interested person transaction. Rule 905 (1) states that an issuer must make an immediate announcement of any IPT of a value equal to, or more than, 3% of the group's latest audited net tangible assets.*

**Under Rule 906 (1) of the Listing Manual, an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than 5% of the group's latest audited net tangible assets or 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.*

**The Group's last audited net tangible asset ("NTA") was $73,572,000. 3% of NTA was $2.21million and 5% was $3.68million. Hence, the transactions have not passed the threshold provided by the Listing Manual.*

**The AC of the Company has reviewed the said IPTs and is of the view that the IPTs are transacted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.*

Material Contracts

Saved as disclosed above, there was no material contract entered into by the Group involving the interests of Directors, CEO or shareholders subsisting at the end of the financial year ended 31 December 2013 or entered into at the end of the previous financial year.

Dealings in Securities

The Group has in place an internal code of conduct on securities transactions for Directors and employees when they are in possession of unpublished price-sensitive information on the Company's securities.

The Group's "black-out" policy is in accordance with that prescribed by Rule 1207(19) of the Listing Manual in that Directors and employees are advised not to deal in the Company's securities during the period commencing two weeks before the announcement of each of the Group's quarterly financial results and during the period of one month before the announcement of each of the Group's full year results. The black-out period ends on the date of the announcement of the relevant results.

Directors and employees are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act and the Companies Act. They are also reminded not to deal in the Company's securities on short-term considerations. Annually, the Directors and key employees are requested to issue written confirmation of their compliance with the Group's internal code.

Use of Proceeds from Initial Public Offering

The total proceeds from the Rights Issue (proceeds from subscription, exercise of warrants and interest amount) were $10,074,440. The proceeds from the Rights Issue were fully utilised for working capital purposes, as indicated in separate announcements dated 2 August 2013 and 25 August 2011, for payments to trade creditors arising from purchase of materials and services. The use of proceeds is in accordance with the stated use in the offer information statement of the Company.

This page has been intentionally left blank.

Financial Statements

CONTENTS

50. Report Of The Directors

57. Statement Of Directors

58. Independent Auditors' Report

60. Statement Of Financial Position

62. Consolidated Statement Of Comprehensive Income

64. Statement Of Changes In Equity

66. Consolidated Statement Of Cash Flows

68. Notes To Financial Statements

126. Analysis Of Shareholdings

127. Notice Of Annual General Meeting

143. Proxy Form

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013.

1 DIRECTORS

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

Michael Mun Hong Yew
Martin Chia Heok Miin
Philip Tan Tee Yong
Colin Ng Teck Sim
Khoo Ho Tong
Jeremy Mun Weng Hung

2 AUDIT COMMITTEE

The Board has adopted the principles as described in the Code of Corporate Governance formulated by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to the Audit Committee. The members of the Audit Committee of the Company at the date of this report are as follows:

Philip Tan Tee Yong	(Chairman and Independent Director)
Colin Ng Teck Sim	(Non-Executive Independent Director)
Khoo Ho Tong	(Non-Executive Independent Director)

The Audit Committee met three times since the last Annual General Meeting ("AGM") and reviewed the following, where relevant, with the Executive Directors, the External Auditors and Internal Auditor of the Company:

(a) the audit plans and results of the Internal Auditor's examination and evaluation of the Group's systems of internal accounting controls;

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

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and the External Auditors' report on those financial statements;

(d) the quarterly, half yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by management to the Group's External Auditors and Internal Auditor;

(f) interested person transactions; and

(g) the re-appointment of the External Auditors of the Group.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director or management to attend its meetings. The External Auditors and Internal Auditor have unrestricted access to the Audit Committee.

2 AUDIT COMMITTEE (cont'd)

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

3 BOARD OPINION ON THE ADEQUACY OF INTERNAL CONTROLS ADDRESSING FINANCIAL, OPERATIONAL AND COMPLIANCE RISKS

Based on the internal controls established and maintained by the Group, work performed by the Group's Internal Auditor and reviews performed by the Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks were adequate and effective as at December 31, 2013.

The Group has a system of internal controls and risk management which provide a reasonable, but not absolute, assurance that the Group will not be adversely affected by any occurrence that can be reasonably foreseen as it endeavours to attain its business goals and objectives. Nevertheless, the Board is also aware of the fact that no system of internal controls and risk management can provide absolute assurance in this regard or against the occurrence of human errors, poor judgement in decision-making, losses, fraud or any other irregularities.

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the Aztech Group Employee Share Option Scheme 2000 ("ESOS 2000") as detailed in paragraphs 5 and 7 of the Report of the Directors.

5 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Names of Directors and companies in which interests are held	Shareholdings registered in names of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company - Aztech Group Ltd (Ordinary shares)				
Michael Mun Hong Yew	116,305,663	116,305,663	3,636,000	3,636,000
Jeremy Mun Weng Hung	1,044,000	1,044,000	-	-
Martin Chia Heok Miin	3,826,000	3,826,000	22,000	22,000
Khoo Ho Tong	806,000	806,000	-	-
Philip Tan Tee Yong	600,000	600,000	-	-
Colin Ng Teck Sim	768,000	768,000	120,000	120,000

5 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Names of Directors and companies in which interests are held	Options to subscribe for ordinary shares	
	At beginning of year	At end of year
The Company - Aztech Group Ltd		
ESOS 2000		
Martin Chia Heok Miin	1,095,833	-

By virtue of Section 7 of the Singapore Companies Act, Michael Mun Hong Yew is deemed to have an interest in the Company and in all the subsidiaries of the Company.

The Directors' interests as at January 21, 2014 were the same as those as at December 31, 2013.

6 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements and the Profit Sharing Scheme ("Scheme") as described below and as disclosed in the financial statements.

Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

There were certain transactions (as shown in Note 6 to the financial statements) with corporations in which certain Directors have an interest.

Directors' Profit Sharing Scheme

The Company has entered into the Scheme, which was recommended by the Remuneration Committee and approved by the Board of Directors, with the following Directors of the Company:

Michael Mun Hong Yew
Martin Chia Heok Miin
Jeremy Mun Weng Hung

For Michael Mun Hong Yew

In accordance with the Scheme, Michael Mun Hong Yew is entitled to profit share based on the amount of the audited consolidated profit after tax ("PAT"), as computed in the following manner:

(i) When PAT is equal to or exceeds $5 million ("Minimum Profit") but less than $10 million, the amount shall be equal to 1.2% of the PAT;

6 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS (cont'd)

(ii) When PAT is equal to or exceeds $10 million but is less than $15 million, the amount shall be equal to 1.6% of the PAT; and

(iii) When the PAT is equal to or exceeds $15 million, the amount shall be 2.0% of the PAT.

For Martin Chia Heok Miin and Jeremy Mun Weng Hung

In accordance with the Scheme, Martin Chia Heok Miin and Jeremy Mun Weng Hung and others are entitled to share in the Profit Sharing Pool ("Pool"), based on the amount of PAT, as computed in the following manner:

(i) When PAT is equal to or exceeds Minimum Profit, but less than $10 million, the Pool shall be equal to 1.8% of the PAT;

(ii) When PAT is equal to or exceeds $10 million but is less than $15 million, the Pool shall be equal to 2.4% of the PAT; and

(iii) When the PAT is equal to or exceeds $15 million, the Pool shall be 3.0% of the PAT.

Under the Scheme, the Remuneration Committee shall review and recommend their respective share of the Pool to be allocated to the abovementioned Directors. The actual amount payable to them shall be deliberated and decided by the Board of Directors.

For the financial year ended December 31, 2013, $195,000 was accrued pursuant to the Scheme. No accrual was made in 2012.

7 SHARE OPTIONS

AZTECH GROUP EMPLOYEE SHARE OPTION SCHEME 2000 ("ESOS 2000")

(a) Names of the Members of the Committee Administering ESOS 2000

ESOS 2000 was approved and adopted at the Company's Extraordinary General Meeting held on March 10, 2000 and expired during the financial year on March 9, 2010. ESOS 2000 is administered by the Remuneration Committee comprising the following members:

Khoo Ho Tong (Chairman)
Philip Tan Tee Yong
Colin Ng Teck Sim

Participants who are members of the Committee were not involved in the deliberations in respect of options granted to that participant.

7 SHARE OPTIONS (cont'd)

(b) Outstanding options

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The number of outstanding share options under the scheme is as follows:

Date options granted	Exercise period	Offer price per option [(1)(5)]	Number of options granted	Rights share issue adjustment [(5)]	Number of options exercised	Number of options lapsed/ cancelled	Number of options outstanding as at December 31, 2013
August 28, 2008	August 29, 2009 to August 28, 2013	$0.185 [(4)]	2,000,000	143,749	500,000	1,643,749	-
August 28, 2008	August 29, 2009 to August 28, 2013	$0.160 ("A") $0.128 ("B")	6,750,000	584,576	509,583	6,824,993	-
			8,750,000	728,325	1,009,583	8,468,742	-

Holders of the above share options have no right to participate in any share issue of any other company and no employee or employee of related corporations has received 5% or more of the total options available under ESOS 2000, except as detailed below.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual), except as detailed below:

Note: (1) "A" - Option Price that is applicable if option exercised after the 1st anniversary of the date of the acceptance of the offer but before the 2nd anniversary of the date of the acceptance of the offer. Option Price A is finalised based on the average of the last dealt prices per share of the Company on the SGX-ST for the period of five (5) consecutive market days prior to the date the option is offered.

"B" - Option Price that is applicable if option exercised after the 2nd anniversary of the date of the acceptance of the offer but before the expiry of sixty (60) months from the date of the acceptance of the offer.

(2) All options granted under ESOS 2000 (Price "B") were granted at a discount of 20%.

(3) Each option entitles participants to subscribe for one ordinary share in the Company.

(4) The grant price of options to Executive Director is the higher of:

(i) the average of the last dealt prices per share of the company on the SGX-ST for the period of five (5) consecutive market days immediately prior to the date of offer or

(ii) the Group's net tangible asset per share as determined from the Group's latest audited consolidated financial statements.

(5) On November 24, 2009, due to the Rights cum Warrants issue exercise, the number and price of the existing share options were adjusted accordingly, and an additional 1,004,309 share options were granted.

7 SHARE OPTIONS (cont'd)

(c) Participants who are Directors/controlling shareholder/associate of controlling shareholder/executives

Name of participant	Options granted during the financial year under review	Rights share issue adjustment	Aggregate options granted since commencement of scheme to end of December 31, 2013	Aggregate options exercised since commencement of scheme to end of December 31, 2013	Aggregate options lapsed since commencement of scheme to end of December 31, 2013	Aggregate options outstanding as at end of December 31, 2013
Directors of the Company						
Michael Mun Hong Yew [(1)(3)(4)]	-	-	3,000,000	3,000,000	-	-
Martin Chia Heok Miin [(3)]	-	143,749	5,242,500	2,898,000	2,488,249	-
Jeremy Mun Weng Hung [(2)(4)]	-	-	300,000	300,000	-	-
Khoo Ho Tong	-	-	500,000	500,000	-	-
Colin Ng Teck Sim	-	-	500,000	500,000	-	-
Philip Tan Tee Yong	-	-	500,000	500,000	-	-
	-	143,749	10,042,500	7,698,000	2,488,249	-

Note: (1) Michael Mun Hong Yew is also a controlling shareholder of the Company.

(2) Jeremy Mun Weng Hung is the son of Michael Mun Hong Yew.

(3) Participants received 5.0% or more of total available options.

(4) Options granted to Michael Mun Hong Yew and Jeremy Mun Weng Hung were approved by resolution passed at the EGM of the Company dated April 12, 2004.

(d) Issue of shares under options

During 2012 and 2013, no options to take up unissued shares of the Company and subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. All outstanding options had expired on August 28, 2013 and as at the end of the financial year, there were no unissued shares under option.

8 WARRANTS

On November 24, 2009, the Company allotted 81,272,000 rights shares with 81,272,000 warrants at an issue price of $0.125 for each rights share on the basis of one rights share with one warrant for every five existing shares. Each warrant entitles the warrant holder to subscribe for one new ordinary share of the Company at an exercise price of $0.20 per share. The warrants have an exercise period of 3 years from November 24, 2009 to November 23, 2012. In 2012, 17,010 new ordinary shares were issued from the conversion of warrants. The warrants expired on November 23, 2012 and as at December 31, 2013 and December 31, 2012, there were no outstanding warrants.

9 AUDITORS

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

ON BEHALF OF THE DIRECTORS

……………………………….…..
Michael Mun Hong Yew

……………………………….…..
Martin Chia Heok Miin

March 27, 2014

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 60 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Michael Mun Hong Yew

....
Martin Chia Heok Miin

March 27, 2014

Report on the Financial Statements

We have audited the accompanying financial statements of Aztech Group Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 125.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 27, 2014

STATEMENTS OF FINANCIAL POSITION

December 31, 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	7	25,676	24,094	4,040	7,250
Trade receivables	8	43,229	24,996	-	-
Other receivables and prepayments	9	5,413	4,513	2,274	1,819
Tax recoverable		29	189	1	-
Available-for-sale financial assets	15	722	5,499	719	5,499
Held for trading investments	14	1,441	1,816	1,441	1,816
Derivative financial instruments	10	76	15	-	-
Inventories	11	38,571	29,002	-	-
Total current assets		115,157	90,124	8,475	16,384
Non-current assets					
Trade receivables	8	864	1,689	-	-
Other receivables and prepayments	9	1,449	663	-	-
Investment in subsidiaries	12	-	-	84,516	83,488
Property, plant and equipment	13	52,225	51,029	631	205
Available-for-sale financial assets	15	412	412	405	405
Deferred tax assets	16	2	3	-	-
Intangible assets	17	3,463	3,517	-	-
Total non-current assets		58,415	57,313	85,552	84,098
Total assets		173,572	147,437	94,027	100,482

	Note	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	18	49,336	33,488	3,543	3,420
Finance leases	19	117	-	20	-
Trade payables	20	30,662	29,360	-	-
Other payables	21	6,791	4,759	21,691	27,743
Derivative financial instruments	10	234	131	-	-
Income tax payable		263	251	-	-
Total current liabilities		87,403	67,989	25,254	31,163
Non-current liabilities					
Borrowings	18	750	1,949	-	-
Finance leases	19	436	-	79	-
Deferred tax liabilities	16	335	410	2	2
Total non-current liabilities		1,521	2,359	81	2
Capital and reserves					
Share capital	22	121,450	121,450	121,450	121,450
Treasury shares	23	(5,894)	(5,894)	(5,894)	(5,894)
Foreign currency translation reserve		(9,561)	(10,677)	-	-
Employee share-based compensation reserve	24	-	613	-	613
Investment revaluation reserve		62	89	62	89
Accumulated losses		(21,409)	(28,492)	(46,926)	(46,941)
Total equity		84,648	77,089	68,692	69,317
Total liabilities and equity		173,572	147,437	94,027	100,482

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000
Revenue	25	241,146	223,605
Cost of sales		(209,383)	(204,534)
Gross profit		31,763	19,071
Other operating income	26	2,171	6,665
Selling and distribution costs		(6,243)	(6,704)
Administrative expenses			
Impairment of vessels	13	(450)	-
Other administrative expenses		(18,465)	(16,435)
		(18,915)	(16,435)
Finance costs	27	(1,270)	(1,351)
Profit before income tax		7,506	1,246
Income tax	28	(1,036)	(1,016)
Net profit for the year	29	6,470	230
Other comprehensive income (loss):			
Items that may be reclassified subsequently into profit or loss			
Exchange differences on translation of foreign operations		1,116	(3,256)
Available-for-sale financial assets		(27)	-
Other comprehensive income (loss) for the year, net of tax		1,089	(3,256)
Total comprehensive income (loss) for the year		7,559	(3,026)

	Note	GROUP 2013 $'000	GROUP 2012 $'000
Profit attributable to:			
Owners of the Company		6,470	230
Total comprehensive income (loss) attributable to:			
Owners of the Company		7,559	(3,026)
Earnings per share (cents)			
- Basic	30	1.33	0.05
- Diluted	30	1.33	0.05

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2013

	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Employee share-based compensation reserve $'000	Investment revaluation reserve (1) $'000	Accumulated losses (2) $'000	Total $'000
GROUP								
Balance at January 1, 2012		121,447	(5,875)	(7,421)	835	89	(28,944)	80,131
Total comprehensive loss for the year								
Profit for the year		-	-	-	-	-	230	230
Other comprehensive loss for the year		-	-	(3,256)	-	-	-	(3,256)
Total		-	-	(3,256)	-	-	230	(3,026)
Transactions with owners, recognised directly in equity								
Exercise of warrants	22	3	-	-	-	-	-	3
Repurchase of shares	23	-	(19)	-	-	-	-	(19)
Transfer of employee share-based reserve to accumulated losses	24	-	-	-	(222)	-	222	-
Total		3	(19)	-	(222)	-	222	(16)
Balance at December 31, 2012		121,450	(5,894)	(10,677)	613	89	(28,492)	77,089
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	6,470	6,470
Other comprehensive income (loss) for the year		-	-	1,116	-	(27)	-	1,089
Total		-	-	1,116	-	(27)	6,470	7,559
Transactions with owners, recognised directly in equity								
Transfer of employee share-based reserve to accumulated losses	24	-	-	-	(613)	-	613	-
Total		-	-	-	(613)	-	613	-
Balance at December 31, 2013		121,450	(5,894)	(9,561)	-	62	(21,409)	84,648

	Note	Share capital $'000	Treasury shares $'000	Employee share-based compensation reserve $'000	Investment revaluation reserve [1] $'000	Accumulated losses $'000	Total $'000
COMPANY							
Balance at January 1, 2012		121,447	(5,875)	835	89	(37,087)	79,409
Total comprehensive loss for the year							
Loss for the year		-	-	-	-	(10,076)	(10,076)
Total		-	-	-	-	(10,076)	(10,076)
Transactions with owner, recognised directly in equity							
Exercise of warrants	22	3	-	-	-	-	3
Repurchase of shares	23	-	(19)	-	-	-	(19)
Transfer of employee share-based reserve to accumulated losses	24	-	-	(222)	-	222	-
Total		3	(19)	(222)	-	222	(16)
Balance at December 31, 2012		121,450	(5,894)	613	89	(46,941)	69,317
Total comprehensive loss for the year							
Loss for the year		-	-	-	-	(598)	(598)
Other comprehensive loss for the year		-	-	-	(27)	-	(27)
Total		-	-	-	(27)	(598)	(625)
Transactions with owner, recognised directly in equity							
Transfer of employee share-based reserve to accumulated losses	24	-	-	(613)	-	613	-
Total		-	-	(613)	-	613	-
Balance at December 31, 2013		121,450	(5,894)	-	62	(46,926)	68,692

(1) The investment revaluation reserve arises from the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

(2) Included in the Group's accumulated losses is an amount of $1,254,000 (2012 : $1,254,000) appropriated from profit after taxation of Aztech Communication Device (DG) Ltd to statutory reserve fund pursuant to relevant laws and regulations in China and the Articles of Association of Aztech Communication Device (DG) Ltd. The statutory reserve fund may be used to make up losses incurred and to increase registered capital and declare dividend.

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2013

	GROUP	
	2013 $'000	2012 $'000
Operating activities		
Profit before income tax	7,506	1,246
Adjustments for:		
Allowance for inventory obsolescence	386	141
Allowance for doubtful debts	248	-
Depreciation	4,980	4,989
Gain on disposal of property, plant and equipment	(94)	(152)
Gain on disposal of held for trading investments	(1)	-
Gain on disposal of available-for-sale financial assets	(74)	-
Impairment loss on vessels	450	-
Amortisation of intangible assets	2,458	2,554
Fair value (gain) loss on derivative financial instruments	(979)	9
Fair value loss (gain) on held for trading investments	125	(56)
Write back on impairment on insurance recoverable (Note A)	-	(177)
Interest income	(292)	(389)
Interest expense	888	1,013
Net foreign exchange loss (gain)	822	(3,321)
Operating cash flows before movements in working capital	16,423	5,857
Trade receivables	(16,932)	8,258
Other receivables and prepayments	(1,612)	2,611
Inventories	(9,008)	(1,587)
Trade payables	423	4,085
Other payables	1,959	(2,965)
Cash (used in) generated from operations	(8,747)	16,259
Interest paid	(888)	(1,013)
Income tax paid	(959)	(622)
Net cash (used in) from operating activities	(10,594)	14,624

	GROUP	
	2013 $'000	2012 $'000
Investing activities		
Proceeds on disposal of property, plant and equipment	294	172
Purchase of available-for-sale financial assets	(3)	-
Purchase of held for trading investments	-	(1,760)
Purchase of held-to-maturity investments (Note B)	-	(4,509)
Net proceeds on disposal of available-for-sale financial assets	4,827	-
Net proceeds on disposal of held for trading investments	251	-
Purchase of property, plant and equipment (Note C)	(5,941)	(3,962)
Deferred development costs	(2,404)	(2,238)
Interest received	292	389
Proceeds from derivative financial instruments	1,021	64
Net cash used in investing activities	(1,663)	(11,844)
Financing activities		
Repayment of obligations under finance leases	(38)	-
Proceeds from bank borrowings	161,777	136,652
Repayment of bank borrowings	(148,297)	(154,541)
Exercise of warrants	-	3
Purchase of treasury shares	-	(19)
Net cash from (used in) financing activities	13,442	(17,905)
Net increase (decrease) in cash and cash equivalents	1,185	(15,125)
Effects of exchange rate changes on the balance of cash held in foreign currencies	397	(684)
Cash and cash equivalents at beginning of year	24,094	39,903
Cash and cash equivalents at end of year (Note 7)	25,676	24,094

Note A

In 2012, the Group had recovered the insurance claim from the insurers and wrote back impairment loss on insurance receivable of $177,000, which was provided for in previous years.

Note B

In 2012, the Group had reclassed all bonds initially classified as held-to-maturity investments to available-for-sale financial assets as the Group did not have a positive intent to hold these bonds to maturity.

Note C

During the year, the Group acquired property, plant and equipment with an aggregate cost of $6,532,000 of which $591,000 was acquired by means of finance leases. Cash payments of $5,941,000 were made to purchase the property, plant and equipment.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 1986-01642-R) is incorporated in Singapore with its principal place of business and registered office at 31 Ubi Road 1, Aztech Building, Singapore 408694. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand ($'000) unless otherwise indicated.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2013 were authorised for issue by the Board of Directors on March 27, 2014.

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 Singapore Financial Reporting Standards ("FRS").

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

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

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

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

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to FRS 107 *Disclosures - Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to FRS 107 require entities to disclose information about the rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendments has had no material impact on the amounts recognised in the consolidated financial statements. At present as disclosed in Note 4(b) to the consolidated financial statements, the Group does not have any master netting agreement or similar arrangement in place.

FRS 113 Fair Value Measurement

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, 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 (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

- FRS 27 (Revised) Separate Financial Statements
- FRS 110 Consolidated Financial Statements
- FRS 112 Disclosure of Interests in Other Entities
- Amendments to FRS 110 Consolidated Financial Statements – Investment Entities
- FRS 110, FRS 111, FRS 112 Transition Guidance
- Amendments to FRS 32 Financial Instruments: Presentation
- Amendments to FRS 36 Impairment of Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application with transitional provisions. The Group anticipates that the adoption of FRS 110 in future periods will not have any material impact on the financial statements of the Group and of the Company in the period of initial adoption.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014. Upon adoption of FRS 112, the Group expects expanded disclosures relating to its interests in subsidiaries.

Amendments to FRS 32 Financial Instruments: Presentation

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities on the statement of financial position.

Amendments to FRS 36 Impairment of Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less cost of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other than those disclosed above, management anticipates that the adoption of the above 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 their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries 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 interest in a subsidiary that do not result in a loss of control 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. 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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

The accounting policy for initial measurement of non-controlling interests is described above.

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

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

<u>Effective interest method</u>

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 other than those financial instruments "at fair value through profit or loss".

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

Financial assets

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

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

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

<u>Available-for-sale financial assets</u>

Investments in club memberships and quoted debts securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income (revaluation reserve) with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and loss on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

accumulated in the revaluation reserve is reclassified to profit or loss. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade 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 effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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.

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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.

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 trade and other receivables are uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Treasury shares

When the Company purchases its ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently sold or reissued, the cost of the treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the share capital of the Company.

Warrants

Proceeds from the issuance of warrants are credited to the warrant reserve. When the warrants are exercised, the value of such warrants exercised standing to the credit of the warrant reserve account will be transferred to the share capital account. At the expiry of the warrants, the balance in the warrant reserve will be transferred to retained earnings.

Financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss (FVTPL), 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 cumulative amortisation in accordance with FRS 18 *Revenue*.

<u>Derecognition of financial liabilities</u>

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

<u>Derivative financial instruments</u>

The Group enters into foreign currency forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 10 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

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

Leasehold property	-	over the terms of lease, which are from 1.75% to 4%
Computer and office equipments	-	20% to 33.33%
Factory equipments	-	12.5% to 20%
Factory furniture and fittings	-	20%
Vessels	-	4% to 7%
Dry-docking expenditure	-	20%
Assets on board of the vessels	-	33.33%
Office furniture and fittings	-	20%
Research and development equipment and tools	-	20% to 33.33%
Software applications	-	20% to 33.33%
Motor vehicles	-	20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Vessel component costs include the cost of major components which are usually replaced or renewed in connection with a dry-docking when a vessel is delivered. The assets are stated at cost less accumulated depreciation and accumulated impairment losses. The vessel component costs are depreciated over the estimated period to the first dry docking. The Group subsequently capitalises dry docking costs as they are incurred and depreciates these costs over their estimated useful lives.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the short of the lease term and its useful life.

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 profit or loss.

INTANGIBLE ASSETS

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Development costs that have been capitalised as intangible assets are amortised from the commencement of the commercial production on a straight-line basis over the period of its expected benefits, which normally does not exceed 3 years. Where no internally-generated asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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 that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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.

<u>The Group as lessor</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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.

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.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after November 22, 2002, that vested after January 1, 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

Sale of electronics and food products and supply of construction materials

Revenue from the sale of electronics and food products and supply of construction materials 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Marine logistic services

Revenue from marine logistic services is recognised as and when services are rendered.

Interest income

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

Rental income

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

Dividend income

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

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

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

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense 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, 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.

PROFIT SHARING SCHEME - Certain Directors are entitled to a share of the profit under the profit sharing scheme as disclosed in the Directors' Report. A provision is made for the estimated liability under the profit sharing scheme.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to 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 directly 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, the statement of financial position and the statement of changes in equity of the Company are presented in Singapore 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 rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and 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 that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

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

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand, 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.

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

Critical judgements in applying the Group's accounting policies

The following is the critical judgement, 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.

Land use rights certificates

As at December 31, 2013, the Group's production facilities in China are located on plots of land of which land use rights certificates have not been obtained. Management has continued to follow up with the relevant local authorities and is of the opinion that the required certificates will be obtained in the near future. Further details on the land use rights are disclosed in Note 13 to the financial statements.

Income taxes

The subsidiaries within the Group operate in a number of jurisdictions. Significant assumptions are required in determining the provision for income taxes based on the tax laws and regulations in those jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain. 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. Taxation is disclosed in Notes 16 and 28 to 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.

Estimated impairment of deferred development costs

Determining whether deferred development cost is impaired requires an estimation of the value in use of the development projects. The value in use calculation requires the Group to estimate the future cash flows expected to arise from such projects, and a suitable discount rate and growth rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. For the year ended December 31, 2013 and December 31, 2012, no impairment loss has been recognised and as at December 31, 2013, the carrying amount of deferred development cost is $3,463,000 (2012 : $3,517,000).

Estimated impairment of receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2013, the carrying amount of trade receivables is $44,093,000 (2012 : $26,685,000), net of allowance for doubtful debts of $726,000 (2012 : $466,000).

Estimated allowance for inventories

At the end of the reporting period, management carries out a review on a product-by-product and on an aging basis to make allowance for obsolete, slow-moving and expired inventory items. The management estimates the net realisable value for such inventory items based primarily on the current market conditions. As at December 31, 2013, the carrying amount of inventories is $38,571,000 (2012 : $29,002,000), net of allowance for inventories of $1,823,000 (2012 : $1,428,000).

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

Estimated impairment in value of investment in subsidiaries

Determining whether investment in subsidiaries is impaired involves the consideration of the performance of the subsidiaries and the market conditions in which the subsidiaries operate in. At the end of the reporting period, the management of the Company has performed an impairment assessment of its investment in its subsidiaries. As at December 31, 2013, the allowance for impairment loss is $11,445,000 (2012 : $11,270,000).

If the performance of the subsidiaries and/or market conditions were to deteriorate additional impairment may be required.

Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value using the straight-line method. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at December 31, 2013, the carrying amount of property, plant and equipment is $52,225,000 (2012 : $51,029,000).

Estimated service life, scrap value and recoverable amount of vessels

The estimated service life and scrap value of the vessels are assessed annually and adjusted if necessary. Irrespective of indications of impairment, the recoverable values of vessels are determined at least annually based on an independent valuer's valuations and calculated value in use. Significant changes in the estimated service life and scrap values and the result of the impairment test of vessels may have an impact on operating income. The carrying amount of vessels is disclosed in Note 13.

The Group carried out a review of the recoverable amounts of the vessels in the current financial year. The results of the impairment assessment led to an additional impairment loss of $450,000 (2012 : $Nil). The fair values less costs to sell of the vessels were estimated based on the calculations of an independent valuer. As at December 31, 2013, the carrying amounts of vessels, dry docking expenditures and assets on board of the vessels are $39,353,000 (2012 : $41,617,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial assets				
Fair value through profit or loss:				
- Held for trading	1,441	1,816	1,441	1,816
- Derivative financial instruments	76	15	-	-
Loans and receivables (including cash and cash equivalents)	72,889	54,796	6,263	8,944
Available-for-sale financial assets	1,134	5,911	1,124	5,904
Financial liabilities				
Fair value through profit or loss:				
- Derivative financial instruments	234	131	-	-
Amortised cost (including loans and finance leases)	86,755	68,956	25,333	31,163

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

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

(c) *Financial risk management policies and objectives*

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.

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

(i) Foreign exchange risk management

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency that gives rise to this risk is primarily United States dollars.

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

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

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

The Group manages foreign currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary. The Group uses derivative financial instruments to mitigate the financial impact associated with foreign currency fluctuation relating to certain forecasted transactions.

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

	GROUP				COMPANY			
	Liabilities		Assets		Liabilities		Assets	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore dollars	8,021	5,135	3,020	1,232	-	-	-	-
Renminbi	103	56	48	2,750	-	-	-	-
Hong Kong dollars	4,835	3,430	-	2	-	-	-	-
United States dollars	47,245	46,149	27,401	25,374	6,162	5,951	1,009	170

Foreign currency sensitivity

The following analyses detail the sensitivity to a 5% increase and decrease in the Singapore dollar against the relevant foreign currencies. 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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant foreign currency weakens by 5% against the functional currency of each Group entity, the effect on profit or loss will increase (decrease) by:

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore dollars	250	195	-	-
Renminbi	3	(135)	-	-
Hong Kong dollars	242	171	-	-
United States dollars	992	1,039	258	289

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, the above will have an opposite effect.

There are no significant changes to the Group's sensitivity to foreign currency during the current year when compared to 2012.

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

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

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its debt obligations.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and cash equivalents placed with and borrowing from banks and financial institutions in Singapore, China and Hong Kong at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 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/lower with all other variables held constant, the Group's:

- Profit for the year ended December 31, 2013 would decrease/increase by $253,000 (2012 : $177,000); and

- Other comprehensive income would increase/decrease by $4,000 (2012 : $27,000) mainly as at result of the changes in the fair value of available-for-sale variable rate instruments.

No analysis is prepared at the Company level as the impact is not expected to be material.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in average bank borrowings.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial losses from default. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains collateral from its customers. Cash terms, advance payments and letter of credits are required for customers of lower credit standing. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at December 31, 2013, 75.1% (2012 : 48.1%) of trade receivables for the Group relate to amounts due from five (2012 : five) major customers. The Group manages concentration of credit risk by performing credit analysis procedures to assess the potential customers' credit quality and defines credit limits by customer before offering credit term to any new customer. The credit terms to customers are reviewed at least once a year.

The increase in the Group's concentration of credit risk to the major customers is mainly due to the transactions with counterparties arising from the execution of the contracts for the supply of construction materials awarded during the year.

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

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

(iii) Credit risk management (cont'd)

The maximum amount the Company could be forced to settle under the corporate guarantee given to banks in connection with facilities utilised by the subsidiaries is $44,824,000 (2012 : $31,655,000). The earliest period that the guarantee could be called is within 1 year (2012 : 1 year) from the end of the reporting period. Based on expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable. However, this estimate is subject to change depending on the probability of the banks claiming under the guarantee which is a function of the likelihood that the subsidiaries default on the repayment of the borrowings.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group places its cash with creditworthy institutions.

(iv) Liquidity risk management

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surplus and the raising of loans to cover expected cash demand, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. Undrawn facilities are disclosed in Note 18 to the financial statements.

At the end of the reporting period, the Company's current liabilities exceeded its current assets by $16,779,000 (2012 : $14,779,000). As at December 31, 2013, the Company's current liabilities of $25,254,000 (2012 : $31,163,000) include amount due to subsidiaries amounting to $20,995,000 (2012 : $26,804,000). The Company is the ultimate holding company for all its subsidiaries and is able to meet its existing and prospective funding requirements through controlling the timing of repayment for these liabilities. Management is satisfied that the Company has the ability to operate as a going concern.

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

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

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

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
GROUP						
2013						
Non-interest bearing	-	36,116	-	-	-	36,116
Finance lease liability (fixed rate)	2.6	131	493	-	(71)	553
Bank loans (variable rate)	1.9	49,358	804	-	(301)	49,861
Bank loans (fixed rate)	5.0	228	-	-	(3)	225
		85,833	1,297	-	(375)	86,755
2012						
Non-interest bearing	-	33,519	-	-	-	33,519
Bank loans (variable rate)	2.2	32,824	1,739	-	(211)	34,352
Bank loans (fixed rate)	5.1	894	228	-	(37)	1,085
		67,237	1,967	-	(248)	68,956
COMPANY						
2013						
Non-interest bearing	-	21,691	-	-	-	21,691
Finance lease liability (fixed rate)	2.6	22	90	-	(13)	99
Bank loans (variable rate)	2.3	3,556	-	-	(13)	3,543
		25,269	90	-	(26)	25,333
2012						
Non-interest bearing	-	27,743	-	-	-	27,743
Bank loans (variable rate)	2.5	3,427	-	-	(7)	3,420
		31,170	-	-	(7)	31,163

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

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

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. 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 statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
GROUP						
2013						
Non-interest bearing	-	69,109	864	-	-	69,973
Fixed deposits	0.2	2,916	-	-	-	2,916
		72,025	864	-	-	72,889
2012						
Non-interest bearing	-	44,779	1,689	-	-	46,468
Fixed deposits	0.2	8,331	-	-	(3)	8,328
		53,110	1,689	-	(3)	54,796
COMPANY						
2013						
Non-interest bearing	-	4,355	-	-	-	4,355
Fixed deposits	0.2	1,908	-	-	-	1,908
		6,263	-	-	-	6,263
2012						
Non-interest bearing	-	2,183	-	-	-	2,183
Fixed deposits	0.2	6,762	-	-	(1)	6,761
		8,945	-	-	(1)	8,944

Derivative financial instruments

The Group's derivative financial instruments comprise of forward foreign exchange contracts as disclosed in Note 10 to the financial statements. As at December 31, 2013, the contracted gross cash inflow and gross cash outflow arising from these forward foreign exchange contracts amounting to $76,000 and $234,000 (2012 : $15,000 and $131,000) respectively. As disclosed in Note 10, the gross-settled forward foreign exchange contracts are due within 1 year and 2 to 5 years (2012 : due within 1 year and 2 to 5 years).

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

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

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. In respect of the financial assets and financial liabilities recorded at amortised cost whose maturity is more than a year, management also considers that such financial instruments approximate their fair values. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets transactions and dealer quotes for similar instruments; and
- the fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	2013		2012	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
GROUP				
Financial liabilities				
Bank loans (fixed rate)	225	227	1,085	1,122

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

Financial instruments measured at fair value

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
GROUP				
2013				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,441	1,441	-	-
- Derivative financial instruments	76	-	76	-
Available-for-sale financial assets:				
- Club membership	412	-	412	-
- Quoted debt securities	722	722	-	-
Total	2,651	2,163	488	-
Financial liabilities				
Derivative financial instruments	234	-	234	-
2012				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,816	1,816	-	-
- Derivative financial instruments	15	-	15	-
Available-for-sale financial assets:				
- Club membership	412	-	412	-
- Quoted debt securities	5,499	5,499	-	-
Total	7,742	7,315	427	-
Financial liabilities				
Derivative financial instruments	131	-	131	-

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

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

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

Financial instruments measured at fair value (cont'd)

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
COMPANY				
2013				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,441	1,441	-	-
Available-for-sale financial assets:				
- Club membership	405	-	405	-
- Quoted debt securities	719	719	-	-
Total	2,565	2,160	405	-
2012				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,816	1,816	-	-
Available-for-sale financial assets:				
- Club membership	405	-	405	-
- Quoted debt securities	5,499	5,499	-	-
Total	7,720	7,315	405	-

The fair values of Level 1 instruments were quoted bid prices in an active market. The fair values of Level 2 derivative instruments were estimated based on recent market transacted prices, as well as input from valuation experts using the Monte Carlo Simulation model. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy in 2013 and 2012.

(d) Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged from 2012.

Management monitors capital based on the Group's current ratio and net gearing ratio. As at December 31, 2013, the Group's current ratio and net gearing ratio were 1.3 (2012 : 1.3) and 0.3 (2012 : 0.1) respectively.

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

(d) Capital risk management policies and objectives (cont'd)

The current ratio is calculated as total current assets divided by total current liabilities.

The net gearing ratio is calculated as net borrowings divided by shareholders' funds. Net borrowings are calculated as total borrowings (Note 18) and finance leases (Note 19) less cash and bank balances (Note 7).

Management also reviews financial measures and position of the Group on a regular basis to monitor if the Group fulfils the financial covenants prescribed in its banking facilities. The Group had obtained the waiver of non-compliance of these banking financial covenants from the bank during the financial year ended December 31, 2013 and 2012. As at December 31, 2013, the Group was in compliance with all externally imposed capital requirements.

5 RELATED COMPANY BALANCES

Related companies in these financial statements refer to the Company and subsidiaries. The intercompany balances are unsecured, interest-free and are repayable within the next twelve months unless stated otherwise.

6 RELATED PARTY TRANSACTIONS

(a) By virtue of Section 7 of the Singapore Companies Act, Michael Mun Hong Yew is deemed to have an interest in the Company and in all the subsidiaries of the Company.

In accordance with FRS 24 *Related Party Disclosures*, the close members of the family of Michael Mun Hong Yew are considered to be related parties.

(b) Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. Such related party transactions are reviewed by the Audit Committee. The balances with related parties are unsecured, interest-free and repayable within the next twelve months unless otherwise stated.

During the year, Group entities entered into the following transactions with related parties:

	GROUP	
	2013 $'000	2012 $'000
(1) Transaction with companies in which Michael Mun Hong Yew and Jeremy Mun Weng Hung have equity interests:		
Rental income	(14)	(95)
Sale of goods	(77)	-
Purchase of goods	22	5
Purchase of property, plant and equipment	1,105	-
Transportation services	740	914
Disposal of property, plant and equipment	(136)	-

6 RELATED PARTY TRANSACTIONS (cont'd)

	GROUP	
	2013	2012
	$'000	$'000
(2) Salaries paid to employees of the Group who are relatives of Michael Mun Hong Yew and Jeremy Mun Weng Hung:		
Salary expenses	165	106
(3) Transaction with companies in which an Independent Director has an interest:		
Consulting and corporate secretarial services	18	12

The Company has given corporate guarantees to its subsidiaries for loan and trade facilities. The total charge for this guarantee is $1,202,000 (2012 : $1,366,000).

Compensation of directors and key management personnel

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

	GROUP	
	2013	2012
	$'000	$'000
Short-term benefits	3,169	3,048

The remuneration of Directors and key management is determined by the Remuneration Committee having regard to the performance of individuals.

7 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at bank and in hand	22,760	15,766	2,132	489
Fixed deposits	2,916	8,328	1,908	6,761
Cash and cash equivalents	25,676	24,094	4,040	7,250

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

Fixed deposits bear interest at a weighted average rate of 0.2% (2012 : 0.2%) per annum and for a tenure of approximately 17 days (2012 : 26 days).

8 TRADE RECEIVABLES

	GROUP	
	2013 $'000	2012 $'000
Current		
Outside parties	43,955	25,462
Allowance for doubtful trade receivables	(726)	(466)
	43,229	24,996
Non-current		
Outside parties	864	1,689
Total	44,093	26,685

The average credit period on sale of goods is 45 days (2012 : 30 days). No interest is charged on the trade receivables.

Before accepting any new customer, the Group uses both internal and external credit review systems to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once per year. As at December 31, 2013, 63.9% (2012 : 72.6%) of the trade receivables are neither past due nor impaired. There has not been a significant change in the credit quality of the trade receivables that are not past due and not impaired.

The table below is an analysis of trade receivables as at December 31:

	GROUP	
	2013 $'000	2012 $'000
Not past due and not impaired	28,647	19,713
Past due but not impaired (i)	15,446	6,972
Sub-total	44,093	26,685
Impaired receivables – individually assessed		
- Customers placed under liquidation	478	466
- Past due more than 12 months with no indication of intention to repay	248	-
Less: Allowance for impairment	(726)	(466)
Sub-total	-	-
Total trade receivables, net	44,093	26,685

(i) Aging of receivables that are past due but not impaired:

	2013 $'000	2012 $'000
1 to 30 days	14,285	5,190
31 to 60 days	442	1,223
More than 60 days	719	559
	15,446	6,972

Included in the Group's trade receivable balance are debtors with a carrying amount of $15.4 million (2012 : $6.97 million) which are past due at the end of the reporting period 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.

8 TRADE RECEIVABLES (cont'd)

Included in the allowance for doubtful debts are specific trade receivables with a balance of $478,000 (2012 : $466,000) relating to customers who have been placed in liquidation. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and present value of expected liquidation proceeds. As at the end of the reporting period, total allowance for doubtful debts amounts to $726,000 (2012 : $466,000), and the Group does not hold any collateral over these balances.

Movements in the allowance for doubtful debts:

	GROUP	
	2013	2012
	$'000	$'000
Balance at beginning of the year	466	493
Allowance during the year	248	-
Exchange difference	12	(27)
Balance at end of the year	726	466

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 end of the reporting period. Accordingly, the management believes that there is no further impairment required in excess of the allowance for doubtful debts.

9 OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Other receivables	1,764	3,703	61	332
Deposit	1,356	314	12	14
Deposit for leasehold property	686	663	-	-
Advance to suppliers	370	-	-	-
Prepayments	2,686	496	51	125
Subsidiaries (Notes 5 and 12)	-	-	67,120	66,318
Allowance for doubtful other receivables - subsidiaries	-	-	(64,970)	(64,970)
	6,862	5,176	2,274	1,819
Less: Non-current portion of deposits paid for leasehold property and prepayments of capital assets	(1,449)	(663)	-	-
	5,413	4,513	2,274	1,819

The Group's other receivables are interest-free and repayable on demand. The Group has not recognised any allowance for impairment on other receivables as management is of the view that these receivables are recoverable.

The Company's other receivables due from subsidiaries are repayable on demand and interest-free except for balance with a subsidiary amounting to $48,972,000 (2012 : $44,976,000) which is subject to interest at 1.85% per annum above USD SIBOR. The average effective interest rate is approximately 2.12% (2012 : 2.28%) per annum. As at December 31, 2013 and December 31, 2012, certain subsidiaries were at net capital deficiency positions. No additional allowance for doubtful other receivables (2012 : $29,295,000) were provided on amounts due from these subsidiaries.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP			
	Assets		Liabilities	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Forward foreign exchange contracts	76	15	(234)	(131)
Interest rate swaps	-	-	-	-
	76	15	(234)	(131)

Forward foreign exchange contracts

The Group is party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures. The derivative financial instruments outstanding as at end of the reporting period are as follows:

(i) Structured Forward Contracts

The Group has entered into US$/RMB structured forward contracts which give the Group the opportunity to sell US$/buy RMB at rates which are more favourable than the market forward rates prevailing on the trade dates of the transactions by means of paying fixed US$ and receiving variable RMB amounts per month when the RMB against US$ are at levels not exceeding 6.3. On the other hand, the Group is obliged to sell US$/buy RMB for certain specified amounts at rates less favourable than the then prevailing market spot rates in the event of RMB depreciating against US$ beyond certain levels of 6.3 to 6.4 (2012 : 6.2 to 6.5).

As of December 31, 2013, the total notional amount of the outstanding US$/RMB structured forward contract was US$37.0 million (2012 : US$8.5 million) covering monthly settlements up to August 2015 (2012 : US$8.5 million covering up to March 2014). As at December 31, 2013, the total notional amount due within 1 year and 2 to 5 years amounted to US$27.0 million and US$10.0 million (2012 : US$ 7.0 million and US$1.5 million) respectively.

During the year, the Group has also entered into structured forward contracts for S$/US$ creating an avenue for the Group to purchase US$ for its working capital needs. These instruments set an obligation for the Group to sell S$/buy US$ for certain specified amounts at the contractual rates when it is less favourable for the Group when compared to the prevailing market spot rates at the specified strike dates. On the other hand, these instruments provide the Group an option to receive the net settlement gains or to sell S$/buy US$ at contractual rates if it is more favourable to the prevailing market spot rates. These instruments are structured to knock-out once the cumulative gains arising from favourable trades achieve its targeted gains.

As at December 31, 2013, these instruments bear strike rates ranging from 1.22 to 1.27. Total notional amount of the outstanding structure forward contracts was US$55.7 million with weekly and monthly settlements up to June 2014.

The instruments above, comprising both US$/RMB and S$/US$ instruments are denominated in USD. Net fair value gain on the structured forward foreign exchange contract amounting to $364,000 (2012 : $100,000) are credited to profit or loss. As at December 31, 2013, total outstanding instruments carried at fair value, amounting to $76,000 (2012 : $15,000) and $105,000 (2012 : $Nil), are presented as derivative financial assets and derivative financial liabilities respectively.

10 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

(ii) Forward Foreign Exchange Contracts

The instruments purchased are denominated in USD. Net fair value gain (2012 : loss) on the forward foreign exchange contracts amounting to $615,000 (2012 : $106,000) is credited (2012 : charged) to profit or loss.

At the end of the reporting period, the notional amount of outstanding forward foreign exchange contracts to which the Group is committed is as follows:

	2013 $'000	2012 $'000
Forward foreign exchange contracts	31,002	9,650

Details of the forward foreign exchange contracts outstanding as at the end of the reporting period are as follows:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2013	2012	2013 FC'000	2012 FC'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Buy US$ to sell S$								
less than 6 months	1.24	1.22	24,500	7,910	31,002	9,650	(129)	(131)

Interest Rate Swap Contract

In 2009, the Group also entered into an interest rate swap contract at a fixed rate of 2.175% per annum with the effective date on May 10, 2011 on the notional amount of US$3 million which will be amortised over 10 quarters according to the vessel loan repayment schedule. The swap was structured to hedge the USD SIBOR interest rate of the vessel loan by converting from a variable-rate instrument to a fixed-rate instrument. In 2012, fair value loss on the instrument amounting to $3,000 was charged to profit or loss. The interest rate swap contract matured during 2012.

For these financial instruments, inputs into models are market observable and are therefore included within Level 2 of the fair value hierarchy of FRS 107.

11 INVENTORIES

	GROUP	
	2013 $'000	2012 $'000
Finished goods	15,821	10,974
Work-in-progress	2,354	4,031
Raw materials	15,968	13,997
	34,143	29,002
Goods-in-transit	4,428	-
	38,571	29,002

The cost of inventories recognised as an expense includes $433,000 (2012 : $141,000) in respect of write-downs of inventory to net realisable value, and has been reduced by $47,000 (2012 : $Nil) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of subsequent sales of such inventory in excess of previous estimated realisable value.

12 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2013 $'000	2012 $'000
At cost		
Unquoted equity shares	94,759	93,392
Deemed interest [i]	1,202	1,366
	95,961	94,758
Impairment loss	(11,445)	(11,270)
Carrying amount	84,516	83,488

[i] Deemed interest arose from financial guarantees provided by the Company to banks in respect of financing facilities granted to its subsidiaries and the share options granted under ESOS 2000 by the Company to employees of its subsidiaries. Management has assessed that the fair value of the financial guarantees equivalent to 1.0% (2012 : 1.0%) per annum of the amount of financing facilities guaranteed from the dates when the financing facilities were issued.

	COMPANY	
	2013 $'000	2012 $'000
Movement in the allowance for impairment:		
Balance at beginning of year	11,270	8,663
Increase in allowance recognised in profit or loss	175	2,607
Balance at end of year	11,445	11,270

During the year, the Company carried out a review on the recoverable amount of its investment in subsidiaries. The review led to an impairment loss of $175,000 (2012 : $2,607,000). The recoverable amount is determined based on fair value, estimated by management to approximate the carrying amount of the net tangible assets of the respective subsidiaries, as at the end of the reporting period.

The subsidiaries of the Company are set out below:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Cost of investment by the Company		Principal activity
		2013 %	2012 %	2013 $'000	2012 $'000	
Held by the Company						
Aztech Electronics Pte Ltd	Singapore	100	100	72,727	72,074	Investment holding company
Aztech Systems GmbH [1]	Germany	100	100	6,556	6,556	Distribution and sale of multicommunication products and computer peripherals and provision of marketing services

12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Cost of investment by the Company		Principal activity
		2013 %	2012 %	2013 $'000	2012 $'000	
Held by the Company (cont'd)						
Hitemco Pte Ltd [2]	Singapore	100	100	3,000	3,000	Dormant
AZ United Pte Ltd	Singapore	100	100	11,725	11,350	Non-building construction related works, including supply and procurement of materials
AZ Marine Pte Ltd	Singapore	100	100	1,953	1,778	Chartering, operating and management of sea going vessels and provision of marine transportation services and investment holding
Held by Aztech Electronics Pte Ltd						
AZ – Technology Sdn Bhd [3]	Malaysia	100	100	-	-	Distribution and sale of multicommunication products and computer peripherals and provision of marketing services
Aztech Labs, Inc. [1]	United States of America	100	100	-	-	Distribution and sale of multicommunication products and computer peripherals and provision of marketing services
AZ E-Lite (HK) Ltd [3]	Hong Kong	100	100	-	-	Distribution and sale of electrical and LED lights and electronic and multi-communication products
Aztech Systems (Hong Kong) Ltd [3]	Hong Kong	100	100	-	-	Manufacture and sale of multi-communication products and computer peripherals
Azfin Semiconductors Pte Ltd [2]	Singapore	82	82	-	-	Dormant

12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Cost of investment by the Company		Principal activity
		2013 %	2012 %	2013 $'000	2012 $'000	
Held by Aztech Electronics Pte Ltd (cont'd)						
Shiro Corporation Pte Ltd	Singapore	100	100	-	-	Sale of frozen and canned food and wholesale of liquor and soft drinks and carry on research and development of all kinds of food, food products and beverages
Aztech Technologies Pte Ltd	Singapore	100	100	-	-	Distribution and sale of multi-communication products and computer peripherals and design and manufacture of electrical and LED lights and lighting system installation
AZ E-Lite Pte Ltd	Singapore	100	100	-	-	Design and manufacture of electrical and LED lights and lighting system installation
Aztech Global Pte Ltd (2)	Singapore	100	100	-	-	Dormant
Held by Shiro Corporation Pte Ltd						
Shiro Corporation (HK) Limited (3)	Hong Kong	100	100	-	-	Dormant
Held by Aztech Systems (Hong Kong) Ltd						
Aztech Communication Device (DG) Ltd (3)	China	100	100	-	-	Manufacture and sale of multi-communication products, LED lights and plastic injection parts

12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Cost of investment by the Company		Principal activity
		2013 %	2012 %	2013 $'000	2012 $'000	
Held by Aztech Communication Device (DG) Ltd						
Shenzhen Aztech Trading Company Limited (3)	China	100	100	-	-	Research and development of multi-communication products and general trading
Held by AZ United Pte Ltd						
AZ Materials Pte Ltd	Singapore	100	100	-	-	Non-building construction related works, including supply of materials
Held by AZ Marine Pte Ltd						
AZ Lavender Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Lily Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Orchid Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Rose Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Tulip Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Peony Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Carnation Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Sunflower Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel

12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Cost of investment by the Company		Principal activity
		2013 %	2012 %	2013 $'000	2012 $'000	
Held by AZ Marine Pte Ltd (cont'd)						
AZ Iris Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Marine Logistics Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Sakura Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Ivy Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
AZ Marigold Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of sea going vessel
Aiden Marine Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of conveyor barge
Biden Marine Pte Ltd	Singapore	100	100	-	-	Ownership and chartering of conveyor barge
				95,961	94,758	

All the subsidiaries are audited by Deloitte & Touche LLP, Singapore except for the subsidiaries that are indicated as follows:

(1) Not required to be audited by law in its country of incorporation. The net tangible assets and pre-tax profits of the entities are less than 20% of the Group's consolidated net tangible assets and pre-tax profits respectively. Their unaudited financial statements have been reviewed as part of the Group audit.

(2) These subsidiaries are exempted from audit and the net tangible assets and pre-tax profits of the subsidiaries are less then 20% of the Group's consolidated net tangible assets and pre-tax profits respectively. Their unaudited financial statements have been reviewed as part of the Group audit.

(3) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

13 PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Leasehold property $'000	Computer and office equipments $'000	Factory equipments $'000	Factory furniture and fittings $'000	Vessels[i] $'000	Dry-docking expenditure $'000	Assets on board of the vessels $'000	Office furniture and fittings $'000	Research and development equipment and tools $'000	Software applications $'000	Motor vehicles[ii] $'000	Total $'000
At cost:												
At January 1, 2012	7,499	3,180	23,463	1,067	65,941	2,600	699	1,138	1,535	904	1,608	109,634
Additions	-	139	1,457	25	-	1,321	814	11	10	66	119	3,962
Disposals	-	(2)	(1,568)	-	(1,375)	(200)	-	(49)	-	-	-	(3,194)
Exchange difference	(454)	(95)	(1,418)	(65)	-	-	-	(19)	(1)	(17)	(34)	(2,103)
At December 31, 2012	7,045	3,222	21,934	1,027	64,566	3,721	1,513	1,081	1,544	953	1,693	108,299
Additions	-	412	1,123	151	169	444	-	1,265	34	61	2,873	6,532
Disposals	-	(413)	(104)	-	-	-	-	(46)	(42)	-	(621)	(1,226)
Exchange difference	252	62	770	21	-	-	-	9	5	10	18	1,147
At December 31, 2013	7,297	3,283	23,723	1,199	64,735	4,165	1,513	2,309	1,541	1,024	3,963	114,752
Accumulated depreciation:												
At January 1, 2012	(1,869)	(2,916)	(19,559)	(882)	(5,426)	(1,402)	(615)	(1,085)	(1,429)	(739)	(985)	(36,907)
Charge for the year	(290)	(113)	(1,966)	(82)	(1,470)	(569)	(208)	(16)	(47)	(65)	(163)	(4,989)
Disposals	-	2	1,551	-	179	118	-	48	-	-	-	1,898
Exchange difference	121	73	1,194	56	-	-	-	18	16	9	31	1,518
At December 31, 2012	(2,038)	(2,954)	(18,780)	(908)	(6,717)	(1,853)	(823)	(1,035)	(1,460)	(795)	(1,117)	(38,480)
Charge for the year	(288)	(142)	(1,460)	(74)	(1,443)	(704)	(280)	(107)	(44)	(62)	(376)	(4,980)
Disposals	-	411	103	-	-	-	-	38	42	-	432	1,026
Exchange difference	(77)	(2)	(735)	-	-	-	-	(10)	(6)	(6)	(17)	(853)
At December 31, 2013	(2,403)	(2,687)	(20,872)	(982)	(8,160)	(2,557)	(1,103)	(1,114)	(1,468)	(863)	(1,078)	(43,287)
Impairment:												
At January 1, 2012	-	-	-	-	(19,402)	-	-	-	-	-	-	(19,402)
Disposals	-	-	-	-	612	-	-	-	-	-	-	612
At December 31, 2012	-	-	-	-	(18,790)	-	-	-	-	-	-	(18,790)
Impairment loss recognised	-	-	-	-	(450)	-	-	-	-	-	-	(450)
At December 31, 2013	-	-	-	-	(19,240)	-	-	-	-	-	-	(19,240)
Carrying amount:												
At December 31, 2013	4,894	596	2,851	217	37,335	1,608	410	1,195	73	161	2,885	52,225
At December 31, 2012	5,007	268	3,154	119	39,059	1,868	690	46	84	158	576	51,029

(i) During the year, the Group carried out a review of the recoverable amounts of its vessels used in the Group's materials supply and marine logistics segment. The recoverable amount of the vessels has been determined on the basis of their fair value less costs to sell. The fair value less costs to sell had been estimated based on the valuation by an independent professional valuer who has experience in the type and category of the vessels being valued. The valuation was determined based the replacement cost method. The review led to the recognition of an impairment loss of $450,000 (2012 : $Nil) within administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2013.

(ii) Some of the motor vehicles acquired during the year were purchased under finance leases (Note 19).

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) COMPANY

	Computer and office equipments $'000	Office furniture and fittings $'000	Research and development equipment and tools $'000	Motor vehicles[i] $'000	Total $'000
At cost:					
At January 1, 2012	441	598	63	401	1,503
Additions	-	1	-	-	1
At December 31, 2012	441	599	63	401	1,504
Additions	-	-	-	677	677
Disposal	-	-	-	(401)	(401)
At December 31, 2013	441	599	63	677	1,780
Accumulated depreciation:					
At January 1, 2012	(423)	(590)	(63)	(144)	(1,220)
Charge for the year	(9)	(3)	-	(67)	(79)
At December 31, 2012	(432)	(593)	(63)	(211)	(1,299)
Charge for the year	(4)	(2)	-	(94)	(100)
Disposal	-	-	-	250	250
At December 31, 2013	(436)	(595)	(63)	(55)	(1,149)
Carrying amount:					
At December 31, 2013	5	4	-	622	631
At December 31, 2012	9	6	-	190	205

(i) One of the motor vehicles acquired during the year was purchased under finance lease (Note 19).

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Leasehold property of the Group is as follows:

Description	Location	Existing use	Area (in sq metres)	Tenure of lease	Carrying value 2013 $'000	Carrying value 2012 $'000
Leasehold Property	Dongguan Jiu Jiang Shui Village, Chang Ping Town, Dong Guan City, Guangdong Province, China	Self use	32,000	50 years with effect from October 1, 2002	4,894	5,007

As at December 31, 2013, the Group was applying for the land use right certificate and property ownership certificates in respect of the leasehold property interest of $4,894,000 (2012 : $5,007,000) from the relevant China government authorities.

14 HELD FOR TRADING INVESTMENTS

	GROUP AND COMPANY	
	2013 $'000	2012 $'000
Quoted debt securities, at fair value	1,441	1,816

The investments above include investments in quoted debt securities that offer the Company the opportunity for return through interest income and fair value gains. They have no fixed maturity and have coupon rates ranging from 4.00% to 5.13% per annum. The fair values of these securities are based on closing quoted market prices at the end of the reporting period.

The held for trading investments are denominated in the functional currency of the Company.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current				
Club memberships at fair value:				
At January 1 and December 31	412	412	405	405

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
Current				
Quoted debt securities at fair value:				
At January 1	5,499	-	5,499	-
Additions	3	-	-	-
Disposals	(4,753)	-	(4,753)	-
Fair value adjustment	(27)	-	(27)	-
Reclassified from held-to-maturity investments	-	5,499	-	5,499
At December 31	722	5,499	719	5,499

In 2012, the Group and the Company reclassified its quoted debt securities from held-to-maturity investments to available-for-sale financial assets. The weighted average effective interest rate of the quoted debt securities is 3.88% (2012 : 3.56%) per annum. As at December 31, 2013, quoted debt securities of the Group and the Company have nominal values amounting to $753,000 (2012 : $5,500,000) and $750,000 (2012 : $5,500,000) respectively, with coupon rates ranging from 3.83% to 4.00% (2012 : 2.67% to 4.00%) per annum and maturing in 1 to 29 years (2012 : 2 to 30 years). The Group and the Company have intention to sell the quoted debt securities in the near term.

16 DEFERRED TAX

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

	Accelerated tax depreciation $'000	Tax losses $'000	Deferred expenditure $'000	Total $'000
GROUP				
At January 1, 2012	(10)	(71)	381	300
Charge (Credit) to profit or loss for the year (Note 28)	66	70	(29)	107
At December 31, 2012	56	(1)	352	407
Credit to profit or loss for the year (Note 28)	(69)	-	(5)	(74)
At December 31, 2013	(13)	(1)	347	333
COMPANY				
At January 1, 2012	4	-	-	4
Credit to profit or loss for the year	(2)	-	-	(2)
At December 31, 2012 and December 31, 2013	2	-	-	2

16 DEFERRED TAX (cont'd)

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

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred tax liabilities	335	410	2	2
Deferred tax assets	(2)	(3)	-	-

Subject to the agreement by the tax authorities in the relevant foreign tax jurisdictions in which the Group operates and conditions imposed by law, the Group has tax losses carryforwards available for offsetting against future taxable income as detailed below. In addition, the Singapore tax loss carryforwards are subject to the retention of majority shareholders as defined.

	GROUP	
	2013 $'000	2012 $'000
Unutilised tax losses		
As at January 1	20,136	18,097
Adjustment for prior years	1,732	103
Arising in current year	7,086	7,483
Exchange difference	426	(518)
Amount utilised (includes group relief)	(9,731)	(5,029)
As at December 31	19,649	20,136
Deferred tax benefit on above not recorded	4,519	4,590

No deferred tax asset has been recognised by the Group in respect of the tax losses amounting to $19,649,000 as at December 31, 2013 (2012 : $20,136,000) due to the unpredictability of future profits stream of the relevant subsidiaries.

The Group's tax loss carryforwards amounting to $13,878,000 (2012 : $13,658,000) are available for an unlimited future period. The remaining tax loss carryforwards amounting to $5,771,000 (2012 : $6,478,000) have a limited life ranging from 4 to 8 years (2012 : 5 to 9 years) to offset against future profits after which any unutilised amount will be foregone.

No deferred tax asset has been recognised by the Group in respect of unabsorbed capital allowances and temporary differences arising from difference in accounting and tax depreciation of $1,072,000 (2012 : $847,000) due to the unpredictability of future profits stream of the relevant subsidiaries. The use and expiry of these temporary differences are subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $1,255,000 (2012 : $873,000).

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

17 INTANGIBLE ASSETS

	GROUP $'000
Deferred development cost	
Costs:	
At January 1, 2012	18,758
Additions	2,238
At December 31, 2012	20,996
Additions	2,404
At December 31, 2013	23,400
Accumulated amortisation:	
At January 1, 2012	14,925
Amortisation for the year	2,554
At December 31, 2012	17,479
Amortisation for the year	2,458
At December 31, 2013	19,937
Carrying amount:	
At December 31, 2013	3,463
At December 31, 2012	3,517

The deferred development cost above has finite useful lives, and is amortised on a straight line basis. The amortisation period for development costs incurred is between one to three years. The amortisation of deferred development cost has been included under administrative expenses. As at December 31, 2013, the average remaining amortisation period of the intangible assets is 2 years (2012 : 2 years).

The recoverable amount of the development cost relating to each product is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. 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 product. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares a discounted cash flow forecast for three years from the end of the reporting period based on an estimated growth rate of 0% to 10% (2012 : 5% to 20%) per annum for the different product categories. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 5% (2012 : 5%) per annum.

18 BORROWINGS

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current:				
Unsecured				
Bills payable	11,555	10,980	-	-
Export trade loans	27,873	10,604	-	-
Revolving loans	7,697	6,453	3,543	3,420
Term loans	538	1,513	-	-
Secured				
Vessel loans	1,673	3,938	-	-
	49,336	33,488	3,543	3,420
Non-Current:				
Unsecured				
Term loans	750	327	-	-
Secured				
Vessel loans	-	1,622	-	-
	750	1,949	-	-
Total borrowings	50,086	35,437	3,543	3,420
The borrowings are repayable as follows:				
On demand or within one year	49,336	33,488	3,543	3,420
In the second year	200	1,949	-	-
In the third year	550	-	-	-
	50,086	35,437	3,543	3,420
Less: Amount due for settlement within 12 months (shown under current liabilities)	(49,336)	(33,488)	(3,543)	(3,420)
Amount due for settlement after 12 months	750	1,949	-	-

18 BORROWINGS (cont'd)

1) Trade finance

The Group has banking facilities relating to bills discounted with recourse, trade bills payable, revolving credits, export trade loan and bank overdrafts of $92,330,000 (2012 : $76,546,000), of which $47,125,000 (2012 : $28,037,000) have been utilised as at December 31, 2013. These banking facilities are secured by a corporate guarantee from the Company. These banking facilities bear interest rates from 1.7% to 5.8% (2012 : 1.9% to 5.8%) per annum.

2) Term loans

The term loans comprise:

i) an amount of $2,186,000 denominated in HK$12,000,000 extended to a subsidiary of the Company on October 30, 2009. The loan bears interest at 1.75% per annum over HIBOR and is repayable in 60 monthly instalments commencing in November 2009 (2009 : HK$383,000, 2010 : HK$2,315,000, 2011 : HK$2,358,000, 2012 : HK$2,406,000, 2013 : HK$2,455,000 and 2014 : HK$2,083,000). The average effective interest rate for the loan is approximately 2.0% (2012 : 2.0%) per annum. As at December 31, 2013, the loan has an outstanding balance of $338,000 (2012 : $711,000) denominated as HK$2,083,000 (2012 : HK$4,538,000).

ii) an amount of $3,290,000 denominated as HK$20,000,000 extended to a subsidiary of the Company in October 2010. The loan bears interest at 2.5% per annum below HK dollar prime rate and is repayable in 12 quarterly instalments commencing in January 2011 (2011 : HK$6,400,000, 2012 : HK$6,400,000 and 2013 : HK$7,200,000). The average effective interest rate for the loan is approximately 2.8% (2012 : 2.8%) per annum. The loan was fully repaid as at December 31, 2013 (2012 : outstanding balance of $1,129,000 denominated as HK$7,200,000).

iii) an amount of $1,000,000 extended to a subsidiary of the Company in August 2013 and November 2013 in 2 equal trenches. The loan bears interest at 2% per annum above UOB swap rate and is repayable in 12 equal quarterly instalments of $50,000 till August 2016, with the remaining balance to be repaid in a lump-sum repayment in September 2016 (2013 : $50,000, 2014 : $200,000, 2015 : $200,000 and 2016 : $550,000). The average effective interest rate for the loan is approximately 2.4% per annum. As at December 31, 2013, the loan has an outstanding balance of $950,000.

3) Vessel loans

i) A loan of approximately $16,994,000 denominated as US$11,732,000 was extended to a subsidiary of the Company to purchase 2 tug boats and 6 barges in 2008 and 2009. The loan bears interest at 1.85% per annum over USD SIBOR and is repayable over 5 years commencing in May 2009 (2009 : US$1,391,000, 2010 : US$2,831,000, 2011 : US$1,923,000, 2012 : US$1,923,000, 2013 : US$2,520,000 and 2014 : US$1,144,000). The vessel loan is secured by first priority mortgage over the vessels and a corporate guarantee from the Company. The average effective interest rate for the loan is approximately 2.1% (2012 : 2.2%) per annum. As at December 31, 2013, the outstanding balance of the vessel loan was $1,448,000 (2012 : $4,475,000) denominated as US$1,144,000 (2012 : US$3,664,000).

ii) A loan of approximately $1,920,000 was extended to a subsidiary of the Company to purchase a tug boat in 2009. The loan bears a fixed interest rate of 5.0% per annum and is repayable in 48 equal monthly instalments commencing in December 2009 (2009 : $40,000, 2010 : $480,000, 2011 : $480,000, 2012 : $480,000 and 2013 : $440,000). The vessel loan is secured by first priority mortgage over the vessel of carrying amount of approximately $1,816,000 (2012 : $1,904,000) and a corporate guarantee from the Company. The average effective interest rate for the loan is approximately 5.0% (2012 : 5.0%) per annum. The vessel loan was fully repaid as at December 31, 2013 (2012 : outstanding balance of $440,000).

18 BORROWINGS (cont'd)

iii) A loan of approximately $1,520,000 extended to a subsidiary of the Company to purchase a barge in 2010. The loan bears fixed interest rate at 5.0% per annum and is repayable in 48 equal monthly instalments commencing in January 2011 (2011 : $420,000, 2012 : $455,000, 2013 : $420,000 and 2014 : $225,000). The vessel loan is secured by first priority mortgage over the vessel of carrying amount of approximately $2,864,000 (2012 : $2,989,000) and a corporate guarantee from the Company. The average effective interest rate for the loan is approximately 5.0% (2012 : 5.0%) per annum. As at December 31, 2013, the vessel loan has an outstanding balance of $225,000 (2012 : $645,000).

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
GROUP				
Amounts payable under finance leases:				
Within one year	131	-	117	-
In the second to fifth years inclusive	493	-	436	-
Less: future finance charges	(71)	-	-	-
Present value of lease obligations	553	-	553	-
Less: amount due for settlement within 12 months (shown under current liabilities)			(117)	-
Amount due for settlement after 12 months			436	-
COMPANY				
Amounts payable under finance leases:				
Within one year	22	-	20	-
In the second to fifth years inclusive	90	-	79	-
Less: future finance charges	(13)	-	-	-
Present value of lease obligations	99	-	99	-
Less: amount due for settlement within 12 months (shown under current liabilities)			(20)	-
Amount due for settlement after 12 months			79	-

19 FINANCE LEASES (cont'd)

During the year, the Group and the Company acquired certain motor vehicles under finance leases. The leases bear an average interest rate of 2.6% per annum and are repayable over an average lease term of 5 years. Interest rates are fixed at the contract dates, and thus expose the Group and the Company to fair value interest rate risk. All leases are on a fixed repayment basis with no arrangements entered into for contingent rental payments.

As at December 31, 2013, the Group's and the Company's obligations under finance leases are secured by the lessors' title to the motor vehicles, recorded within property, plant and equipment (Note 13), with net carrying values of $1,090,000 and $202,000 respectively.

The fair value of the Group's and the Company's lease obligations approximate their carrying amounts and were denominated in the functional currency of the respective entities.

20 TRADE PAYABLES

	GROUP	
	2013 $'000	2012 $'000
Outside parties	30,662	29,360

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

21 OTHER PAYABLES

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Subsidiaries (Notes 5 and 12)	-	-	20,995	26,804
Accrued expenses	4,581	3,023	691	224
Customer deposits	1,337	600	-	-
Other payables	873	1,136	5	715
Total	6,791	4,759	21,691	27,743

22 SHARE CAPITAL

	GROUP AND COMPANY			
	2013 '000	2012 '000	2013 $'000	2012 $'000
	Number of ordinary shares			
Issued and paid up:				
At January 1	510,094	510,077	121,450	121,447
Exercise of warrants	-	17	-	3
At December 31	510,094	510,094	121,450	121,450

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

22 SHARE CAPITAL (cont'd)

The Aztech Group Employee Share Option Scheme 2000 ("ESOS 2000") was approved and adopted at the Company's Extraordinary General Meeting ("EGM") held on March 10, 2000.

The new shares ranked pari passu in all respects with existing shares of the Company.

On November 24, 2009, the Company allotted 81,272,000 rights shares with 81,272,000 warrants ("Warrants 2012") at an issue price of $0.125 for each rights share on the basis of one rights share with one warrant for every five existing shares. Each warrant entitles the warrant holder to subscribe for one new ordinary share of the Company at an exercise price of $0.20 per share. The warrants have an exercise period of 3 years from November 24, 2009 to November 23, 2012. In 2012, 17,010 new ordinary shares were issued from the conversion of warrants. The warrants expired on November 23, 2012. As at December 31, 2013 and December 31, 2012, there were no outstanding warrants.

23 TREASURY SHARES

	GROUP AND COMPANY			
	2013	2012	2013	2012
	'000	'000	$'000	$'000
	Number of ordinary shares			
At beginning of the year	24,001	23,801	5,894	5,875
Repurchased during the year	-	200	-	19
At end of the year	24,001	24,001	5,894	5,894

In 2012, the Company acquired 200,000 of its own shares through purchases on the Singapore Exchange Securities Trading Limited. The total amount paid to acquire the shares was $19,000 and has been deducted from the shareholders' equity. The shares are held as "treasury shares". No share buyback was made during the year ended December 31, 2013.

24 EMPLOYEE SHARE BASED COMPENSATION RESERVE

Equity-settled share option scheme

ESOS 2000 was approved and adopted at the Company's EGM held on March 10, 2000 and expired on March 9, 2010.

The Company has a share option scheme for all employees of the Group. The scheme is administered by the Remuneration Committee. Options are exercisable at price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the 5 market days preceding the date of grant. The vesting period is 1 to 2 years. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

24 EMPLOYEE SHARE BASED COMPENSATION RESERVE (cont'd)

Details of the share options outstanding at the end of the reporting period are as follows:

	GROUP AND COMPANY			
	2013		2012	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at January 1	6,301,036	0.138	7,506,445	0.165
Cancelled during the year	-	-	(690,369)	0.410
Lapsed during the year	(6,301,036)	0.138	(515,040)	0.170
Outstanding at December 31	-	-	6,301,036	0.138
Exercisable at December 31	-	-	6,301,036	0.138

There were no share options exercised during 2012 and 2013. The options outstanding as at December 31, 2012 had a weighted average remaining contractual life of 1 year. These options have expired during the year ended December 31, 2013.

Date of grant of options	Expiry date	Exercise price	Options outstanding 2013	Options outstanding 2012
August 28, 2008	August 28, 2013	$0.185	-	1,095,833
August 28, 2008	August 28, 2013	$0.160 ("A") $0.128 ("B")	-	5,205,203
			-	6,301,036

There were no options granted during 2012 and 2013.

During the year, no share based payment expenses related to equity-settled share-based payment transactions (2012 : Nil) were recognised by the Group and the Company. Options granted on August 28, 2008 had expired on August 28, 2013 and share based payment expenses in relation to the options outstanding totalling $613,000 were reclassified from the employee share-based compensation reserve to the accumulated losses.

In 2012, options granted on July 27, 2007 had expired on July 27, 2012 and the share based payment expenses in relation to the options outstanding totalling $222,000 were reclassified from the employee share-based compensation reserve to the accumulated losses.

25 REVENUE

	GROUP	
	2013	2012
	$'000	$'000
Sales of electronic products	164,151	150,942
Supply of construction materials	71,445	67,777
Marine logistic services	2,950	1,420
Sales of food products	2,600	3,466
	241,146	223,605

26 OTHER OPERATING INCOME

	GROUP	
	2013	2012
	$'000	$'000
Rental income	159	1,539
Interest income	292	389
Fair value gains on derivative financial instruments	979	-
Fair value gains on held for trading investments	-	56
Gain on disposal of held for trading investments	1	-
Gain on disposal of available-for-sale financial assets	74	-
Gain on disposal of property, plant and equipment	94	152
Scrap sales	135	130
Net foreign exchange gain	-	3,738
Write back on impairment on insurance recoverable	-	177
Others	437	484
Total	2,171	6,665

27 FINANCE COSTS

	GROUP	
	2013	2012
	$'000	$'000
Bank charges	382	338
Interest expense for:		
Bills payable and short-term trade loans	599	532
Finance leases	4	-
Vessel loans	96	134
Revolving loans, term loans and bank loans	189	347
Total	1,270	1,351

28 INCOME TAX

	GROUP	
	2013 $'000	2012 $'000
Current tax		
- incurred in foreign jurisdictions	1,050	892
- under provision in prior years	60	17
Deferred tax		
- (credit) charge relating to the origination or reversal of temporary differences	(11)	107
- over provision in prior years	(63)	-
Income tax expense for the year	1,036	1,016

Domestic income tax is calculated at 17% (2012 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	GROUP	
	2013 $'000	2012 $'000
Profit before income tax	7,506	1,246
Income tax expense of statutory rate	1,276	212
Effects of different tax rates of overseas subsidiaries	14	142
Income exempt from taxation	(139)	(347)
Effects of tax concession	(67)	(43)
Losses from operations not subject to tax	297	489
Non-allowable items	561	463
Deferred tax benefit arising in current year not recognised	135	161
Utilisation of deferred tax benefits previously not recognised	(1,039)	(140)
Under provision of current tax in prior years	60	17
Over provision of deferred tax in prior years	(63)	-
Others	1	62
Total income tax expense	1,036	1,016

29 NET PROFIT FOR THE YEAR

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

	GROUP	
	2013 $'000	2012 $'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	4,980	4,989
Amortisation of intangible assets	2,458	2,554
Impairment of vessels	450	-
Total depreciation, amortisation and impairment costs	7,888	7,543
Directors' remuneration:		
of the Company	1,705	1,412
of subsidiaries	295	328
Directors' fees:		
Directors of the Company	315	315
Total	2,315	2,055
Employee benefits expense (including Directors' remuneration):		
Staff costs (including Directors' remuneration)	12,014	12,178
Defined contributions plans	877	685
Total employee benefits expense	12,891	12,863
Net foreign exchange loss (gain)	1,188	(3,738)
Gain on disposal of held for trading investments	(1)	-
Gain on disposal of available-for-sale financial assets	(74)	-
Fair value (gain) loss on derivative instruments	(979)	9
Gain on disposal of property, plant and equipment	(94)	(152)
Fair value loss (gain) on held for trading investments	125	(56)
Cost of inventories recognised as an expense	189,415	187,497
Audit fees paid to auditors:		
Auditors of the Company	254	233
Other auditors	141	121
Non-audit fees paid to auditors:		
Auditors of the Company	98	89

30 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 data:

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	486,093	486,153
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	486,093	486,153
Earnings		
Net profit attributable to owners of the Company ($'000)	6,470	230
Basic earnings per share (cents)	1.33	0.05
Effect of dilutive potential ordinary shares:		
Share options	-	-
Fully diluted earnings per share (cents)	1.33	0.05

There are no outstanding options as at December 31, 2013. The outstanding number of options of 6,301,036 as at December 31, 2012 had not been included in the calculation of diluted profit per share in 2012 because they were anti-dilutive for the financial year presented.

31 DIVIDEND

The Directors proposed a tax exempt one-tier first and final dividend of 0.75 cents per share amounting to $3,650,000, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company, be paid in respect of the financial year ended December 31, 2013. The proposed dividends have not been accrued as a liability in these financial statements. No dividends have been paid during the financial year ended December 31, 2013 and 2012.

32 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Operating lease commitments

The Group as lessee

	GROUP	
	2013 $'000	2012 $'000
Minimum lease payments under operating leases included in the profit or loss	1,807	2,561

32 CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for office and factory were as follows:

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Future minimum lease payments payable:				
Within one year	1,579	450	878	1,155
In the second to fifth years inclusive	1,994	134	125	1,091
Total	3,573	584	1,003	2,246

Operating lease payments represents rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

The Group as lessor

The Group and the Company sublet its leased property in Singapore under operating leases. Property rental income earned during the year was $159,000 (2012 : $1,539,000).

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

	GROUP AND COMPANY	
	2013 $'000	2012 $'000
Within one year	-	161
In the second to fifth year inclusive	-	-
	-	161

(b) Contingent liabilities

The Company has given undertakings to provide continuing financial support to certain of its subsidiaries with capital deficiencies amounting to $51,093,000 (2012 : $44,642,000) to enable them to continue as going concern and to meet their obligations for at least 12 months from the date of this report.

Legal proceeding with a subtenant of Aztech Building

In 2011, a subtenant of Aztech Building had filed legal proceedings against the Company to claim for damages to its inventory caused by a burst in the condenser pipe in Aztech Building. Total claim amounted to $1,050,000 (2012 : $725,822) of which 90% are covered under the Company's insurance policy. The legal proceeding on liability was decided in favour of the claimant and the quantum of liability is yet to be determined by the Court. Management had made a provision of $105,000 (2012 : $72,000), being the remaining 10% not covered by the insurance policy.

32 CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

Arbitration proceeding with a ship owner

In 2011, a subsidiary of the Group entered into a contract of affreightment (the "contract") with a disponent ship owner (the "ship owner"). The contract was terminated on February 17, 2012 and on March 9, 2012, the subsidiary filed a notice of arbitration to claim for, *inter alia*, despatch monies and/or damages amounting to US$447,011 (equivalent to $545,353) and further for damages for the breach of contract.

On August 21, 2012, the ship owner filed a statement of defense and counterclaim for damages for alleged for wrongful termination of contract which the ship owner quantified at US$718,032 (equivalent to $875,099), alleged net demurrage costs of US$473,902 (equivalent to $578,160) and alleged repair costs in the sum of US$37,919 (equivalent to $46,261).

In the current year, the subsidiary has amended its claim first to remove its further claim for breach of contract and then to clarify that it is pending to the commercial context of the contract. The ship owner reduced its claim of damages for wrongful termination to US$423,360 (equivalent to $535,720) and increased its claim for repair costs to US$54,469 (equivalent to $68,925). The arbitration proceedings are still ongoing. No provision has been recognised as the outcome of the arbitration proceedings are presently unknown and the ship owner's claims are disputed.

(c) Pursuant to a land use right agreement dated June 15, 2002, a subsidiary of the Company is committed to pay to the local authority in China the land management fee of approximately $20,000 (RMB 100,000) per annum with an increment rate of 10% every five years till September 30, 2052.

The subsidiary is committed to an additional $10,000 (RMB 50,000) per annum with an increment rate of 10% every five years till 2057, in accordance to an additional land use right agreement dated April 6, 2007.

33 SEGMENT INFORMATION

(a) Reportable segments

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on the types of goods supplied and services provided.

Electronics – Design, develop, manufacture and market data communication, voice communication, multimedia and LED lighting products.

Materials Supply – Supply and procurement of construction building materials.

Marine Logistics – Ownership, chartering, operation and management of sea going vessels and provision of marine transportation services.

Food & Beverage – Food distribution business.

Information regarding the Group's reportable segments is presented below. The measurement basis of the Group's reportable segments is in accordance with its accounting policy.

33 SEGMENT INFORMATION (cont'd)

	Electronics $'000	Materials supply $'000	Marine logistics $'000	Food & Beverage $'000	Inter-segment elimination $'000	Group $'000
2013						
Revenue	164,170	71,445	49,008	2,614	(46,091)	241,146
Cost of sales	(138,914)	(68,700)	(45,706)	(2,140)	46,077	(209,383)
Gross profit	25,256	2,745	3,302	474	(14)	31,763
Other operating income	2,536	1,079	778	6	(2,228)	2,171
Selling and distribution costs	(4,786)	(1,177)	-	(280)	-	(6,243)
Administrative expenses	(14,096)	(2,240)	(2,342)	(1,222)	985	(18,915)
Finance costs	(882)	(246)	(1,369)	(30)	1,257	(1,270)
Profit (Loss) before income tax	8,028	161	369	(1,052)	-	7,506
Income tax	(1,099)	-	63	-	-	(1,036)
Net profit (loss) for the year	6,929	161	432	(1,052)	-	6,470
Segment assets	131,226	66,938	67,246	8,346	(100,184)	173,572
Segment liabilities	(73,796)	(53,086)	(117,838)	(8,966)	164,762	(88,924)
Other segment information						
Additions to non-current assets	5,402	1,474	663	1,397	-	8,936
Depreciation and amortisation expenses	4,733	139	2,444	122	-	7,438
Allowance for inventory obsolescence	382	-	-	4	-	386
Impairment of vessels	-	-	450	-	-	450
2012						
Revenue	150,942	67,777	9,444	3,466	(8,024)	223,605
Cost of sales	(128,382)	(64,234)	(17,067)	(2,875)	8,024	(204,534)
Gross profit (loss)	22,560	3,543	(7,623)	591	-	19,071
Other operating income	6,547	1,088	1,322	(38)	(2,254)	6,665
Selling and distribution costs	(4,735)	(1,739)	-	(230)	-	(6,704)
Administrative expenses	(13,245)	(1,978)	(1,901)	(293)	982	(16,435)
Finance costs	(834)	(283)	(1,494)	(12)	1,272	(1,351)
Profit (Loss) before income tax	10,293	631	(9,696)	18	-	1,246
Income tax	(940)	-	(76)	-	-	(1,016)
Net profit (loss) for the year	9,353	631	(9,772)	18	-	230
Segment assets	175,493	48,214	67,068	4,828	(148,166)	147,437
Segment liabilities	(129,953)	(34,523)	(118,092)	(4,371)	216,591	(70,348)
Other segment information						
Additions to non-current assets	3,946	-	2,135	119	-	6,200
Depreciation and amortisation expenses	5,310	-	2,228	5	-	7,543
Allowance for inventory obsolescence	141	-	-	-	-	141
Impairment of vessels	-	-	-	-	-	-

33 SEGMENT INFORMATION (cont'd)

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	GROUP	
	2013	2012
	$'000	$'000
ODM/OEM Sales	58,707	44,622
Contract manufacturing	69,517	80,178
Retail distribution	35,927	26,142
Supply and procurement of construction building materials	71,445	67,777
Chartering and other logistics services	2,950	1,420
Food distribution	2,600	3,466
	241,146	223,605

(b) Geographical information

The Group operates in two principal geographical areas – Singapore and China.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Singapore	112,908	116,711	49,422	48,095
China	125,302	103,008	8,976	9,193
Others	2,936	3,886	15	22
Total	241,146	223,605	58,413	57,310

(c) Information about major customers

The Group's customer base is diversified and includes 3 (2012 : 2) customers with whom transactions have exceeded 10% of the Group's revenues. In 2013, revenues generated from these customers amounted to approximately $125.25 million (2012 : $99.23 million). Details of concentration of credit risk arising from these customers are set out in Note 4.

34 EVENTS AFTER THE REPORTING PERIOD

Legal proceeding with a customer

In 2011, a customer of the subsidiary of the Group filed legal proceeding for alleged defects in electronic products which were delivered between 2007 and 2009. Total losses to the customer have been estimated at US$0.73 million (equivalent to $0.89 million) and the amount is being claimed against the subsidiary of the Group.

On January 2, 2014, the Court dismissed the action with costs to be taxed or agreed and paid by Plaintiff.

34 EVENTS AFTER THE REPORTING PERIOD (cont'd)

Collision between Group's vessel and third party vessel

On January 29, 2014, a third party vessel, NYK Themis struck the port bow of the Group's barge, AZ Fuzhou. NYK Themis' hull was torn resulting in spillage of bunker fuel into the sea. The Group's underwriters, Shipowners Club has taken charge of the matter. As part of their usual protocol, they have appointed surveyors and lawyers to handle the claim. No provision has been recognised as the Group's position is that the vessel NYK Themis collided into our anchored vessel despite being warned and the outcome of the matter is presently unknown.

35 RECLASSIFICATION AND COMPARATIVE FIGURES

During the year, certain amendments were made to line items within the consolidated statement of financial position and the related notes to the financial statements, to enhance the presentation of the assets of the Group. As a result, comparative figures have been reclassified to be consistent with the current financial year's financial statements.

The items reclassified were as follows:

	GROUP	
	Previously reported	After reclassification
	2012 $'000	2012 $'000
Current:		
Other receivables and prepayment	5,176	4,513
Non-Current:		
Other receivables and prepayment	-	663

ANALYSIS OF SHAREHOLDINGS
As at 17 March 2014

NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARES)	:	486,092,846
NUMBER/PERCENTAGE OF TREASURY SHARES	:	24,001,000 (4.94%)
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES)	:	ONE VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	150	1.39	5,372	0.00
1,000 - 10,000	6,843	63.38	28,409,183	5.85
10,001 - 1,000,000	3,774	34.95	199,948,951	41.13
1,000,001 & ABOVE	30	0.28	257,729,340	53.02
TOTAL	10,797	100.00	486,092,846	100.00

TOP TWENTY SHAREHOLDERS AS AT 17 MARCH 2014	NO. OF SHARES	%
MUN HONG YEW	116,305,663	23.93
DBS NOMINEES PTE LTD	26,594,078	5.47
NG SOK CHENG	14,746,168	3.03
UNITED OVERSEAS BANK NOMINEES PTE LTD	14,732,800	3.03
OCBC NOMINEES SINGAPORE PTE LTD	8,848,700	1.82
HSBC (SINGAPORE) NOMINEES PTE LTD	8,373,016	1.72
DBS VICKERS SECURTIES (S) PTE LTD	7,957,200	1.63
NEO AIK SOO	6,418,000	1.32
OCBC SECURITIES PRIVATE LTD	5,890,148	1.21
TAY KONG HO	5,000,000	1.03
FOO FONG G	4,688,000	0.97
NG AH KAU @ NG KIM POH	4,403,039	0.91
CHIA HEOK MIIN	3,826,000	0.79
AVS TECHNOLOGIES PTE LTD	3,636,000	0.75
UOB KAY HIAN PTE LTD	3,540,600	0.73
PHILLIP SECURITIES PTE LTD	2,626,916	0.54
LIM GUAN TECK	2,400,000	0.49
BRAHMANA KARTA SAKRI OR SUDRIANI SAKRI	2,050,000	0.42
MAYBANK KIM ENG SECURITIES PTE LTD	2,034,012	0.42
BANK OF SINGAPORE NOMINEES PTE LTD	1,704,000	0.35
	245,774,340	50.56

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	
	DIRECT INTEREST	DEEMED INTEREST
MUN HONG YEW*	116,305,663	3,636,000

* Note:
Mun Hong Yew is deemed to have an interest in 3,636,000 shares held by AVS Technologies Pte Ltd, where he is a Director and Shareholder.

RULE 723
As at 17 March 2014, approximately 73.80% of the shareholding was held in the hands of the public. As such, Rule 723 is complied with.

Notice of Annual General Meeting

AZTECH GROUP LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 198601642R

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of AZTECH GROUP LTD will be held at 10 Eunos Road 8, Level 5, Theatrette, Singapore Post Centre, Singapore 408600 on Friday, April 25, 2014 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended December 31, 2013 together with the Directors' Report and Auditors' Report thereon.
[Resolution 1]

2. To declare a final one-tier tax exempt dividend of S$0.0075 per share for the financial year ended December 31, 2013.
[Resolution 2]

3. To approve Directors' fees of S$315,000 for the financial year ending December 31, 2014. (2013 : S$315,000)
[Resolution 3]

4. To re-elect Mr Khoo Ho Tong under Section 153 of the Companies Act as a Director.
[Resolution 4]

5. To re-elect Mr Philip Tan Tee Yong who is retiring under Article 107 of the Articles of Association as a Director.
[Resolution 5]

6. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.
[Resolution 6]

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

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

8. That authority be and is hereby given to the Directors to:

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

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

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

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares excluding treasury Shares at the time this Resolution is passed, after adjusting for:

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

(ii) any subsequent bonus issue or consolidation or subdivision of Shares;

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

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

[Resolution 7]

9. THAT :-

(a) for the purposes of Sections 76C and 76E of the Companies Act (Cap. 50) ("Companies Act"), the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Shares"), not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-

(i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable;

be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:-

(i) the date on which the next annual general meeting of the Company is held or required by law to be held (unless renewed at such meeting);

(ii) the date on which the Share purchases are carried out to the full extent mandated; or

(iii) the time when the authority conferred by the Share Buyback Mandate is revoked or varied by the shareholders of the Company in general meeting.

(c) in this Resolution:-

"Prescribed Limit" means ten per cent (10%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares;

where:-

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[Resolution 8]

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2014, for the preparation of final dividend warrants. The final one-tier exempt dividend of S$0.0075 per share for the financial year ended 31 December 2013 will be paid on 20 May 2014.

Duly completed transfers received by the Company's Share Registrar, B.A.C.S. Pte Ltd of 63 Cantonment Road, Singapore 089758, up to close of business at 5 p.m. on 5 May 2014 will be registered to determine shareholders' entitlement to the said dividend. Members whose securities accounts with the Central Depository (Pte) Limited are credited with shares at 5 p.m. on 5 May 2014 will be entitled to the said dividend.

By Order of the Board

Ms Pavani Nagarajah
Company Secretary
April 10, 2014
Singapore

Notes:

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's registered office at 31 Ubi Road 1, #09-01, Singapore 408694 at least 48 hours before the time of the Meeting.

(ii) Resolution 3 is to facilitate payment of Directors' fees during the financial year in which the fees are incurred. The Directors' fees will be paid in 4 equal installments on a quarterly basis, within 30 days of the end of each quarter. The aggregate amount of Directors' fees provided in the resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending December 31, 2014 ("FY 2014"). Should any of the other Directors hold office for only part of FY 2014 and not the whole of FY 2014, the Director's fee payable to him will be appropriately pro-rated.

(iii) If re-elected under Resolution 4, Mr Khoo Ho Tong will remain the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered an independent director of the Company.

(iv) If re-elected under Resolution 5, Mr Philip Tan Tee Yong will remain the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committee and will be considered an independent director of the Company.

(v) Resolution 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50%, of which up to 20% may be issued other than on a pro rata basis to shareholders, of the issued shares (excluding treasury shares) in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision or shares.

(vi) Explanatory Statement to Ordinary Resolution 8

Resolution for the Renewal of the Share Buyback Mandate

SGX-ST assumes no responsibility for the correctness of any of the statements made, reported, contained or opinions expressed in this explanatory statement.

A. RATIONALE FOR THE SHARE BUYBACK MANDATE

Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Companies Act and the rules of the Listing Manual and such other laws and regulations as may be applicable.

It is a requirement of the Companies Act that before a company purchases or acquires its own shares, its articles of association must expressly permit the company to purchase or otherwise acquire the shares issued by it. Article 16 of the Articles empowers the Company to purchase or otherwise acquire any of its issued shares on such terms as the Company may think fit and in the manner prescribed by the Companies Act.

It is a requirement that a company which wishes to purchase or acquire its own shares should obtain approval of its shareholders to do so at a general meeting of its shareholders. Accordingly, approval is being sought from shareholders at the Annual General Meeting (the "AGM") for the Share Buyback Mandate.

If approved by the shareholders at the AGM, the authority conferred by the Share Buyback Mandate will continue in force until the earliest of:- the date on which the next AGM of the Company is held or is required by law to be held (unless renewed at such meeting); or the date on which the Share purchases are carried out to the full extent mandated; or the time when the authority conferred by the Share Buyback Mandate is revoked or varied by the shareholders in general meeting.

A share buyback is one of the ways in which the return on equity of a company may be improved, thereby increasing shareholder value. By obtaining the Share Buyback Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Share Buyback Mandate is in force.

The Share Buyback Mandate will also facilitate the return to the shareholders by the Company of surplus cash (if any) which is in excess of the Group's financial needs in an expedient and cost-effective manner.

The Directors further believe that Share purchases by the Company may help to mitigate short-term market volatility in the Company's Share price, off-set the effects of short-term speculation and bolster shareholders' confidence and employee morale.

If and when circumstances permit, the Directors will decide whether to effect the share purchases via market purchases or off-market purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. The Directors do not propose to carry out purchases pursuant to the Share Buyback Mandate to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Group.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full limit as authorised. The share purchases will not cause illiquidity or affect orderly trading of the Shares.

B. AUTHORITY AND LIMITS OF THE SHARE BUYBACK MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Buyback Mandate are summarised below:-

(a) Maximum Number of Shares

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate shall not exceed ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the last AGM of the Company held before the resolution authorising the Share Buyback Mandate is passed or as at the date on which the resolution authorising the Share Buyback Mandate is passed, whichever is the higher.

Purely for illustrative purposes, on the basis of 486,092,846 Shares (excluding treasury shares) in issue as at the Latest Practicable Date (17 March 2014) and assuming that no further Shares are issued on or prior to the AGM to be held on 25 April 2014, not more than 48,609,284 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate.

(b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the Share Buyback Mandate is approved up to the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held (unless the mandate is renewed at such meeting);

(ii) the date on which the share purchases are carried out to the full extent mandated; or
(iii) the time when the authority conferred by the Share Buyback Mandate is revoked or varied by the shareholders of the Company in general meeting.

The Share Buyback Mandate may be renewed at each AGM or other general meeting of the Company.

(c) Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be effected by the Company by way of:-

(i) on-market purchases ("Market Purchases"); and/or
(ii) off-market purchases, otherwise than on a securities exchange, in accordance with an "equal access scheme" as defined in Section 76C of the Companies Act ("Off-Market Purchases").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed dealers appointed by the Company for the purpose.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:-

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
(iii) the terms of all the offers are the same, except that there shall be disregarded:-

- differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
- (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
- differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under the Listing Manual, if the Company wishes to make an Off-Market Purchase, the Company will issue an offer document containing, inter alia, the following information to all shareholders:-

(i) the terms and conditions of the offer;
(ii) the period and procedures for acceptances; and
(iii) the information required under Rule 883(2), (3), (4), (5) and (6) of the Listing Manual, being:-
  a. the reasons for the proposed Share purchases;
  b. the consequences, if any, of Share purchases by the Company that will arise under the Take-over Code or other applicable takeover rules;
  c. whether the Share purchases, if made, could affect the listing of the Company's equity securities on the SGX-ST;
  d. details of any Share purchases made by the Company in the previous 12 months (whether market acquisitions or off-market acquisitions in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
  e. whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Maximum Purchase Price

The purchase price (excluding ancillary expenses such as brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares must not exceed the maximum price ("Maximum Price") as set out below:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:-

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

C. PURCHASED SHARES: CANCELLED OR HELD IN TREASURY

Shares which are purchased or acquired by the Company may be cancelled or held by the Company as treasury shares.

If the Shares are cancelled, the Shares will be automatically delisted from the SGX-ST and all rights and privileges attaching to those Shares will expire on cancellation and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase.

If the Shares are held as treasury shares and are subsequently sold, transferred, cancelled and/or used, the Company shall release an announcement stating the following:-
(a) date of the sale, transfer, cancellation and/or use;
(b) purpose of such sale, transfer, cancellation and/or use;
(c) number of treasury shares sold, transferred, cancelled and/or used;
(d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
(e) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
(f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

D. SOURCE OF FUNDS

The Company may, at its discretion, purchase Shares pursuant to the Share Buyback Mandate out of capital and/or out of distributable profits.

The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such an extent that the working capital position of the Group would be materially adversely affected.

The Company intends to use internal sources of funds and/or external borrowings to finance purchases or acquisitions of its Shares. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of the Shares pursuant to the proposed Share Buyback Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

E. SOLVENCY TEST

Under the Companies Act in force as at the Latest Practicable Date, we may not purchase Shares if we know that our Company is not solvent. For this purpose, a company is "solvent" if:

(a) the company is able to pay its debts in full at the time of the payment for the purchase and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment; and

(b) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase, become less than the value of its liabilities (including contingent liabilities) having regard to the most recent financial statements of the company and all other circumstances that the directors or managers of the company know or ought to know affect, or may affect, such values.

F. FINANCIAL EFFECTS

The Company's total issued share capital will be diminished by the total issue price of the Shares purchased or acquired by the Company if the Shares purchased or acquired are cancelled.

The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Group to fund the purchases or acquisitions.

Based on the existing issued and paid-up ordinary share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 10 per cent (10%) of its issued Shares will result in the purchase or acquisition of 48,609,284 Shares.

Assuming the Company purchases or acquires the 48,609,284 Shares at the Maximum Price, the maximum amount of funds required (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) is:-

(a) S$6.80 million in the case of Market Purchases of Shares based on S$0.140 per Share (being the price equivalent to five per cent (5%) above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date); and

(b) S$7.78 million in the case of Off-Market Purchases of Shares based on S$0.160 per Share (being the price equivalent to twenty per cent (20%) above the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date).

For illustrative purposes only, on the basis of the assumptions set out above, and based on the audited financial statements of the Group for the financial year ended December 31, 2013, and assuming that:-

(i) the Share Buyback Mandate had been effective on January 1, 2013;
(ii) the purchases or acquisitions of Shares are financed solely by internal resources;
(iii) the Company's net profit for the year was S$6.47 million as at December 31, 2013 and
(iv) the capital of the Company was S$121.45 million as at December 31, 2013,

the financial effects of the purchase or acquisition of such Shares by the Company on the audited financial statements of the Group for the financial year ended December 31, 2013 would have been as follows:-

Market Purchases	Group		Company	
As at December 31, 2013 *(in thousands)*	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Shareholders' Funds	S$ 84,648	S$ 77,843	S$ 68,692	S$ 61,887
Net Tangible Assets	S$ 81,185	S$ 74,380	S$ 68,692	S$ 61,887
Current Assets	S$ 115,157	S$ 108,352	S$ 8,475	S$ 4,435
Current Liabilities	S$ 87,403	S$ 87,403	S$ 25,254	S$ 28,019
Total Borrowings	S$ 50,639	S$ 50,639	S$ 3,642	S$ 3,642
Number of Shares	486,093	437,484	486,093	437,484
Financial Ratios				
NTA per Share (cents)	16.70	17.04	14.13	14.15
Earnings (Loss) per Share (cents)	1.33	1.48	(0.12)	(0.14)
Gearing (times)	0.60	0.65	0.05	0.06
Current Ratio (times)	1.32	1.24	0.34	0.16

Off Market Purchases As at December 31, 2013 *(in thousands)*				
Shareholders' Funds	S$ 84,648	S$ 76,871	S$ 68,692	S$ 60,915
Net Tangible Assets	S$ 81,185	S$ 73,408	S$ 68,692	S$ 60,915
Current Assets	S$ 115,157	S$ 107,380	S$ 8,475	S$ 4,435
Current Liabilities	S$ 87,403	S$ 87,403	S$ 25,254	S$ 28,991
Total Borrowings	S$ 50,639	S$ 50,639	S$ 3,642	S$ 3,642
Number of Shares	486,093	437,484	486,093	437,484
Financial Ratios				
NTA per Share (cents)	16.70	16.82	14.13	13.92
Earnings per Share (cents)	1.33	1.48	(0.12)	(0.14)
Gearing (times)	0.60	0.65	0.05	0.06
Current Ratio (times)	1.32	1.23	0.34	0.15

(1) Total borrowings comprise liabilities arising from borrowings from banks and other financial institutions, and outstanding debt securities.
(2) Gearing is computed based on the ratio of total borrowings to shareholders' funds.
(3) Current ratio is derived based on current assets divided by current liabilities.

For illustrative purposes, it has been assumed that the purchases or acquisitions of Shares are financed solely by internal resources. Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would also be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on, inter alia, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, inter alia, the number and price of the Shares purchased or acquired (if any). In particular, shareholders should note that the above analysis is based on the audited financial statements of the Group for the financial year ended December 31, 2013 and is not necessarily representative of future financial performance.

The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

G. REPORTING REQUIREMENTS UNDER THE COMPANIES ACT

Within 30 days of the passing of a shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority.

The Company shall notify the Accounting and Corporate Regulatory Authority within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include the following:

(a) the date of the purchase;
(b) the number of Shares purchased;
(c) the number of Shares cancelled;
(d) the number of Shares held as treasury shares;
(e) the Company's issued share capital before the purchase;
(f) the Company's issued share capital after the purchase;
(g) the amount of consideration paid by the Company for the purchase of the Shares; and
(h) whether the Shares were purchased out of the profits or the capital of the Company.

H. REQUIREMENTS IN THE LISTING MANUAL

Under Rule 884 of the Listing Manual, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five per cent (5%) above the average closing market price, being the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in section B (d) above, conforms to this restriction.

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the Listing Manual.

The Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s). However, as the Company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced.

Rule 723 of the Listing Manual requires a company to ensure that at least ten per cent (10%) of equity securities (excluding preference shares and convertible equity securities) in a class that is listed is held by public shareholders. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, the public float of the Company stands at 73.80%. If the Share Buyback Mandate is exercised in full, and a total of 48,609,284 Shares are purchased pursuant to the Share Buyback Mandate, the public float of the Company will be 70.89%. The Share Buyback Mandate will not affect the listing of the Company on SGX-

ST by reason of the public float of the Company being reduced to below 10% of the total issued share capital of the Company. The Share Buyback Mandate is also not expected to affect the orderly trading of the Company's Shares on the SGX-ST.

I. CERTAIN TAKE-OVER CODE IMPLICATIONS

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

(a) Obligation to Make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("Rule 14"). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company's issued share capital at that time, a shareholder or group of shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

(b) Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company.

(c) Effect of Rule 14 and Appendix 2

The circumstances under which shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such shareholder would increase to thirty per cent (30%) or more, or, if such shareholder holds between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Buyback Mandate.

Notice of Annual General Meeting

(d) Directors' and Substantial Shareholders' Interests

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date, the shareholdings of the Directors and of the Substantial Shareholders in the Company before and after the purchase of Shares pursuant to the proposed Share Buyback Mandate, assuming (i) the Company purchases the maximum amount of ten per cent (10%) of the issued ordinary share capital of the Company, and (ii) there is no change in the number of Shares held by the Directors and Substantial Shareholders or which they are deemed to be interested in, will be as follows:-

	---------------As at Latest Practicable Date-------------		
		Before Share Purchase	**After Share Purchase**
	Total Number of Shares in which interested (direct and deemed)	**% of Issued Shares [(1)]**	**% of Issued Shares [(1)]**
Directors			
Michael Mun Hong Yew [(2)]	119,941,663	24.675	27.416
Martin Chia Heok Miin	3,848,000	0.792	0.880
Jeremy Mun Weng Hung	1,044,000	0.215	0.239
Colin Ng Teck Sim	888,000	0.183	0.203
Philip Tan Tee Yong	600,000	0.123	0.137
Khoo Ho Tong	806,000	0.166	0.184
Substantial Shareholders			
Michael Mun Hong Yew [(2)]	119,941,663	24.675	27.416

Notes:-

(1) Based on an issued share capital (excluding treasury shares) of 486,092,846 Shares as at the Latest Practicable Date.

(2) As at the Latest Practicable Date, Michael Mun Hong Yew's aggregate interest of 119,941,663 Shares consists of 116,305,663 Shares which he holds directly and 3,636,000 Shares held by AVS Technologies Pte Ltd. Michael Mun Hong Yew is regarded as acting in concert with (i) his son Jeremy Mun Weng Hung who holds 1,044,000 Shares; (ii) his son Mun Weng Kai who holds 50,000 Shares; (iii) his son Mun Weng Hoe who holds 30,000 Shares; and (iv) his brother Mun Hon Pheng who holds 41,000 Shares as at the Latest Practicable Date, pursuant to the Take-over Code.

As at the Latest Practicable Date, none of the Directors or Substantial Shareholders will be obliged to make a mandatory take-over offer in the event that the Company purchased the maximum 10% of the issued Shares under the proposed Share Buyback Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a takeover offer as a result of any purchase of Shares by the Company pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the Securities Industry Council before they acquire any Shares in the Company during the period when the Share Buyback Mandate is in force.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

J. SHARES PURCHASED IN THE PREVIOUS 12 MONTHS

No purchases of Shares have been made by the Company in the 12 months preceding the date of this Notice.

K. RECOMMENDATION

The Directors are of the opinion that the proposed Share Buyback Mandate for the buyback by the Company of its Shares is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of the Resolution, being the ordinary resolution number 8 relating to the Share Buyback Mandate set out at page 129-130 of this Annual Report.

L. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Explanatory Statement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Explanatory Statement constitutes full and true disclosure of all material facts about the renewal of the Share Buyback Mandate, the issuer and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Explanatory Statement misleading. Where information in the Explanatory Statement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Explanatory Statement in its proper form and context.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

Aztech Group Ltd

PROXY FORM FOR ANNUAL GENERAL MEETING

No. of Shares held	

I/We ____

of ____

being a Member(s) of Aztech Group Ltd, hereby appoint Mr/Mrs/Ms

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy, to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the AGM of the Company, to be held at 10 Eunos Road 8, Level 5, Theatrette, Singapore Post Centre, Singapore 408600 on Friday, April 25, 2014, and at any adjournment thereof in the following manner:-

Resolution No.	Resolutions	FOR	AGAINST
1	To adopt the Audited Accounts, Director's Report and Auditors' Report		
2	To declare a final one-tier tax exempt dividend of S$0.0075 per share		
3	To approve the payment of Directors' Fees for FY 2014		
4	To re-elect Mr Khoo Ho Tong as a Director under Section 153 of the Companies Act		
5	To re-elect Mr Philip Tan Tee Yong as a Director under Article 107		
6	To re-appoint Auditors and authorise Directors to fix their remuneration		
7	To authorise Directors to issue Shares and/or instruments		
8	To renew Share Buyback Mandate		

If you wish to exercise all your votes For or Against, please tick with "√ ". Alternatively, please indicate the number of votes For or Against each resolution.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall, as in the case of any other business raised at the meeting, vote as the proxy deems fit.

As witness my/our hand(s) this ____________________ day of ____________________ 2014.

____

Signature of Shareholder

OR

The Common Seal of the company was hereunto affixed in the presence of :-

______________________________ ______________________________

Director Director/Secretary

IMPORTANT:
This Annual Report is forwarded to CPF Investors at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him.

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 percent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter or power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 31 Ubi Road 1, #09-01, Singapore 408694, not less than 48 hours before the time appointed for the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized.

7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

8. Please indicate with a "√ " in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

10. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

HEAD OFFICE

Aztech Group Ltd
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2288
Fax : (65) 6749 1198
www.aztech-group.com

OVERSEA OFFICES

HONG KONG
Aztech Systems (HK) Ltd
AZ e-lite (HK) Ltd
Room 2-6 3/F Core Building 1
No. 1 Science Park East Ave
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2757 1177
Fax : (852) 2481 5919

USA
Aztech Labs, Inc
3880 Decoto Road, #501
Fremont, CA 94555, USA
Tel : (1) (510) 647 6585
Fax : (1) (510) 647 6586

MALAYSIA
AZ-Technology Sdn Bhd
Unit 719 Block A Level 7
Kelana Business Centre
No. 97, Jalan SS7/2 Kelana Jaya
47301 Petaling Jaya
Malaysia
Tel : (60) (3) 7804 8450
Fax : (60) (3) 7804 8457

SHENZHEN
Aztech Trading Company Limited
Room B-C, 12/F, Jin Run Building
Junction of Shennan Road and
Tairan No. 9 Road
Futian District, Shenzhen, China
Tel & Fax: (86) (755) 2533 1117

GERMANY
Aztech Systems GmbH
c/o EBC European Business Center
Kreuzberger Ring 22
65205 Wiesbaden, Germany

PHILIPPINES
Aztech Electronics
609 Calderon Street, Addition Hills
Mandaluyong City, Philippines
Tel: (63) (2) 919 0024
Fax: (63) (2) 621 5519

R&D CENTRES

HQ R&D CENTRE
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2288
Fax : (65) 6749 1198

Hong Kong R&D CENTRE
Room 2-6 3/F Core Building 1
No. 1 Science Park East Ave
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : (852) 2757 1177
Fax : (852) 2481 5919

Dong Guan R&D CENTRE
Jiu Jiang Shui Village, Chang Ping
Town, Dong Guan City
Guang Dong Province, China
Tel : (86) (769) 8393 6688
Fax : (86) (769) 8393 1138

Shenzhen R&D CENTRE
Room B-C, 12/F, Jin Run Building
Junction of Shennan Road and
Tairan No. 9 Road
Futian District, Shenzhen, China
Tel & Fax: (86) (755) 2533 1117

MANUFACTURING FACILITIES

CHINA
Aztech Communication Device (DG) Ltd
Jiu Jiang Shui Village, Chang Ping
Town, Dong Guan City
Guang Dong Province, China
Tel : (86) (769) 8393 6688
Fax : (86) (769) 8393 1138

SUBSIDIARY - ELECTRONICS

Aztech Technologies Pte Ltd
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2288
Fax : (65) 6749 1198
www.aztech.com

SUBSIDIARY - LED LIGHTING

AZ e-lite Pte Ltd
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2277
Fax : (65) 6749 1198
www.azelite.com

SUBSIDIARY - MATERIALS SUPPLY

Az United Pte Ltd
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2162
Fax : (65) 6741 9773
www.azunited.com

SUBSIDIARY - MARINE LOGISTICS

Az Marine Pte Ltd
31 Ubi Road 1 #09-01
Singapore 408694
Tel : (65) 6594 2298
Fax : (65) 6741 9773
www.azmarine.com

SUBSIDIARY - FOOD DISTRIBUTION

Shiro Corporation Pte Ltd
Operations & Warehouse:
1 Senoko Avenue, #03-06/07
FoodAxis, Singapore 758297
Tel: (65) 6594 2233
Fax: (65) 6741 3083
www.shirocorp.com